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FILE TITLE:

POLICY

SERIES

Annex 1: Communications White Paper: A New Future for Communications

TELECOMMUNICATIONS

PART:

2

PART BEGINS:

31 AUGUST 2000

PART ENDS:

23 March 2001

23 MARCH 2001

CAB ONE:

LABOUR ADMINISTRATION

~~Part lost~~

PREM 49/2275

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T.S.O. Order No. N0064510 3/98 C5 59084

PART

CLOSED

DATE CLOSED	7 JUNE 2001
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Series : TELECOMMUNICATIONS
 File Title : POLICY
 Part : 2

Date	From	To	Subject	Class	Secret
	DTI		Annex 1 - A new future for communications	U	
31/08/2000	FST	MS/DETR	Telecommunications masts and the planning system	U	0
22/09/2000		DTI	From BT Press statement from OFTEL	C	0
06/10/2000	DTI	EA/PS	Reappointment of the Director general of Telecommunications	R	0
10/10/2000	EA/PS	DTI	Director General of Telecommunications	R	0
13/10/2000	MS/DTI	EA/PS	Local Loop Unbundling	U	0
17/10/2000	Cab Off	PS/SOC	Secure Mobile Telephones	C	0
24/10/2000	FA/PS	Finland/HMA	The CEO of Nokia	U	0
27/10/2000	PU	PM	Local Loop Unbundling and ADSL	U	0
14/11/2000	SS/DID	SS/CMS	Communications white paper policy agreement	R	0
21/11/2000	SS/CMS	PM	Communications white paper	U	0
22/11/2000	SS/WO	SS/CMS	Communications white paper policy agreement	R	0
22/11/2000	FCS	SS/CMS	Draft communications paper	C	0
22/11/2000	HS	SS/CMS	Communications white paper Policy agreement	C	0
29/11/2000	SS/CMS	FST	Communications white paper policy agreement	C	0
29/11/2000	FCS	SS/CMS	Communications white paper	C	0
29/11/2000	DETR	DTI	Telecommunications planning consultation	C	0
29/11/2000	SS/MOD	SS/CMS	Communications white paper	R	0
30/11/2000	HS	SS/CMS	Communications white paper	R	0
30/11/2000	SS/CMS	SS/SO	Communications white paper policy agreement	U	0
30/11/2000	SS/CMS	CDL	Communications White Paper	U	0
30/11/2000	EA/PS	DETR	Telecom Masts	R	0
01/12/2000	PU	PM	Communications white paper	R	0
01/12/2000	SS/SO	SS/CMS	Communications white paper: Further Policy Clearance	U	0
04/12/2000	CDL	SS/CMS	Draft Communications white paper: Consultation	U	0
04/12/2000	EA/PS	DCMS	Communications white paper	C	0
05/12/2000	SS/WO	SS/CMS	Communications White Paper: Further Policy Clearance	U	0
12/12/2000	SS/CMS	PM	Communication White Paper	U	0
13/12/2000	DETR	EA/PS	Telecom Masts	U	0
19/12/2000	DCMS	EA/PS	Communications White Paper: Creation of the Office of Communicat	U	0
20/12/2000	CST	PM	Planning and Telecommunications	R	0
28/12/2000	HA/PS	PM	Mobile Phone Masts	R	0
05/01/2001	EA/PS	HMT	Planning	C	0
05/01/2001	EA/PS	HMT	Planning and Telecommunications	R	0
14/02/2001			AEEU press release - AEEU & EXI telecoms partnership for up to 40	C	0
14/02/2001	SS/DTI		To Chris Gent, Vodafone: Significant Market Power in Negotiations	U	0
16/02/2001	MS/DETR	LP	The Siting and Development of Telecommunications Masts	U	0
19/02/2001	EA/PS	PM	Mobile Phone Masts	R	0
22/02/2001	DPM	PM	Mobile Phone Masts	R	0
01/03/2001	DETR	EA/PS	Voluntary Moratorium on locating mobile phone posts on school buil	R	0
01/03/2001	DETR	HMT	new planning arrangements for telecommunications	C	0
05/03/2001	LP	MS/DETR	PMB - Telecommunications Masts	U	0
07/03/2001	DoH	DETR	Announcing new Planning Arrangements for Telecommunications	U	0
14/03/2001	Cab Off	PPS	European Liberalisation of telecoms markets	C	0
20/03/2001	MS/DTI		To Orange: Level of regulation in the mobile sector	U	0
23/03/2001	PU	PM	BT	C	0

Published Papers

The following published document which was enclosed on this file has been removed and destroyed, and will be available elsewhere in The National Archives:

Cm 5010: A New Future for Communications
Stationery Office, December 2000 [ISBN 0-10-150102-1]

Signed AWayland Date 12/7/22

PREM Records Team

RESTRICTED

From: Geoffrey Norris
Date: 23 March 2001

PRIME MINISTER (Con)

cc: Jonathan Powell
Jeremy Heywood
Simon Virley
Nita Clarke

BT

I had a session with Peter Bonfield on Wednesday afternoon. He ran through why the telecoms industry is having a tough time, basically margins are being massively squeezed as a result of over capacity. From his comments he clearly believes BT's difficulties are simply part of the general problems of the telecoms sector. The squeeze on margins will continue for a time until demand gets back in line with investment. In the meantime investment in the sector will slump and some of the smaller companies will face serious problems. On BT, Bonfield ran through the need to scale back the company's debt, at yesterday's closing share price the company's market value is about equal to its current £30 billion of debts. The current depressed state of the market has made BT's previous strategy of selling assets to pay off the debt unattractive, instead he signalled a rights issue is likely along with some more limited sales. He indicated that the company's credit rating may be down graded and this would add £150 million to its £1 billion plus interest payment bill.

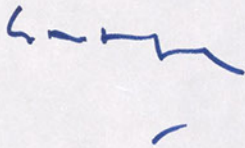
Bonfield outlined how BT is being restructured, breaking the business up into market focussed business units. The Government and OFTEL will have to approve this new structure and give the new BT an amended licence. He could see some of the units, such as the mobile phone business, being involved in mergers with other mobile phone operators in Europe, say Telefonica's mobile subsidiary, but he doesn't expect to see mergers between the telcos themselves (he doesn't think the politicians will allow them).

The big public policy issue is the future of BT's "wholesale" operation, the ownership of the infrastructure of fixed phone lines to homes and offices. The lines are used both by both BT's own retail customers, but also connect the networks and customers of other telcos (Vodafone is BT's largest single customer) to these homes and offices. BT's competitors and others argue that problems such as local loop unbundling show that BT's ownership of this infrastructure gives it the power to discriminate against its competitors.

RESTRICTED

BT is splitting its retail operation from this infrastructure. The infrastructure will stand as a separate company, possibly with some outside shareholders, but probably majority owned by BT. The Government and OFTEL will need to decide whether this partial separation is sufficient to avoid competition issues like local loop unbundling or whether we should try and push/incentivise BT into being more radical by selling a majority or all of its share in the infrastructure company. We will need to develop a coherent position on this issue over the next few months.

Bonfield said BT is working hard to keep employees fully informed about likely future developments. Bonfield said staff in Yellow Pages and the mobile phone business are happy about the prospect of being employed in more independent organisations. Others are less happy. The unions are particularly opposed to the introduction of decentralised collective bargaining and there is likely to be unhappiness about a big outsourcing initiative involving more than 20,000 employees. Bonfield didn't indicate an aggressive strategy towards the unions, but a reorganised, more market-focussed BT is unlikely to be as accommodating to the unions as BT is presently. This may lead to difficult times ahead for the CWU.



GEOFFREY NORRIS

Patricia Hewitt MP
Minister for Small Business and E-Commerce

SV
f
JTH
PU



Department of
Trade and Industry

1 Victoria Street
London
SW1H 0ET

Direct Line 020 7215 5144
Direct Fax 020 7215 5551

Enquiries 020 7215 5000
Minicom 020 7215 6740

c-mail
mpst.hewitt@dti.gsi.gov.uk

20 March 2001

Your Ref: 1494/PF/wjh

Dear Mr Franklin,

Thank you for your letter of 4 March in which you outline your concerns about the level of regulation, both existing and proposed, in the mobile sector.

You raise a number of points relating to Oftel's Competition Review of the mobile market. I have forwarded your letter to the David Edmonds, Director General of Oftel, so that he can respond directly to the points you have raised. I have asked him to send me a copy of his reply. May I urge you to take up any further issues you wish to raise either on the Mobile Market Review or on the Review of the Price Control on Calls to Mobiles directly with Oftel.

You have also raised concerns about the Government's position on proposals for legislation arising from the European Commission's 1999 communications review, in particular on the definition of significant market power (SMP) in the proposed Framework Directive. I fully agree with you on the need to avoid over-regulation in the electronic-communications sector when the new Community framework comes into force. That was a fundamental tenet of the Government's communications white paper, and it is also why the Government fully supports the Commission's approach of aligning SMP with the competition-law concept of dominance. This will ensure that regulation is targeted where it is appropriate, at undertakings with the ability to prevent the development of effective competition, to the ultimate detriment of consumers.

We also, of course, believe that *under*-regulation could be just as damaging to operators and consumers alike in permitting undertakings with market power to stifle the development of effective competition. It is in this context that the Government has concerns that there is not yet adequate Community case law on collective dominance to enable national regulatory authorities (NRAs) to act with certainty where a number of undertakings can jointly act anticompetitively. We believe that the Commission's proposal is simply inadequate in this respect. What is at issue is *not* the potential scope of regulation—action in such circumstances is clearly envisaged by the Commission, which believes that its own proposals already capture oligopolistic markets and are therefore sufficient to meet NRAs' needs. Our concern is to ensure that appropriate regulation can proceed on a sound legal footing, without the threat of lengthy referrals to the European courts for clarification. Such delays would do nothing for regulatory certainty, either for NRAs or for players in the market.

dti

franklin.doc

Department of Trade and Industry



Paul Franklin Esq

March 2001

The approach that the Government has adopted in negotiations is designed to provide exactly that certainty but without opening the door to inappropriate regulation. The UK will therefore continue to negotiate in Brussels to ensure that NRAs have the powers to act where necessary always, of course, coupled with the disciplines to ensure that they do so responsibly and appropriately.

I am also happy to meet you and my officials to discuss the matters raised in your letter, please contact my diary secretary, Danny Mason on 020 7215 6274, who will arrange a time convenient for us all.

Your sincerely,

PATRICIA HEWITT

FROM: Martin Donnelly
DATE: 14 March, 2001

(P)
JEREMY HEYWOOD

cc: Stephen Wall
Simon Virley
Roger Liddle

det. JS
RT

EUROPEAN LIBERALISATION OF TELECOMS MARKETS

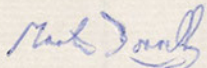
1. Concerns have been expressed that the increased competition caused by EU telecoms liberalisation plus the costs of buying new broad band access may lead to a lack of funds for investments in the strategic sector. Recent stock market falls have added to the anxiety.

2. I have spoken informally to Goldman Sachs and Morgan Stanley telecoms analysts. Their message is reassuring:

- almost all EU telecoms companies have a sufficiently strong asset base to continue funding expansion. There is no risk of bankruptcy;
- the types of funding used – the debt/equity mix – may well change. But this too is not a cause for concern.

So no justification for going slow on further market opening.

3. I am forwarding separately their more detailed analysis.


MARTIN DONNELLY
European Secretariat
Room 323 70W
☎ 270 0177



SV
cc: DN
PU

Ms Julie Burt
PS/Nick Raynsford
DETR
Eland House
London SW1E 5DU

Richmond House
79 Whitehall
London
SW1A 2NS
Tel: 020 7210 3000

07 MAR 2001

Dear Julie,

Thank you for copying to me your letter of 1 March to Claire Roberts (PS/Chancellor of the Exchequer) seeking agreement to a presentational strategy for announcing new planning arrangements for telecommunications.

The proposals agreed by EA in January are accurately reflected in the presentational strategy that you have set out, but handling needs to be considered carefully.

As you will be aware, the National Radiological Protection Board yesterday published a report which suggests that children exposed to certain levels of electromagnetic fields for prolonged periods could be at a very small, but increased, risk of leukemia. The EMFs at issue in the NRPB report are different in kind from those associated with mobile phones and mobile phone masts and the biological effects are different, so conclusions about links between mobile phone masts and cancer cannot necessarily be drawn. However, the media may well make the link anyway.

We will of course have Q&A ready to explain that mobile phone masts were not in fact covered in the report, that they operate on different frequencies from powerlines and household electrical equipment and that the biological effects are therefore different, but you can see the potential for confusion. My Minister is concerned that the public and media should be able to differentiate between telecommunication mast planning (an environmental planning matter) on the one hand, and the recent (health) announcements on EMFs and cancer on the other.

Clearly the fact that the announcement is not to take place until 16 March will help in terms of timing, but in addition my Minister is minded to decline the invitation to be a co-signatory to the letter to council leaders and therefore not to take media bids on the announcement. Officials here will be able to supply yours with detailed Q&A on possible health concerns.

I am copying this letter, as you did, to Private Secretaries to the Prime Minister, Deputy Prime Minister, Chancellor of the Exchequer, Mo Mowlam, Patricia Hewitt, Jacqui Smith, Steven Timms and Sir Richard Wilson.

Yours,
Paul

Paul Macnaught
PS/Yvette Cooper



The Rt Hon Margaret Beckett MP

PRIVY COUNCIL OFFICE
2 CARLTON GARDENS LONDON SW1Y 5AA

- 5 MAR 2001

Dear Nick,

es
cc: SV
PJ

PRIVATE MEMBERS BILL: TELECOMMUNICATIONS MASTS

Thank you for your letter of 21st February regarding the handling of Debra Shipley's Private Member's Bill.

The Bill would institute new controls on the siting of telecommunications masts.

You said that the Government should oppose the Bill. The Stewart Report on the health effects of mobile phones and their masts was published in May last year. In July, the Government published a consultation document on possible responses to Stewart, and is still analysing the comments received. It would be premature to legislate before this process is complete. Controls already exist, especially over larger masts and those in National Parks or other environmentally important sites.

You may take it that you have LP agreement to oppose the Bill. Arrangements will be made to block it if it reaches Second Reading.

I am copying this letter to the Prime Minister, members of LP Committee, Sir Richard Wilson and First Parliamentary Counsel.

Regards

Margaret

MARGARET BECKETT

Nick Raynsford MP
Minister for Housing and Planning
Department of the Environment, Transport
and the Regions

Restricted - Policy

FROM THE OFFICE OF THE RT HON NICK RAYNSFORD MP
MINISTER FOR HOUSING AND PLANNING



Claire Roberts
PS/Chancellor of the Exchequer
Parliament Street
LONDON
SW1P 3AG

DEPARTMENT OF THE ENVIRONMENT
TRANSPORT AND THE REGIONS

ELAND HOUSE
BRESSENDEN PLACE
LONDON SW1E 5DU

TEL: 020 7944 3013
FAX: 020 7944 4539
E-Mail: julie_burt@detr.gsi.gov.uk

WEB SITE: www.detr.gov.uk

- 1 MAR 2001

Dear Claire

This letter seeks agreement to a presentational strategy for announcing new planning arrangements for telecommunications. I would be grateful for urgent comments by close on Wednesday 7 March.

Following EA Committee's agreement on 20 December to proposals for new planning requirements for telecommunications development, the Prime Minister subsequently endorsed EA's approach but asked us to work up a detailed presentation and handling strategy, to be cleared with interested Departments, before an announcement was made. DETR Ministers believe this announcement should be made as soon as possible and we understand that the Prime Minister takes the same view. We are liaising with the Strategic Communications Unit (SCU) on timing.

I enclose our proposed presentational strategy. This comprises: suggested key messages for an announcement (annex A); proposed handling strategy (annex B); a draft PQ announcing our proposals (annex C); a draft Press Release (annex D); and a sheet of key facts and figures (annex E). These have been developed following consultation between officials in DETR and those in the Department of Health, the Department of Trade and Industry, and the Department for Education and Employment.

On the day of the announcement, Nick Raynsford will be available to brief the specialist media and to undertake TV and radio interviews. He feels that it would be helpful if Yvette Cooper could also be present at these briefings in order to address how the recommended precautionary approach and other Stewart recommendations on health are being taken forward. He would also be grateful if Jacqui Smith were able to make herself available to the media, as far as possible, to explain what schools can do if they are concerned about the exposure from base stations.

Nick Raynsford sees benefit in writing to all English MPs and Council leaders on the day of the announcement both to draw their attention to it and to explain more fully the Government's reasons for adopting this approach and giving some further background on such matters as current and planned research on health aspects. He feels that this should be a joint letter from him and Yvette

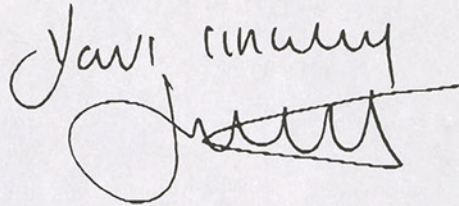


INVESTOR IN PEOPLE

Cooper (following the approach adopted in July 1999, when a joint letter to MPs and Council leaders was sent by Tessa Jowell and Richard Caborn).

- I would be grateful for any comments on the proposed presentational strategy by no later than Wednesday 7 March. DETR officials will be liaising with officials in OGDs about appropriate Q&A and background briefing.

I am copying this letter to the Private Secretaries to the Prime Minister, Deputy Prime Minister, Mo Mowlam, Patricia Hewitt, Yvette Cooper, Jacqui Smith, Steven Timms and Sir Richard Wilson.



JULIE BURT
PRIVATE SECRETARY

Annex A**KEY MESSAGES****The Key Messages are:**

- 40 million people use mobile phones. They can't work without the supporting masts. But masts must be sensitively sited and local people properly consulted.
- So we are greatly strengthening the planning arrangements to improve local consultation without hindering network development unnecessarily.
- Industry must deliver its 10 commitments for better local consultation.

Defensive

- Where local councils and local people are concerned about the siting of a mast, the authority will be able to reject applications on amenity grounds.
- We will continue to adopt a precautionary approach. We announced a £7 million research programme in December and will keep the position under review.

Narrative

- A modern communications system brings massive benefits to people and businesses alike.
- 60% of the UK population – around 40 million people – enjoy the benefits of mobile phone use.
- But mobile phones will not work without the supporting infrastructure. They need masts to work in places where people want to use them.
- Masts must be sensitively sited, the sharing of masts and sites maximised, and local people properly consulted.
- We are responding to public concerns about involvement in the planning process by improving the consultation requirements for siting of all masts so that they will be exactly the same as for full planning applications.
- This means giving authorities more time to consider proposals but with consent deemed to be granted if no decision after 56 days so that development is not delayed. This is because many authorities are failing to meet current Best Value national targets on timely processing of applications.
- Local authorities, as now, will still be able to refuse applications.
- To avoid that, it is essential that operators consult local authorities, local people, including schools and colleges, before submitting mast applications and develop solutions in partnership with them.
- Local authorities will have to consult school governors when new masts are proposed at or near schools.
- (We welcome the industry's publication of its 10 commitments for better consultation and good practice and will work to ensure that these commitments are carried forward.)
- There is no evidence of risk to public health from masts.

The only substantial established risk to health from mobile phone technology identified by the Stewart report, was through the increased incidence of motor vehicle accidents when drivers use mobile phones.

- The electric and magnetic fields generated by the main beam from a mast, at the point where the beam reaches ground level, are around 50-100 times smaller than those 2.2cm from the antenna of a phone. The heating effects from the main beam from a mast are typically 5000 times smaller than the maximum value 2.2cm from the antenna of a phone [*DTI – can you please confirm the above is correct, or, better still, suggest a simpler way to get across the same message*].
- Mobile phones save lives. They can be, and have frequently been, used to alert emergency services within moments of an accident – where ever that accident happens.
- The Stewart Report said that lack of public consultation is a major cause of grievance in people who suffer from loss of amenity when base stations are erected. It suggests that many feel excluded and disempowered by the current planning arrangements and that the resultant frustration can also have a negative effect on people's health and well being. For these reasons, the Group recommended that changes to the planning arrangements were necessary.
- Operators have undertaken to ensure that all mobile phone masts will meet international guidelines for limiting public exposure. We will underpin this commitment in a revised code of practice.
- If proposed mast development meets international exposure guidelines it should not be necessary for a planning authority to consider the health effects further in handling planning applications.
- Results from first audits of school sites in Bedfordshire, Cambridgeshire, Essex and two in Northamptonshire, indicate tiny exposure levels – one-thousandth or less than guideline levels. The results are on the Internet.
- While no evidence of health risks, Government accepts precautionary approach and will keep this area under constant review backed by a £7 million research programme. Results of this research will be shared with the public.

Annex B

MEDIA HANDLING

The national business media may welcome the announcement as removing an obstacle to mast development and economic growth, but national environment correspondents and the regional media could interpret the announcement as putting business interests before local public concerns about safety. The latter view is likely to be reinforced by the perception of a U-turn in Government policy. Most of the media are expecting full planning controls to apply since the Government, when it published its response to the Stewart Report, said that it was minded to introduce a requirement for full planning permission. The fact that the media are aware that the Devolved Administrations are likely to take the full planning control route could reinforce this impression.

It will be important in the build-up to the announcement to continue to rebut charges in the media and in Parliament that mobile phone masts pose a health risk and that the Government is not adopting a precautionary approach as recommended by the Stewart Report.

We should also proactively seek to brief the media that the first five audits of schools - that generate the biggest public concerns - indicate tiny exposure levels which, at the highest, is one thousandth of the level set by international exposure guidelines. The RA has just published the results of these first audits on its website.

DTI has offered to identify good examples of where local authorities understand that mobile phone technology is key to economic development and who work well with operators to facilitate the development of network infrastructure. These examples will be offered to the media.

Without compromising the confidential nature of the Government's announcement, it will be necessary to liaise with the industry, through the Federation of Electronic Industries, about the timing of the industry's 10 point plan for better public consultation. It will also be important to impress on the FEI the need to publicise its improved stance to public consultation through media interviews on the day of the announcement.

For on the day handling, we propose:

- Nick Raynsford announces the Government's intentions by means on an arranged PQ and accompanying Press Release.
- Shortly before the PQ Answer, Nick Raynsford and Yvette Cooper jointly brief the national and regional Lobby.
- When the announcement is made, Nick Raynsford and Yvette Cooper jointly brief specialist media and follows this up with TV and radio interviews, including syndicated interviews for the Regions. Jacqui Smith to make herself available for media bids about schools.
- COI issues the announcement regionally

For the follow up to the launch we propose:

- Nick Raynsford gives an interview on the 'Today Programme', and he, Yvette Cooper and Jacqui Smith respond positively to bids from current affairs programmes and gives interviews with selected Sunday nationals, taking account of national and regional reaction to the announcement.

Annex C

DRAFT PQ

QUESTION

To ask the Secretary of State for the Environment, Transport and the Regions, how he proposes to proceed following responses to the consultation paper on telecommunications mast development, issued in July 2000; and if he will make a statement.

DRAFT ANSWER

1. A modern communications system brings massive benefits to people and businesses alike. Well over 38 million people - 60% of the UK population - enjoy the benefits and personal security provided by mobile phones. They could not do so without the masts and other infrastructure which enable the service to be delivered.
2. But people are concerned about where masts are located. It is vital that masts are designed and sited sensitively so that their impact is kept to a minimum and local people must have a better opportunity than now to have their say on proposals for mast development.
3. We therefore intend to strengthen the current public consultation requirements for masts under 15m to incorporate exactly the same requirements as for masts over that size and for other development requiring full planning applications.
4. To give local planning authorities more time to consult local people we shall increase the amount of time they have to determine prior approval applications for ground-based masts and those on buildings from 42 and 28 days respectively to a uniform 56 days. In addition, we shall extend the prior approval arrangements to cover antennas on roofs where the height of the antenna (including any supporting structure) would exceed 4m. If an authority has made no decision in 56 days consent will be deemed to have been granted. This discipline is needed because many authorities are failing to meet their Best Value target to determine 80% of planning applications in 8 weeks and delay cannot be justified. But none of this diminishes the opportunities for people to express their views and, as now, authorities will be able to turn down mast applications where they do not consider amenity aspects have been adequately addressed.
5. In recognition of the extra demands which improved consultation will make of authorities we propose to increase the fee payable by developers for prior approval applications in line with that payable for planning applications so that authorities have more resources to handle them.
6. These changes represent a considerable strengthening of the current arrangements. We shall introduce them, and revised planning policy guidance, at the earliest opportunity. The guidance will underline our commitment to encouraging mast and site sharing, where that represents the best environmental solution, to minimise proliferation of masts. It will also emphasise the Government's view that telecommunications development must be taken forward through partnership between the operator, the local planning authority and the local community. Operators should initiate the process as early as possible by discussing optimum design and siting solutions before applications for masts are even submitted. The revised guidance will make clear that governing bodies must be consulted on all proposals to site masts on or near schools and colleges.
7. We welcome the commitments which the operators have made to develop, with other stakeholders, clear standards and procedures to deliver significantly improved consultation with local communities. We shall want to ensure that these commitments are implemented and followed in every case. We intend to underpin the arrangements with a new Code of Practice developed with the operators and representatives of local government.

8. We appreciate too that there is public concern about the possibility of health effects associated with mobile phone masts. The Report of the Independent Expert Group on Mobile Phones (chaired by Sir William Stewart) published in May last year concluded that "the balance of evidence indicates that there is no general risk to the health of people living near to base stations on the basis that exposures are expected to be small fractions of the guidelines.". Gaps in scientific knowledge led the Group to recommend a precautionary approach to the use of mobile phone technologies, comprising a series of specific measures, until more research findings become available. We agree with this approach.
9. The Government has already taken forward a range of precautionary actions in response to the Group's Report. These include:
- ensuring that all mobile phones and base stations meet the guidelines of the International Commission on Non-Ionising Radiation Protection (ICNIRP) for limiting exposure to electromagnetic fields. In relation to public exposure these are tougher than the guidelines issued by the National Radiological Protection Board by a factor of five. Mobile phone operators have agreed to ensure that by 31 March 2001 all existing base stations meet these guidelines. Most already do so. In addition, the operators have agreed that all planning applications for new development will be accompanied by a certificate of compliance with ICNIRP guidelines;
 - setting up, by the Radiocommunications Agency, a national database giving details of mobile phone base stations. It is planned that the map-based facility will indicate the locations, height and maximum power outputs for each fixed transmitter. This is anticipated to be ready and on-line in the next three months;
 - auditing mobile phone base stations and masts to assess emissions. Masts at schools are the first priority. The audits have now commenced, and a continuing programme is planned to cover all schools with base stations that have asked for an audit. The first five audits indicated levels of exposure a tiny fraction of the ICNIRP guidelines (eg: the highest level was one thousandth of the guideline levels). The database of results has been put on the Radiocommunications Agency website www.radio.gov.uk;
 - launching a new joint Government/industry research programme, costing around £7 million and directed by a taskforce led by Sir William Stewart. It will carry out research into the effects of mobile phone technology on health. This will ensure that this area is kept under continuing review and that Government and the public are kept up to date with new research findings. The call for research proposals was issued on 9 February.
10. In addition, the Department of Health has published leaflets on mobile phones, base stations and health to give people the latest information and advice. The Department for Education and Employment has also issued information to schools and local education authorities regarding mobile phones, base stations and schools.
11. It is the Government's responsibility to decide what measures are necessary to protect public health. It remains the Government's firm view that the planning system is not the place to deal with concerns about the health aspects of mobile phone base stations. I have outlined the measures being taken on a precautionary basis. It is not appropriate for local planning authorities to seek to take a view on whether particular mast proposals constitute a risk to public health; nor do they have the expertise to do so. In the Government's view, if a proposed development meets the ICNIRP guidelines, it should not be necessary for a local planning authority, in processing an application, to consider the health aspects further.
12. I believe that the improvements to the planning arrangements announced today meet the concerns of the Stewart Group and others about public consultation on masts and strike the right balance by giving people a better opportunity to voice their views without hindering unnecessarily the development of a modern telecommunications network. We shall continue to keep the whole area of mobile phone technologies under review in the light of further research.

Annex D

(Draft Press Notice)

TOUGHER PUBLIC CONSULTATION ON MOBILE PHONE MASTS

- Extended?
Tougher public consultation requirements on the siting of mobile phone masts are announced by the Government today.

Following public consultation on planning rules for telecommunications mast development last year, the Government is to:

- strengthen public consultation requirements on mast proposals below 15 meters so that they are exactly the same as for full planning applications.
- increase the time for authorities to deal with them to 56 days
- underline that school governors must be consulted on all proposals for new masts on or near a school.
- increase fees to enable authorities to carry out full public consultation.
- maintain in full an authority's ability to reject applications on amenity grounds.

Announcing the changes, Planning Minister, Nick Raynsford, said:

"These changes represent a considerable strengthening of the current planning arrangements. We shall introduce them, and revised planning policy guidance at the earliest opportunity. A modern communications system brings massive benefits to people and businesses. But it is vital that the masts which enable the service to be delivered are designed and sited sensitively so that their impact is kept to a minimum and that local people have a better chance to have their say."

In answer to a Parliamentary Question from MP, Nick Raynsford said:

(PQ Full Text)

[notes to editors]

Annex E

Key facts and figures

Can OGDs suggest any other key facts or figures which might be useful as background briefing for the announcement? Can DTI confirm these following figures (which have been taken from FEI's website)?

Number of users

In 1997-98 there were around 9 million UK mobile phone users. This rose to 23 million in December 1999 and to nearly 40 million in December 2000.

This equates to 46,000 new users per day between the end of December 1999 and the end of December 2000.

Last Christmas alone, over 5 million mobile phones were bought in the UK

Numbers of masts

There are approximately 22,000 mobile phone base stations in the UK

Of these at least 67% (nearly 15,000) are built on existing structures

Less than 2% (less than 440) are built on schools.

(Operators estimate that by 2003, there will be between 40,000 and 50,000 base stations)

Economic contribution

The mobile phone industry estimates that in 2004-2005 operator turnover will be between £14-16 bn – amounting to 1.5% of total estimated UK GDP

Between 1993-94 and 1998-99, GDP associated with the mobile phone industry increased from £1.3bn to £5.2bn

164,000 people are directly and indirectly employed in the UK mobile phone industry

Restricted - Policy

FROM THE OFFICE OF THE RT HON NICK RAYNSFORD MP
MINISTER FOR HOUSING AND PLANNING



Simon Virley
PS/Prime Minister
10 Downing Street
LONDON
SW1A 2AA

DEPARTMENT OF THE ENVIRONMENT
TRANSPORT AND THE REGIONS

ELAND HOUSE
BRESSENDEN PLACE
LONDON SW1E 5DU

TEL: 020 7944 3013
FAX: 020 7944 4539
E-Mail: nick_raynsford@detr.gsi.gov.uk

WEB SITE: www.detr.gov.uk

- 1 MAR 2001

Dear Simon

Following the recent conversation between the Deputy Prime Minister and Prime Minister it was agreed that Patricia Hewitt should make some 'discreet inquiries' with the mobile telecommunications industry to explore the possibility of a voluntary moratorium on locating mobile phone masts on school buildings or property. I understand that she has been asked to report back to No 10 within the next day or so.

Both the Deputy Prime Minister and Nick Raynsford are extremely keen to make an early announcement on this. As you can see from the attached letter I am writing to the Private Secretaries of interested parties seeking their agreement to the presentational strategy **ahead of Patricia Hewitt reporting back with the views of industry**. This is essential in order to meet the tight timetable associated with the announcement and is not an indication that either the DPM or Nick Raynsford are not fully committed to pursuing the concept of a voluntary moratorium.

I am copying this letter to PS/Patricia Hewitt and PS/Deputy Prime Minister.

JULIE BURT
PRIVATE SECRETARY



INVESTOR IN PEOPLE



Deputy Prime Minister
and
Secretary of State
for the Environment,
Transport and the Regions

RESTRICTED : POLICY

f

6th Floor, Eland House,
Bressenden Place, London
SW1E 5DU
Tel: 020 7944 3011
Fax: 020 7944 4399

SV
cc: JJH
PU
Press

PRIME MINISTER

MOBILE PHONE MASTS

I would welcome a word with you on Monday about the handling of the Government's announcement on planning and mobile phone masts.

You earlier agreed, following EA's discussion, that we should give local authorities more time to consider and consult local people about mast proposals by extending the current "prior approval" process from 42 to 56 days. Thereafter, deemed approval would be given if no decision is reached. I proposed this approach as a way of striking a balance between the Stewart Report recommendation for normal planning permission to apply and our joint desire to avoid hampering roll-out by the industry of new systems. You recognised, as did EA, that we face major difficulties in presenting these proposals.

Since then, however, things have moved on. There is great local public and media interest, with a particular focus on masts on or near schools. Archie Norman has written to Conservative Group Leaders on every Council in England and Wales making clear that this issue is to be highlighted in the run-up to the Elections. A new pressure group, Mast Action UK, is focusing on masts in and around schools. And my postbag from backbenchers and the public is large.

We must therefore get the announcement right. But I don't think we can do so without the strategy being strengthened. I believe the way to do this is for the operators themselves to announce that they will avoid putting new masts on schools or adding to existing ones. This should not be a big issue for them as only about 500 masts are currently sited on schools. Given the strength of local feeling, operators may, in any event, look for other sites. They already plan to announce a 10 point plan to improve local consultation alongside our announcement so they recognise the importance of being seen to act responsively.

I know that you have reservations about a voluntary moratorium on schools. But whilst I recognise these concerns, I cannot stress too much the political damage I believe we will face if we do nothing beyond saying that school governors should be consulted about specific proposals in or near schools. The Government will be accused of bowing to industry pressure; of failing to meet the Stewart Report recommendations, which we earlier indicated we were minded to accept; and of ignoring the views of the public at large. This will be seen as indefensible in circumstances where Scotland, Wales and Northern Ireland are going for full planning control. We run the increased risk that local Councils will simply use the prior approval process to turn masts down under local pressure. I really do not think that this is a tenable position on an issue which arouses such strong local feelings.

JP

JP
22 February 2001



10 DOWNING STREET

PRIME MINISTER

To Cheques
19/2 Jm

MOBILE PHONE MASTS

This letter from the DPM's office crossed with our conversation about masts and planning controls on Friday.

The DPM thinks that the compromise reached by EA Committee (extended consultation periods but not full planning controls) will not meet public concerns. He is therefore proposing that the industry adopt a 'voluntary moratorium' on masts near schools. He argues that, in many cases, the industry will be put off building near schools given the extent of local opposition.

The problem with this approach is that it draws attention to the possible health effects of mobile masts – on which there is currently no hard evidence – and raises questions about what to do with *existing* masts near schools. But before writing out, we wanted to check you did not want to pursue this option further. **Are you content to stick with compromise reached by EA committee, with the option of reviewing the position should further evidence arise on the possible health effects of mobile phone masts?**

SV
19/2

RESTRICTED – POLICY

OFFICE OF THE DEPUTY PRIME MINISTER
FROM THE PRIVATE SECRETARY

Simon Virley Esq
10 Downing Street
LONDON
SW1A 2AA

DEPARTMENT OF THE ENVIRONMENT
TRANSPORT AND THE REGIONS

ELAND HOUSE
BRESSENDEN PLACE
LONDON SW1E 5DU

TEL: 020 7944 3011
FAX: 020 7944 4399
E-Mail: john_prescott@detr.gsi.gov.uk

WEB SITE: www.detr.gov.uk

MOBILE PHONE MASTS

In view of the continued public and media interest in the issue, the Deputy Prime Minister proposes a voluntary “moratorium” by the industry to prevent the erection of new mobile phone masts on school buildings. He would be grateful to know the PM’s views.

The Deputy Prime Minister intended to discuss the handling of the outstanding announcement on planning and mobile phone masts with the Prime Minister at Thursday’s bilateral. In view of his concerns, he has asked me to write urgently with his views.

The Prime Minister earlier agreed EA’s recommendations to improve the planning arrangements for masts (your letter of 5 January to Deborah Nickerson responding to the Chief Secretary’s letter of 20 December). However, he wanted a presentational and handling strategy worked up before these were announced.

EA’s proposals were to give local planning authorities more time to consider mast proposals (by extending the current “prior approval” process for masts to 56 days) and to give local people a better chance to comment (by introducing the same consultation arrangements as for planning applications). Prior approval is basically a truncated process enabling authorities to consider masts under 15 metres on the basis of siting and appearance within a defined period – with deemed approval given if no decision is reached within the time limit.



INVESTOR IN PEOPLE

This approach was put forward instead of full planning controls (ie planning applications) on the basis that it would provide more time than now (56 rather than 42 days) to consult local people and decide an application without introducing undue delay to network rollout. This was despite the fact that the Stewart Report recommended full planning; the Government's response to Stewart indicated it was minded to accept; it was what the overwhelming majority of respondents to DETR's subsequent consultation exercise wanted; what Scotland, Wales and Northern Ireland intend to introduce; and what the public at large both want and expect.

EA colleagues were therefore concerned that our proposals would be difficult to present amidst accusations that the Government had bowed to industry pressures and was failing to implement Stewart. They recognised that masts on or near schools was a particularly sensitive issue.

Now that the Deputy Prime Minister has considered the presentational strategy he does not believe that the agreed package goes far enough to allay concerns. He sees handling the schools issue as key to this.

The Prime Minister will be aware that there is substantial public, media and Parliamentary concern about this. The enclosed sample of press cuttings and other material gives a flavour, including a case in the Prime Minister's own constituency. Archie Norman has launched a "three point plan" on masts, including those near schools, and written to Conservative Group Leaders on every Council in England and Wales saying that the issue will be highlighted in the General and Local Elections. A new pressure group - Mast Action UK - is focussing on masts in and around schools. DETR receives a large volume of correspondence on the issue from MPs and the public.

The Deputy Prime Minister feels that the Government should not ignore the emotions being aroused nationally and locally on the schools issue and which look set to increase in the coming weeks. He does not believe this should involve any change to the Government's own proposals as agreed by EA. But he does believe that the presentational strategy would be significantly strengthened if a commitment were made by the operators themselves to avoid putting new masts on schools or adding to existing ones. This should not be a big issue for them. Only about 500 masts are currently sited on schools. Given local opposition from parents and teachers, operators will in most cases be looking for other sites anyway.

In the Deputy Prime Minister's view, the Government needs to be able to acknowledge this voluntary "moratorium" as an industry undertaking when the planning changes are announced. The industry is already proposing to announce a 10 point plan for improved local consultation. This measure could be added in as a recognition by industry of public concern about schools and not because there is any

● risk to children's health. Special measures by Government for schools would just add to people's fears.

If the Prime Minister agrees this approach, DTI Ministers should be asked to press the operators as a matter of urgency to give this undertaking in order to clear the way for an announcement later this month.

DAVID PROUT
Private Secretary

FROM THE RT HON NICK RAYNSFORD MP
MINISTER FOR HOUSING AND PLANNING



The Rt Hon Margaret Beckett MP
Leader of the House
House of Commons
WESTMINSTER
London
SW1A 0AA

DEPARTMENT OF THE ENVIRONMENT
TRANSPORT AND THE REGIONS

ELAND HOUSE
BRESSENDEN PLACE
LONDON SW1E 5DU

TEL: 020 7944 3013
FAX: 020 7944 4539
E-Mail: nick_raynsford@detr.gsi.gov.uk

WEB SITE: www.detr.gov.uk

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CS

16 FEB 2001

Debra Shipley has given notice that she intends to introduce a Bill on Wednesday 28 February entitled "Siting of Telecommunications Masts". The long title of the Bill is "to control the siting and development of telecommunication masts." The Government does not support this Bill.

The Government does not consider that such a Bill is necessary. Government policy on the development of telecommunication masts is to encourage and facilitate the rollout of a modern national telecommunications system while protecting the environment. Planning Policy Guidance (set out in PPG8 and my Department's Circular 4/99, "Planning for Telecommunications") provides the framework for this in England. Planning controls over telecommunications in Wales, Scotland and Northern Ireland are matters for the Devolved Administrations.

The general planning arrangements in England are that larger telecommunications development, such as masts of more than 15 metres in height, are subject to a full planning application. Relatively minor development is permitted by the Town and Country Planning (General Permitted Development) Order 1995 (GPDO). Part 24 of the Order grants a range of permitted development rights for telecommunications code system operators who are licensed under the Telecommunications Act 1984. These allow operators to carry out specified development without the need to make a planning application to the local authority. Development such as the installation of ground-based masts of up to 15 metres in height is, however, subject to a prior approval procedure.

There are special provisions regarding the installation of any mast in key designated areas such as National Parks, Areas of Outstanding Natural Beauty, Conservation Areas and Sites of Special Scientific Interest. In these areas no mast installation enjoys permitted development rights under GPDO. Such development is subject to a full planning application.



INVESTOR IN PEOPLE

Last year the Government asked the National Radiological Protection Board (NRPB) to set up the Independent Expert Group on Mobile Phones (IEGMP). This Group, under the chairmanship of Sir William Stewart FRS FRSE considered concerns about health effects from the use of mobile phones, base stations and transmitters. They conducted a rigorous and comprehensive assessment of existing research and gathered a wide range of views. The Group published its report on 11 May 2000.

In respect of base stations, the report concluded that "the balance of evidence indicates that there is no general risk to the health of people living near to base stations on the basis that exposures are expected to be small fractions of the guidelines. However, there can be indirect adverse effects on their well-being in some cases". The Group recommended a precautionary approach, comprising a series of specific measures, to the use of mobile phone technologies until we have more detailed and scientifically robust information on any health effects.

In its initial response, also published on 11 May 2000, the Government welcomed the Stewart Group's report and accepted many of its recommendations. In particular, the Government accepted the recommended precautionary approach as advised by the report. The Government's response outlined the range of actions being taken forward in response to the report's specific recommendations.

On 31 July 2000 the Government issued a Consultation Paper seeking views on possible changes to the planning legislation in England relating to mobile phone masts and associated guidance. The consultation period ended on 31 October and we are currently analysing the responses. The Devolved Administrations have also issued separate consultation papers and their consultation periods have recently ended.

In addition to seeking views on possible changes to the planning legislation, the consultation paper contained draft revised planning guidance (Planning Policy Guidance Note 8 (PPG8) on Telecommunications). This included updated advice to local planning authorities on the importance of minimising the impact on amenity of telecommunication mast development. The Government agrees that it is important that good use is made of existing sites, masts and other structures for the installation of new antennas, and our policy is to encourage mast and site sharing where appropriate. As the revised draft PPG8 makes clear, the Government's expectation is that developers should provide the local planning authority with clear evidence that they have fully considered the use of existing masts, buildings and other structures before seeking to erect any new mast. If the evidence regarding the consideration of such alternative sites is not considered satisfactory, the authority may be justified in refusing approval to the masts siting.

Given the fact that the Government and the Devolved Administrations are currently considering possible amendments to the planning regime for telecommunications masts across the UK, we do not support the proposed Bill. I therefore suggest that the Bill should be blocked at Second Reading. I am copying this letter to other members of LP, and to Sir Richard Wilson.

Yours ever

Nick

NICK RAYNSFORD

The Rt Hon Stephen Byers MP
Secretary of State for Trade and Industry



Chris Gent Esq
Chief Executive
Vodafone Group Plc
The Courtyard
2-4 London Road
Newbury
Berkshire RG14 1JX

Secretary of State
Department of
Trade and Industry

1 Victoria Street
London SW1H 0ET

Direct line
020 7215 6272

DTI Enquiries
020 7215 5000

e-mail
TLO.Byers@tlo.dti.gov.uk

14 February 2001

Dear Chris,

Thank you for your letter of 7 February concerning the approach that the Government is taking on the definition of significant market power (SMP) in negotiations on Community legislation arising from the 1999 communications review. I am grateful to you for writing to me about this very important issue. I note that you have also written to the Prime Minister.

As you know, my officials here in the DTI, and officials at OFTEL and at the UK's Permanent Representation to the EU, have kept Vodafone abreast of the course of negotiations since the European Commission adopted proposals last Summer. You will therefore know that the Government fully supports the Commission's approach of aligning SMP with the competition-law concept of dominance in the new regulatory framework for electronic communications. This will ensure that regulation is targeted where it is appropriate, at undertakings with the ability to prevent the development of effective competition, to the ultimate detriment of consumers.

You will also know of our concern that there is not yet adequate European case law on collective dominance to enable national regulatory authorities (NRAs) to act with certainty where a number of undertakings can jointly act anti-competitively. We think the Commission's text is inadequate on this point. What is at issue here is not the potential scope of regulation. Action in such circumstances is clearly envisaged by the Commission, which believes that its own proposals already capture oligopolistic markets and are therefore sufficient to meet NRAs' needs. Our concern is to ensure that appropriate regulation can

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Department of Trade and Industry

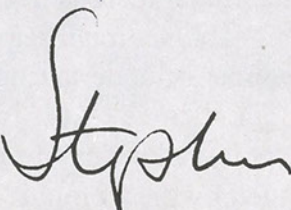


proceed on a sound legal footing, without the threat of lengthy referrals to the European courts for clarification. Such delays would do nothing for regulatory certainty, either for NRAs or for players in the market.

The approach that the Government has adopted in negotiations is designed to provide exactly that certainty but without opening the door to inappropriate regulation. However, it is undeniable that a fully satisfactory solution is anything but easy. Member States have yet to come to a solution. The European Parliament has grappled with the same concerns and found it equally difficult to settle upon a definitive text. Officials have shared the Government's proposals with you and other operators: these discussions have not yet produced a better approach. But if Vodafone can yet suggest improvements to the text that meet our concerns, I would be very happy for officials to discuss them with you.

The Government's objective remains as set out in the Communications White Paper: ensuring that regulation in the electronic-communications sector is appropriate. Where effective competition delivers consumer benefit, obligations will be lifted. Where it does not, targeted and proportionate regulation will remain necessary until it does develop. Oftel's recently published review of the mobile market assessed the extent of effective competition in the mobile market, and the possible regulatory remedies if competition is not found to be effective. The Government is committed to ensuring that OFCOM, in due course, has the necessary powers to address such situations. The actual use which might be made of these powers in respect of any market, of course, would be governed by the principles of minimal and proportionate regulation. The measures adopted would be no more than was necessary to deal adequately with the competition concerns identified in that particular market by detailed and systematic analysis. Vodafone's experience and assistance will continue to play an important role in our efforts to set the appropriate Community framework within which this can happen.

I am copying this letter to the Prime Minister and to Chris Smith.

Yours,


STEPHEN BYERS

dti

Department of Trade and Industry

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0207 925 6995

P.001



Press release

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For further information contact:

D-J Collins, Press Secretary on: 020 8315 8254 • pager: 07693 602 359 • mobile: 07770 863 983

Nick Molyneux, Regional Press on: 020 8315 8211 • pager: 07626 401 843 • mobile: 07879 444 125

Embargoed until 11.00 hrs 14/02/01

UK Skills Shortage:

AEEU & EXi Telecoms Partnership for up to 4,000 New Telecom Jobs

The AEEU, DTI and EXi Telecoms today (14/02/01) announced a new joint national initiative to tackle the skills shortage in the UK telecommunications industry.

This will create up to 4,000 new jobs during next the two years in the telecoms implementation industry for manufacturing employees facing redundancy.

The announcement is the latest initiative resulting from the close and successful partnership agreement between EXi Telecoms and the AEEU, spanning 5 years.

EXi Telecoms, the UK headquartered international telecommunications company that provides implementation, logistics, cable assembly and technical support to leading telecommunications equipment suppliers and operators, will recruit new employees to implement and maintain telecommunications equipment including 3G (third generation) mobile phone networks and high-speed internet access.

In a revolutionary pilot project, the AEEU-EXi Telecoms initiative will offer retraining and full-time permanent employment to manufacturing employees who face redundancy, including those at Corus. Over the next 2-3 months EXi Telecoms will complete commercial negotiations with telecom equipment providers and will announce more details.

As a pilot scheme Corus has agreed with the AEEU to provide buildings in which EXi Telecoms will establish 'job-shops', selection and training facilities at those plants affected by the company's planned redundancies.

Corus will release employees selected for retraining by EXi Telecoms during their redundancy notice while maintaining full salary entitlements. Retraining, with both classroom and field training, will last between two and three months per employee.

The initiative will offer successful applicants new jobs nationwide, including Wales and the North East, and, following the pilot project with Corus, will also be open to employees in other sectors of manufacturing who face redundancy, including motor manufacturing.

1/4

Amalgamated Engineering and Electrical Union
Hayes Court, West Common Road, Hayes, Bromley, Kent BR2 7AU
Tel: 020 8462 7755 (switchboard) • Fax: 020 8315 8266 • Website: www.aeeu.org.uk
General Secretary: Sir Ken Jackson

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0207 925 6995

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Press release

For further information contact:

D-J Collins, Press Secretary on: 020 8315 8264 • pager: 07893 602 359 • mobile: 07770 863 983

Nick Molynoux, Regional Press on: 020 8315 8211 • pager: 07626 401 843 • mobile: 07879 444 125

The AEEU and EXi Telecoms have worked closely with both the Department of Trade and Industry and the Department of Education and Employment, both of which have given the initiative their full support.

The new initiative will help the UK telecommunications industry compete in the global telecommunications business, where Japan will have 3G mobile phone networks operating from May 2001.

Martin Kirke, General Manager 3G Business at EXi said:

"We welcome the support of the AEEU and DTI. Our ability to recruit and train people in our own facilities has been demonstrated and is key to EXi's success. We already provide retraining and employment through the Armed Forces Career Transition Program. Now, large scale investment in the UK's telecom infrastructure is anticipated which will require a large and skilled workforce to implement it. We need people for this who are prepared to retrain, travel and are committed to quality."

Sir Ken Jackson, AEEU General Secretary, said:

"This is a genuinely radical way of dealing with the threat of redundancy. We can offer our members in Corus and elsewhere the chance of retraining and a new job with real skills.

It's the first time a trade union has ever done this. But it's the way forward if we are to help our members cope with manufacturing change. These are real jobs for people who face an otherwise uncertain future.

The support of Stephen Byers has been crucial to building this initiative." Ends

For further information contact:

EXi Telecoms: Jane Harrad-Roberts - 01244 330000 or 07785 395 705

AEEU: D-J Collins - 0208 315 8264 or 01893 602 359

2/4

Amalgamated Engineering and Electrical Union
 Hayes Court, West Common Road, Hayes, Bromley, Kent BR2 7AU
 Tel: 020 8462 7755 (switchboard) • Fax: 020 8315 8266 • Website: www.aeeu.org.uk
 General Secretary: Sir Ken Jackson

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14-FEB '01 (WED) 11:32

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P.003



Press release

For further information contact:

D-J Collins, Press Secretary on: 020 8315 8264 • pager: 07693 602 359 • mobile: 07770 863 983

Nick Molyneux, Regional Press on: 020 8315 8211 • pager: 07626 401 843 • mobile: 07875 444 126

The AEEU has pioneered partnership as the new model of industrial relations, and has built forward-looking agreements with many of the UK's largest employers.

- The AEEU is a central member of the Trade Union Congress (TUC) and of the Labour Party. The union helped lead the modernisation of the Labour Party, arguing and campaigning for key internal and policy reforms.
- Sir Ken Jackson, AEEU General Secretary since 1996, has continued to modernise the union to meet the challenges of the global business environment.
- Sir Ken is a member of the TUC Executive Committee, the Government's Skills Taskforce and a Board Member of Britain in Europe.
- For further information about the AEEU, visit www.aeeu.org.uk

Amalgamated Engineering and Electrical Union
Hayes Court, West Common Road, Hayes, Bromley, Kent BR2 7AU
Tel: 020 8462 7755 (switchboard) • Fax: 020 8315 8266 • Website: www.aeeu.org.uk
General Secretary: Sir Ken Jackson

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0207 925 6995

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Press release

For further information contact:

D-J Collins, Press Secretary on: 020 8315 8264 • pager: 07693 602 358 • mobile: 07770 863 983

Nick Molyneux, Regional Press on: 020 8315 8211 • pager: 07626 401 843 • mobile: 07879 444 125

EXi Telecoms

- EXi Telecoms is an independent UK headquartered telecoms services company providing services to the leading global telecoms equipment manufacturers and operators.
- The services provided include implementation, logistics, cable assembly and technical support.
- EXi Telecoms was established in 1995 and now has 1700 employees and turnover in 2000 will exceed £100m. In 5 years EXi telecoms has grown by 4000%.
- EXi Telecoms has established a strong presence overseas with offices in 20 countries. Nearly 50% of turnover is generated outside the UK.
- EXi Telecoms is providing resource to the 3G roll out and telecom unbundling projects in the UK and elsewhere.
- EXi Telecoms is already providing retraining and employment through the UK Armed Forces Resettlement Training Scheme as a Preferred Supplier.
- EXi telecoms recently spoke at an international conference on the topic of Overcoming Manpower Shortages : Successful Strategies for Resourcing 3G. This presentation can be downloaded from the web site below.
- More information about EXi Telecoms is available from the web site www.exitelecoms.com.

Amalgamated Engineering and Electrical Union (AEEU)

- The AEEU is the UK's largest trade union in manufacturing, with over 730,000 members in every sector of the UK economy. It is also the third largest trade union in the UK.
- It is the largest trade union in telecommunications, representing people with a wide range of skills in the fast-growing industry. It has agreements with a wide range of telecommunications companies.

3/4

Amalgamated Engineering and Electrical Union
 Hayes Court, West Common Road, Hayes, Bromley, Kent BR2 7AU
 Tel: 020 8462 7755 (switchboard) • Fax: 020 8315 8266 • Website: www.aeeu.org.uk
 General Secretary: Sir Ken Jackson

P.04/04

TO 979256730

FROM 10:16 14-FEB-2001

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** TOTAL PAGE. 05 **

FILE
RESTRICTED - POLICY

Electronic copy in
DCO Inbox



10 DOWNING STREET
LONDON SW1A 2AA

BC Chris Wood, CO ✓

From the Private Secretary

5 January 2001

Dear Deborah

PLANNING AND TELECOMMUNICATIONS

The Prime Minister was grateful for the Chief Secretary's letter of 20 December reporting the outcome of the EA Committee discussions on planning and telecommunications.

The Prime Minister is content to proceed in the way recommended by the Committee. He would like the relevant departments to work up a detailed presentation and handling strategy before the announcement is made.

I am copying this letter to David Prout and Matt Leach (DETR), the Private Secretaries of other members of EA Committee, Professor David King and Richard Abel (Cabinet Office).

Yours sincerely,

SIMON VIRLEY

Deborah Nickerson
HMT

RESTRICTED - POLICY

WB

RESTRICTED - POLICY

From: David North
Date: 28 December 2000

PRIME MINISTER

cc: Jonathan Powell
Jeremy Heywood
Alastair Campbell
David Miliband
Robert Hill
Brian Hackland
Simon Virley
Geoffrey Norris
Sally Morgan

MOBILE PHONE MASTS

1. You will recall that the Stewart Report on mobile phones and health recommended, among other things, that telecommunications masts should be subject to full planning controls. Andrew Smith is now seeking your endorsement of an EA Committee decision to strengthen the current rules, but to stop short of full planning controls.

2. The background and arguments are set out in the attached note from Andrew Smith. In essence:

- although Stewart recommended that full planning controls should be applied to new applications for telecommunications masts, this was not on grounds of any adverse health effects, since none had been shown (and since the planning system does not deal with health concerns). Rather, it was because of concerns about public consultation and involvement in the decision-making process;
- the Government's initial response to Stewart said that we were "minded to accept" the recommendation";
- we consulted on this basis. Local authorities and members of the public were overwhelmingly in favour of full planning controls. The industry was opposed, on grounds of cost and potential delays to the installation of new systems.

RESTRICTED - POLICY

RESTRICTED - POLICY

- 2 -

3. EA took the view that a move to full planning controls would not be justified on environmental and planning grounds and would impose unnecessary costs and burdens on the industry and the wider economy. They concluded that we should instead pursue a "middle course" in which we would:

- extend the current prior approval arrangements for most phone masts to 56 days. This is the same period as would apply to an application for full planning approval, and compares to 42 days at present for ground-based masts and 28 days for those on buildings (all masts in National Parks and all those over 15m elsewhere require a planning application);
- require local planning authorities (LPA) to consult on masts on the same basis as they would for planning applications;
- but, unlike the full planning controls, an application would be deemed to be approved (as opposed to refused) if the LPA had not reached a decision within the 56 days. LPAs would still, as now, be able to refuse applications within this period on planning grounds;
- we would also hold the industry to their (voluntary) "ten commitments", which include increased pre-rollout and pre-application consultation with LPAs and local communities.

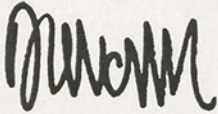
4. Some Ministers were uneasy about this way forward. David Bunkett pressed for full planning controls to apply to masts in or near schools and colleges. He has now accepted the above approach provided school governors are consulted in such cases. Yvette Cooper was concerned that the planning system did not address health considerations, and wanted a fundamental review to change this. But she was outnumbered by Ministers who pointed out that this was not the role of the planning system, and that there should be separate, further research into the health impact of phone masts.

5. Against this background, the EA conclusion looks sensible. Stewart's recommendation can be shown to be excessive: applying the full rigour of planning controls simply to overcome concerns about public consultation and involvement. The option above addresses these concerns (by adopting the consultation requirements from the planning process) without also introducing those parts of the planning controls that would allow applications to be routinely and systematically delayed. Do you agree?

yes straightly

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6. There will, nonetheless, be some quite difficult presentational issues. Our initial statement that we were minded to accept Stewart's recommendation has created public expectations that we will move to full planning controls. Moreover, it looks very likely that Scotland and Wales will head down this path. And it is clear that – despite the lack of any scientific evidence to back up their concerns – those who link mobile phone masts to health (particularly children's health) can command a ready audience. **We will need to explain that we are responding fully to the underlying intent of Stewart's recommendation in a way that will enable local communities to be fully consulted and involved in decisions. But we should also, as Andrew Smith proposes, make sure that the Departments work up a proper handling strategy.**



DAVID NORTH

See also.

at 22:30 PM
21/12

020 7270 5456

Ministry



F.O

JOH

pu

RESTRICTED - POLICY

PRIME MINISTER

PLANNING AND TELECOMMUNICATIONS

Agreement that we should not move to full planning controls. Broad consensus reached that we should instead extend the current prior approval arrangements to 56 days, to allow greater public consultation. But this will require very careful public presentation. DfEE retain concerns about the input of school governors into the consultation process which will need to be resolved. If further research uncovers adverse health effects, we will need to reconsider our approach. More widely, we need to improve the way in which we address potential health risks and how we can facilitate more rational debate about risks.

In Gordon's absence, I chaired a meeting of EA Committee this morning to discuss the way forward on planning and telecommunications in the wake of the Stewart report on mobile phones and health. I understand that you had asked for a note on the options before any final decisions are taken. The arguments are set out in detail in Nick Raynsford's memorandum EA(00)21.

020 7270 5456

**RESTRICTED - POLICY**

2. Stewart had recommended that full planning controls should be applied to planning applications for telecommunications masts, not on grounds of any adverse health effects, since none have been shown, but because of concerns about public consultation and involvement in the decision-making process. In its initial response to Stewart, the Government said that it was minded to accept the recommendation, and DETR have consulted on this basis. The devolved administrations in Scotland, Wales and Northern Ireland are likely to follow this route. The overwhelming response to the consultation exercise (mainly from local authorities and the public) was in favour, but the industry were opposed on grounds of cost and the potential delays to roll-out of new systems.

3. The options for Government action are:

- to retain existing arrangements;
- to improve the scope for public consultation and involvement; or
- to move to full planning controls.

4. The Committee accepted that the first option was not practicable: it would meet neither public concerns nor the Stewart recommendations.



RESTRICTED - POLICY

5. For the second option, Nick Raynsford's paper proposed extending the current prior approval arrangements for most telecommunications

masts to 56 days (in line with the expectation that planning applications should normally be decided within 8 weeks), with public consultation on the same basis as for full planning applications. The only difference from full planning applications would be that, if a local planning authority (LPA) had not reached a decision within that period, it would be deemed to be approved. LPAs would still, as now, be able to refuse applications within this period on planning grounds. This would meet the fundamental concerns underlying the Stewart recommendation while not unnecessarily hampering the development of the industry and impacting on the wider economy. We should also hold the industry to their "ten commitments", including increased pre-rollout and pre-application consultation with LPAs and local communities. **The Committee reached consensus that this was the best way forward**, although other considerations are set out below.

6. We noted that there was to be further research into the health impacts of telecommunications masts and that, in the event that real risks are discovered in the future, we would need to reconsider our approach.

7. The Committee generally agreed that the third option would go further than was necessary to meet Stewart's concerns and would impose unnecessary burdens and costs on the industry and the wider economy.

020 7270 5456

**RESTRICTED - POLICY**

8. Nevertheless, colleagues voiced a number of concerns:

Schools etc

David Blunkett had written to argue strongly for the third option or, failing that, to apply full planning controls to masts in or near schools, colleges etc. Nick had discussed the issues with him and persuaded David that it would not be right to pursue the third option, and that it would be difficult to justify special treatment for schools and similar institutions. David is therefore now prepared to accept the second option, provided that school governors would be consulted about masts to be located in or near schools. Nick was able broadly to give this reassurance, although DETR and DfEE will need to work closely to ensure that David's concerns – in particular about locations close to schools – are fully addressed in the guidance which will be issued to LPAs.

Presentation

The Committee was concerned that the Government's decision would be very difficult to present even though it represented the best policy option. There would be accusations that the Government had taken a softer approach than originally intended



RESTRICTED - POLICY

due to industry pressure and was failing to implement Stewart. There would also be difficulties because of the difference of

approach in the devolved administrations, but this would have to be tackled as one of the realities of devolution. We accepted that, however we presented our position, we would be subject to criticism. I have asked Nick, pending your conclusions, to start working up a presentational approach. We have still to decide when an announcement should be made.

Health issues & risk

Yvette Cooper was concerned that there was no mechanism to follow through the precautionary approach which Stewart had recommended and thought that there should be a fundamental review of the planning system to enable health considerations to be taken into account in future. Other colleagues shared Nick's view that the planning system was not and could not be designed to tackle such issues. Nevertheless, we agreed that we needed separately to consider more fundamentally the way in which Government should address issues of health risks and how we could facilitate rational discussion of this.

9. Are you content to proceed on the basis of the second option?

**RESTRICTED - POLICY**

10. I am copying this minute to the Deputy Prime Minister, to other members of EA Committee and Nick Raynsford, and to Sir Richard Wilson and Prof. David King.

A handwritten signature in black ink, appearing to read 'Andrew'.

ANDREW SMITH

20 December 2000



faxed? ✓

RESTRICTED – POLICY

PRIME MINISTER

Top SV
CC JIH
FW

PLANNING AND TELECOMMUNICATIONS

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RESTRICTED – POLICY

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RESTRICTED – POLICY

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RESTRICTED – POLICY

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RESTRICTED – POLICY

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RESTRICTED – POLICY

10. I am copying this minute to the Deputy Prime Minister, to other members of EA Committee and Nick Raynsford, and to Sir Richard Wilson and Prof. David King.

A handwritten signature in blue ink that reads 'Andrew'.

ANDREW SMITH

20.12.00

C00/21770/09548/DC

Simon Virley
Private Secretary to the Prime Minister
10 Downing Street
LONDON
SW1A 2AA

19th December 2000
Faxed



Dear Simon

COMMUNICATIONS WHITE PAPER: CREATION OF THE OFFICE OF
COMMUNICATIONS (OFCOM)

SV:lr.
e:R

Thank you for your letter of 4 December concerning the Communications White Paper and the machinery of government issues arising from it.

The Secretary of State was grateful to the Prime Minister for his welcome of the principle of establishing a single OFCOM and his acceptance of the publication of the White Paper which took place on 12 December.

Work is now progressing on considering the legal status of the new regulator and other issues, including those raised by the Prime Minister as set out in your letter. Ministers hope to write to the Prime Minister shortly with further advice.

FERGUS MUIR
Principal Private Secretary



INVESTOR IN PEOPLE

FROM THE OFFICE OF NICK RAYNSFORD MP
MINISTER FOR HOUSING AND PLANNING

<PU



MATTIX

DEPARTMENT OF THE ENVIRONMENT
TRANSPORT AND THE REGIONS

ELAND HOUSE
BRESSENDEN PLACE
LONDON SW1E 5DU

TEL: 020 7944 3013
FAX: 020 7944 4539
E-Mail: nick_raynsford@detr.gsi.gov.uk

OUR REF: R/32170/00

Simon Virley Esq
10 Downing Street
LONDON
SW1A 2AA

13 DEC 2000

Dear Simon

TELECOM MASTS

Thank you for your letter of 20 November about taking forward the responses to DETR's consultation exercise on telecommunications mast development.

This issue is to be discussed at a meeting of the Economic Affairs Committee on Thursday 20 December. I understand that the Chairman will be reporting to the Prime Minister following that meeting.

/ I am copying this letter to Alison Walker (DTI), Stephen Waring (DOH), Hermoine Gough (HMT) and Richard Abel (Cabinet Office).

JULIE BURT
Private Secretary



INVESTOR IN PEOPLE

SKP 15/12/00

dti



PRIME MINISTER

(F)
SJ
CP
(letter only)

We are delighted to inform you that we expect to announce to Parliament today the publication of the Communications White Paper, A New Future for Communications.

We enclose an advance copy of the document, for your information.

The White Paper will be sent only to a limited number of people in advance of my expected statement in the House today at 3.30pm. Since it contains highly commercial and market sensitive information, we should be grateful if you would keep to a minimum the number of copies made, and also maintain a list of the names of those to whom it has been copied prior to publication.

CHRIS SMITH
also signing on behalf of STEPHEN BYERS

12 December 2000



INVESTOR IN PEOPLE



Ysgrifennydd Gwladol Cymru
Secretary of State for Wales

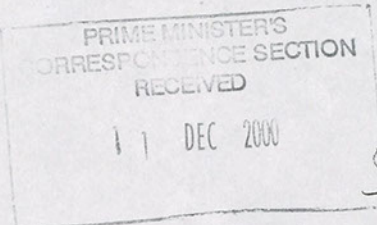
Wales Office | Swyddfa Cymru

Office of the Secretary of State for Wales
Gwydyr House
Whitehall
London SW1A 2ER

Swyddfa Ysgrifennydd Gwladol Cymru
Tŷ Gwydir
Whitehall
Llundain SW1A 2ER

Rt Hon Paul Murphy MP

Tel: 020 7270 0549
Ffon: 020 7270 0549



Our ref:SF00/sub/518

December 2000

subfax?

Dear Chris

SJ

*cc: PJ
p
SCU*

COMMUNICATIONS WHITE PAPER; FURTHER POLICY CLEARANCE

Your letter of 23 November to John Prescott set out some further proposals and enclosed a revised draft of chapter 5 of the White Paper.

I am content with the drafting of the Paper in respect of the structure of OFCOM, and am grateful that you have met my concerns by ensuring that the wording does not preclude the possibility of Welsh membership.

I am also grateful to you for meeting my concerns about the links between OFCOM and the Assembly. As Andrew Davies pointed out in his letter of 29 November, the drafting does not reflect accurately the role of the Assembly's Committees and I would be grateful if you would accommodate the drafting change which he suggests.

The only cautionary point I should flag up in all this is that the National Assembly's Culture Secretary only saw this revised material late last Thursday. I understand she will have comments and I have pressed for these to be made as soon as possible.

I am copying this letter to the Prime Minister, members of EA and HS Committees, the Chief Scientific Adviser, Sir Stephen Wall and to Sir Richard Wilson

*for eve
Paul*

The Rt Hon Chris Smith MP
The Secretary of State for Culture, Media and Sport
2-4 Cockspur Street
London SW1Y 5DH

CONFIDENTIAL - POLICY

file
Copy in Dec inbox



10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

4 December 2000

Dear Fergus

COMMUNICATIONS WHITE PAPER

The Prime Minister has seen the recent correspondence on the draft Communications White Paper.

The Prime Minister is content for the White Paper to be published on 12 December.

He welcomes the proposal for a single OFCOM, which reflects developments in the industries involved, and simplifies the regulatory structures in this area. The creation of OFCOM does, however, raise some important machinery of government questions, and the Prime Minister would like further advice on a number of points before any additional public announcements as to the body's legal status and relationship with ministers are made.

In particular, the Prime Minister would welcome further clarification about the proposals in the following three areas:

- (i) independence. The White Paper emphasises the importance of OFCOM's independence. This raises questions over the exact extent of your, and other ministers', role in OFCOM's affairs which need to be addressed;
- (ii) accountability. As you may be aware, in other areas, a lack of direct ministerial accountability has led Parliament to seek a more direct role in overseeing the relevant organisation's work (eg in scrutinising appointments). Similarly, there may be calls for OFCOM to come under this kind of control;

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- (iii) Human Rights Act. This may have implications for a single regulatory body taking on so many disparate functions, some of which could be construed as effectively those of a tribunal.

Further work on these areas should not hold up the publication of the White Paper, but the Prime Minister would be grateful for your Ministers' further advice on them.

I am copying this letter to Bernadette Kelly (Department of Trade and Industry), and to the private secretaries of the members of EA and HS committees, the Chief Scientific Adviser, Sir Stephen Wall, the Foreign Secretary and Sir Richard Wilson.

Yours sincerely,



SIMON VIRLEY

Fergus Muir
DCMS



Minister for the Cabinet Office
Chancellor of the Duchy of Lancaster

CABINET OFFICE
70 Whitehall, London SW1A 2AS
Telephone: 020 7270 0400
Email: mmowlam@cabinet-office.x.gsi.gov.uk

f

The Rt Hon Chris Smith MP
Department for Culture, Media and Sport
2-4 Cockspur Street
London
SW1Y 5DH

SU
- Part?
- PU
- from
- SCU
4 December 2000

Dear Chris,

DRAFT COMMUNICATIONS WHITE PAPER: CONSULTATION

I understand from officials here that you would like to keep to the previous minimum of two months consultation period for the consultation relating to the Communications White Paper.

I understand the reasons why you would like to maintain the 8 week consultation period on this occasion, given that you need to prepare Instructions to Parliamentary Counsel by February. I also appreciate that the consultation is only one stage in the consultation process, which started a year or so ago, and that you will give a commitment to further consultation on the detail of legislation next year. This is clearly a case of balancing a need to allow adequate response times in line with the code of practice and the pressures of publishing the White Paper. If after careful consideration, your view is that exceptional circumstances require a departure from the 12-week period, I am prepared given the unique circumstances to reluctantly agree. But I can not agree with the view that a shorter consultation period would encourage early responses. It is worth bearing in mind that inadequate time for responses is the single greatest cause of complaint over consultations by government. It is important that all Departments, through proper planning in accordance with the code, avoid limiting consultations in order to meet later deadlines.

I trust that, in accordance with the code, you will provide a full and helpful explanation for the departure from the 12-week standard, particularly coming so soon after the Prime Minister launched the code. This explanation should include a statement emphasising that the departure is exceptional.

Web site: www.cabinet-office.gov.uk



INVESTOR IN PEOPLE

I am copying this letter to the Prime Minister, members of the EA and HS Committees, the first Secretary in Wales, the first minister in Northern Ireland, the Chief Scientific Adviser, Sir Stephen Wall and Sir Richard Wilson.

ok!

M

MARJORIE MOWLAM



SU
4 PO
Press
SCU

SCOTLAND OFFICE
DOVER HOUSE
WHITEHALL
LONDON SW1A 2AU

www.scottishsecretary@scotland.gov.uk

f

The Rt Hon Chris Smith MP
Secretary of State for Culture, Media and Sport
2-4 Cockspur Street
LONDON
SW1Y 5DH

1 December 2000

Dear Annis,

COMMUNICATIONS WHITE PAPER: FURTHER POLICY CLEARANCE

Thank you for copying to me your letter of 23 November to John Prescott seeking approval for further policy proposals for inclusion in the Communications White Paper.

I am content with your proposals. I understand that our respective officials are in close contact and will continue to take work on the White Paper forward.

I am copying this letter to the Prime Minister, members of EA and HS Committees, the Chief Scientific Adviser, Sir Stephen Wall, and Sir Richard Wilson. I am also copying it to the Foreign Secretary, the Secretary of State for Defence and the Secretary of State for International Development.

Yours
John Reid
JOHN REID

CI01811



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From: James Purnell
Date: 1 December 2000

PRIME MINISTER

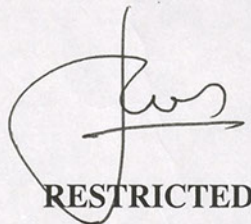
cc: Alastair Campbell
Anji Hunter
Simon Virley
Jeremy Heywood
David Miliband

COMMUNICATIONS WHITE PAPER

To note that the Communications White Paper is on schedule to be published on the 12th December and that all the steers you gave at your meeting with Chris Smith, Stephen Byers, Patricia Hewitt and Janet Anderson have been acted on. I attach a copy of the last note for reference, but in summary they've agreed:

- There will be a single regulator, including the Radiocommunications Agency. They will consult on what to do about the British Board of Film Classification.
- The restrictions in the way of a single ITV will be lifted, as well as some of the more obviously outdated media ownership rules
- They won't say anything concrete about cross-media ownership, but say in general that the goals of the rules remain valid, but may need to be adapted to be effective in a world where the different media markets are converging
- There will be a significantly deregulatory flavour to the White Paper, with greater reliance on self regulation instead of box-ticking. The BBC will be brought into the regime, and a level playing field created between the different broadcasters.

My judgement is that the Paper will be cautiously welcomed by most of the players in this field including Carlton, Granada, Channel 4, the BBC, Sky and the newspaper groups. We may be accused of having ducked the media ownership issue, and of being too deregulatory, but I doubt there will be any major rows. We can return to the issues we haven't yet got a fixed position on after the Election ...



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From: James Purnell
Date: 6 October 2000

PRIME MINISTER

cc: Alastair Campbell
Jeremy Heywood
Anji Hunter
Liz Lloyd
David Miliband
Jonathan Powell

COMMUNICATIONS WHITE PAPER

You asked Chris Smith and Steve Byers to prepare a Communications Bill ready for the first session of the next Parliament. You said you wanted the Bill to:

- deregulate the sector
- remove the problem of double jeopardy, where cases are heard by more than one regulator
- help ITV develop into a world class company

I attach a covering letter from the Ministers (worth skimming).

You are meeting Chris and Steve, with Patricia Hewitt and Janet Anderson, on Thursday. We have an internal political meeting on Tuesday. This note briefs you on the main issues ahead of those meetings.

OFCOM

The paper will be radical on regulatory structures. It proposes creating a single regulator for telecoms and broadcasting. This OFCOM will bring together OFTEL, the Independent Television Commission, the Radio Authority, the Broadcasting Standards Council, the regulatory functions of the BBC Governors, the British Board of Film Classification and the Radiocommunications Agency.

The main argument in preparing the Paper has been whether to have a single regulator, or keep regulation of content and competition issues separate. In the

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- 2 -

end, we were swayed by the US experience who have benefited from having a single regulator – the Federal Communications Commission.

Being clear and radical on structures also allows us to be vaguer on some of the issues of substance – notably media ownership (below).

More detail on the two key issues:

- **the BBC** – the industry is unanimous in pressing for the BBC to be externally regulated by OFCOM. It's difficult to say which of Sky or ITV is more vehement about this. With the latest "News at Ten" saga, it has become impossible to resist the argument that the Governors are now a law unto themselves. The paper therefore proposes that the BBC should be externally regulated by OFCOM, for both competition and content issues, and that the Governors should focus on appointing the senior management; setting and monitoring the strategy and guarding the public sector remit. We will put in place safeguards to ensure OFCOM doesn't end up using constantly double-guessing the BBC's strategy.
- **BBFC** – the British Board of Film Classification is responsible for films in cinemas and on video. After this Bill, OFCOM will be responsible for films on television, cable and the Internet. It would make no sense to keep the BBFC separate from this new regulatory regime. Chris and Steve therefore propose to roll the BBFC into OFCOM. This raises the question of whether DCMS should take over the Home Office's responsibility for film and video classification. Liz and I think this should go to DCMS - it's a distraction from Jack's core work. He's currently busy issuing a consultation document on tightening up the regulation 18 videos, having unsuccessfully sued the BBFC for giving certificates to some hardcore porn videos. But it's nowhere near a priority for him – the Home Office website doesn't even mention the BBFC and this current consultation document is being dealt with by an official in the sentencing division!

MEDIA OWNERSHIP

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CONFIDENTIAL

- 3 -

The paper proposes a two fold approach – removing some of the current outdated rules, to demonstrate our deregulatory intentions; but keeping our options open on the main issues.

The proposed changes are:

- abolishing the rule which prevents any company having over 15% of the television audience
- removing the rule preventing one company owning both the daytime and weekend London ITV licences
- abolishing most of the restrictions on radio ownership
- making clear we don't see any regulatory obstacles to a single ITV

The paper also makes clear our intention to relax both the current cross-media ownership rules and the newspaper regime. This is clearly justified on the merits, but what they should be replaced with will be much more controversial. The paper's approach is to say we believe some limits on ownership will continue to be justified, and then float a number of options.

UNIVERSAL ACCESS

You'll remember committing us to achieving universal access to the Internet by 2005. The paper doesn't propose anything new on this, as Chris and Steve think any initiatives should be saved for the manifesto.

However, you should be aware there is a real complacency around Whitehall about this target. The received wisdom is we will achieve universal access by connecting public buildings to the Internet so that we will be able to say everyone will have an Internet access point within 20 mins or so of their home.

Meanwhile, Gore is saying he wants to launch a crusade to have everyone connected to the Internet in their home.

We can't afford to fall behind the US on this, so you will need to ask the Ministers to put some serious work into this, for the manifesto.

CONTENT


CONFIDENTIAL

There will inevitably be calls for us to use this Bill to tighten regulation of sex and violence on television, and potentially on the Internet. We've ruled out regulating Internet content – getting some basic powers for the security services was hard enough!

We will be able to say that content regulation will be much more effective under this new regime, as it will be carried out by one regulator. But you might want to ask the Ministers whether we need to do anything else – for example, a taskforce to examine improving the way parents can control what their kids watch on digital television?

DRAFTING

Finally, we must make sure that they get early drafting authorisation for this Bill. It will be complex and extremely controversial. We can't afford to have sloppy drafting too. They are working to a rushed timetable, because of our request for the Bill to be ready as soon as possible. Yet, I gather the Leg committee refused them drafting authorisation. If you agree, we will need to change that decision.


for

JAMES PURNELL



QUEEN ANNE'S GATE LONDON SW1H 9AT

30 NOV 2000

*1
Suffox?*

*SV cc: PJ
P
SCU*

The Rt Hon Chris Smith MP
Secretary of State for Culture, Media and Sport
2-4 Cockspur Street
LONDON
SW1Y 5DH

Dear Chris,

COMMUNICATIONS WHITE PAPER

Thank you for copying to me your and Stephen's letter of 23rd November to the Deputy Prime Minister seeking clearance for additional proposals in the White Paper in respect of a three-tier regulatory framework for broadcasting. I have also seen your Private Secretary's letter of 27 November enclosing a revised version of the White Paper.

2. My comments on the revised draft White Paper are set out below. Subject to these being taken into account, I am content for the White Paper to be published.

3. I am grateful for the work which has been done on redrafting Chapters 1 and 6 to take account of my concerns which I expressed at our recent meeting that the rights of citizens and the interests of society more generally needed to be given greater prominence in the White Paper. Chapter 1 has been substantially improved. It now strikes a better balance between citizens' rights and commercial concerns and achieves a more aspirational tone. I note that the issues around content standards have been set out in more detail, and that ensuring "...services conform to basic standards of decency and quality..." has been explicitly mentioned as one of the Paper's policy goals. There is also more emphasis on the need to change the existing system to meet the challenges of convergence.

4. I was grateful for an opportunity to see the provisional draft of Chapter 5 which contains additional proposals for a more coherent regulatory framework for broadcasting. I am reassured by the proposals for a three-tier framework that standards in broadcasting, particularly with regard to negative content regulation, would be maintained and that the level of regulation would be broadly unchanged

RESTRICTED - POLICY & MARKET SENSITIVE

from the present system. I note that in respect of their high level tier 1 responsibilities, the BBC Board of Governors would regulate the BBC, although OFCOM would have a role in respect of delivery of their tier 2 objectives. OFCOM would be the regulator for all other broadcasters under tier 1, for public service broadcasters under tier 2 and have back-stop powers in respect of public service broadcasters under tier 3. The role of OFCOM in relation to the broadcast media has thus been clarified and I am content that one of my concerns in this area has been met. However, there is still little detail on how OFCOM would work in practice, for example, in terms of mediating potentially conflicting commercial and public protection interests or in respect of an appeals process.

5. On Chapter 6, I am pleased that there is a specific section on "*Safeguarding the Interests of Citizens*" which deals with maintaining acceptable content standards in the electronic media. I understand that this will apply to services over the Internet and that, as well as maintaining support for the Internet Watch Foundation, it is proposed that content will be regulated by the establishment of high level objectives and principles set out in paragraphs 6.3.6 - 6.3.8. This is the area where OFCOM is seen as working more in partnership with industry in a form of co-regulation.

6. I would like to delete the words "*and that attempts to pursue more formal regulation to the Internet (beyond the application of the criminal law) are unlikely to succeed.*" from paragraph 6.3.4. This may be a true reflection of the position at present but adds little to the text and sounds unnecessarily negative. I do not wish to rule out any possibilities with regard to the Internet. I would also like to delete the new paragraph 6.11.2 suggesting that the British Board of Film Classification's work on film classification is a good example of co-regulation which should remain untouched. This is an odd distinction in the work of the Board.

7. On further reflection on the position of the BBFC in the regulatory framework, in the light of the new proposals set out in Chapter 5, I think that the BBFC sits oddly alongside the Internet and other electronic media in Chapter 6. The pre-classification system for videos, films, DVDs and some computer games works well and is a system which is broadly understood. As I said in my letter of 22 November, it will be important to recognise that different systems of control will continue to be needed, at least until such time as the communications revolution has moved on to the point at which videos and films delivered in their current formats (ie, as hard copies or in public cinemas) have become a thing of the past.

8. I can see no reason why the BBFC should not remain as a free-standing body responsible for the administration of its own classification system, albeit with some duty in respect of OFCOM, in a position broadly analogous to that of the BBC Governors. **It may be possible for the Board's statutory duties to**

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“nest” within OFCOM's regulatory objectives (6.3.6 - 6.3.6.7) or be replaced by them, but if that were to be the case, I feel strongly that these should be statutory objectives. I need your assurance that, in particular, ensuring the protection of children and preventing crime and disorder will be spelled-out in legislation alongside the overarching regulatory objectives. On this understanding, I am content for a “green” reference to the BBFC to remain in the document, but I would like the paragraph redrafted to indicate a broader range of possibilities, from the BBFC retaining its current responsibilities while applying the high-level objectives policed by OFCOM (if the objectives were statutory) through to OFCOM taking over the role of the BBFC. I have asked my officials to work with yours on a suitable formulation.

9. I am copying this letter to the Prime Minister, the Deputy Prime Minister, members of EA and HS Committees, Robin Cook, Geoff Hoon, Clare Short, the Chief Scientific Adviser, Sir Stephen Wall and to Sir Richard Wilson.

Yours ever,
Jack.

JACK STRAW

RESTRICTED - POLICY & MARKET SENSITIVE

dti



C00/08925/DC

The Rt Hon John Reid MP
Secretary of State for Scotland
Scotland Office
Dover House
Whitehall
LONDON
SW1A 2AU

30 November 2000

SO F
cc: PJ
from
SLV

Dear Secretary of State,

Thank you for your letter of 22 November, in response to our letter of 6 November which sought agreement to the policy proposals outlined in our draft Communications White Paper.

We are pleased that you support the policy proposals set out in the White Paper. We will gladly accept your additional comment for Chapter 2, clarifying the fact that changes to planning regulations will be a matter for the Scottish Executive.

You raise the issue of ensuring that OFCOM has the capacity to take account of Scottish interests in regulation, whether this is achieved by representation or some other means. Our latest draft of the White Paper emphasises that 'we will expect OFCOM to develop good links with the relevant policy committees of the devolved assemblies, and with representatives of the English regions.' We propose that OFCOM will work closely with different parts of the UK to ensure that consensual judgements are reached in areas such as content regulation. At this stage, however, the precise structure of OFCOM has yet to be resolved, and we do not propose to set out any further detail in the White Paper itself. We welcome the continued discussions between your officials and ours on this point.



INVESTOR IN PEOPLE

On the issue of independent production, you will note that the White Paper already strongly endorses the contribution independent producers make to the economy at a UK, national and regional level. We hope the policy proposals set out in the White Paper will ensure that Scotland continues to benefit from a thriving creative industries sector.

Other parts of the UK do not have such healthy independent productions sector as Scotland. In light of this we decided not to introduce a regional element to the independent productions quota system. There is another element to this: if we seek to promote UK national and regional production at the expense of production from other Member States we may find ourselves acting contrary to the Television Without Frontiers Directive. Nevertheless, we are confident that the measures we propose for boosting the regional commitments of broadcasters will benefit independent producers all over the UK.

You will be aware that we have since written again to EA/HS colleagues with a revised policy on public service broadcasting.

- ▶ We are copying this to members of EA and HS and to Henry McLeish.



CHRIS SMITH

(also signing on behalf of STEPHEN BYERS)

*(Approved by The Secretaries of State
→ signed in Their absence).*

dti



C00/08924/DC

The Rt Hon David Blunkett MP
Secretary of State for Education
Sanctuary Buildings
Great Smith Street
Westminster
LONDON
SW1P 3BT

30 November 2000

Dear Secretary of State

Thank you for your letter to John Prescott of 22 November, in response to our letter of 6 November which sought agreement to the policy proposals outlined in our draft Communications White Paper.

We are pleased that you support the policy proposals set out in the White Paper. You will be aware that we have since written again to EA/HS colleagues with a revised policy on public service broadcasting.

Our officials have also been in close contact with yours to consider some new wording for the White Paper on the role that communications technology can play in schools and in lifelong learning.

- ▶ We are copying this letter to Sir Richard Wilson

A handwritten signature in black ink, appearing to read 'Chris Smith', written over a faint circular watermark.

CHRIS SMITH

(also signing on behalf of STEPHEN BYERS)

(Approved by The Secretaries of State & signed in their absence)



INVESTOR IN PEOPLE

dti



C00/08928/DC

Séamus Mallon MP
Deputy First Minister
Parliamentary Buildings
Stormont
Belfast
BT4 3XX

30 November 2000

Dear Minister

Thank you for your letter of 23 November, in response to our letter of 6 November which sought agreement to the policy proposals outlined in our draft Communications White Paper.

We are pleased that you support the policy proposals set out in the White Paper.

You raised a number of points in particular. Firstly, you naturally declared an interest in Northern Irish representation on OFCOM, and in the need for OFCOM to have a Northern Irish office. Our latest draft of the White Paper emphasises that 'we will expect OFCOM to develop good links with the relevant policy committees of the devolved assemblies, and with representatives of the English regions.' We propose that OFCOM will work closely with different parts of the UK to ensure that consensual judgements are reached in areas such as content regulation. At this stage, however, the precise structure of OFCOM has yet to be resolved, and we do not propose to set out any further detail in the White Paper itself. We welcome the continued discussions between your officials and ours on this point.

You also raised a point in relation to broadband rollout. We agree that it will be important that your Department of Enterprise, Trade and Investment is fully involved in this work.



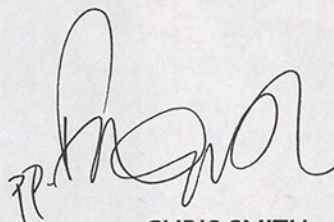
INVESTOR IN PEOPLE

We share your view that OFCOM will play an important role in promoting broadcasters' commitments to the regions, and to raising targets for regional production. OFCOM will have a crucial role to play in relation to the maintenance of ITV's regional character. We also recognise that Northern Ireland has fewer radio services than other parts of the UK. The number of radio services available in any area is dependent upon the spectrum available. We will continue to keep spectrum allocation under review.

We understand that your officials are supplying some draft text in relation to the Belfast Agreement, which we will gladly accept. The UK Government remains committed to exploring the scope for achieving more widespread availability of the Irish language service in Northern Ireland, provided it does not adversely affect the reception of existing or planned UK services.

You will be aware that we have since written again to EA/HS colleagues with a revised policy on public service broadcasting.

- ▶ We are copying this letter to the Prime Minister, members of EA and HS Committees, Secretary of State for Defence, Secretary of State for International Development, Sir Robert May, Sir Stephen Wall and Sir Richard Wilson.



CHRIS SMITH

(also signing on behalf of STEPHEN BYERS)

*(Approved by the Secretaries of State
& signed in their absence)*

dti



C00/08926/DC

Paul Murphy
Secretary of State for Wales
Gwydyr House
Whitehall
LONDON
SW1A 2ER

30 November 2000

Dear Secretary of State

Thank you for your letter of 22 November, in response to our letter of 6 November which sought agreement to the policy proposals outlined in our draft Communications White Paper.

We are pleased that you support the policy proposals set out in the White Paper.

You raised three points in particular. Firstly, you naturally declared an interest in Welsh representation on OFCOM. Our latest draft of the White Paper emphasises that 'we will expect OFCOM to develop good links with the relevant policy committees of the devolved assemblies, and with representatives of the English regions.' We propose that OFCOM will work closely with different parts of the UK to ensure that consensual judgements are reached in areas such as content regulation. At this stage, however, the precise structure of OFCOM has yet to be resolved, and we do not propose to set out any further detail in the White Paper itself. We welcome the continued discussions between your officials and ours on this point.

We appreciate your point on accessibility to Digital Terrestrial Television in Wales. The White Paper will reiterate that the Government is committed to ensuring that everyone who currently receives free-to-air analogue channels (BBC1 and2, Channel 3, Channel 4, S4C in Wales and Channel 5) will continue to receive the same channels free after switchover to digital television.



INVESTOR IN PEOPLE

We note your second point as to the importance of television manufacture to the Welsh economy. The White Paper restates the Government's position on analogue switchover.

You will be aware that we have since written again to EA/HS colleagues with a revised policy on public service broadcasting.

- ▶ We are copying this letter to the Prime Minister, members of EA and HS Committees, Sir Robert May, Sir Stephen Wall and Sir Richard Wilson.



CHRIS SMITH

(also signing on behalf of STEPHEN BYERS)

*(approved by Ro Iordannis of State
& signed in their absence).*

dti



C00/08927/DC

The Rt Hon David Trimble MP
First Minister
Parliamentary Buildings
Stormont
Belfast
BT4 3XX

30 November 2000

Dear Minister

Thank you for your letter of 23 November, in response to our letter of 6 November which sought agreement to the policy proposals outlined in our draft Communications White Paper.

We are pleased that you support the policy proposals set out in the White Paper.

You raised a number of points in particular. Firstly, you naturally declared an interest in Northern Irish representation on OFCOM, and in the need for OFCOM to have a Northern Irish office. Our latest draft of the White Paper emphasises that 'we will expect OFCOM to develop good links with the relevant policy committees of the devolved assemblies, and with representatives of the English regions.' We propose that OFCOM will work closely with different parts of the UK to ensure that consensual judgements are reached in areas such as content regulation. At this stage, however, the precise structure of OFCOM has yet to be resolved, and we do not propose to set out any further detail in the White Paper itself. We welcome the continued discussions between your officials and ours on this point.

You also raised a point in relation to broadband rollout. We agree that it will be important that your Department of Enterprise, Trade and Investment is fully involved in this work.



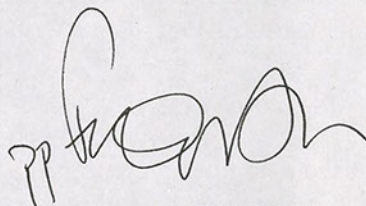
INVESTOR IN PEOPLE

We share your view that OFCOM will play an important role in promoting broadcasters' commitments to the regions, and to raising targets for regional production. OFCOM will have a crucial role to play in relation to the maintenance of ITV's regional character. We also recognise that Northern Ireland has fewer radio services than other parts of the UK. The number of radio services available in any area is dependent upon the spectrum available. We will continue to keep spectrum allocation under review.

We understand that your officials are supplying some draft text in relation to the Belfast Agreement, which we will gladly accept. The UK Government remains committed to exploring the scope for achieving more widespread availability of the Irish language service in Northern Ireland, provided it does not adversely affect the reception of existing or planned UK services.

You will be aware that we have since written again to EA/HS colleagues with a revised policy on public service broadcasting.

- ▶ We are copying this letter to the Prime Minister, members of EA and HS Committees, Secretary of State for Defence, Secretary of State for International Development, Sir Robert May, Sir Stephen Wall and Sir Richard Wilson.



CHRIS SMITH

(also signing on behalf of STEPHEN BYERS)

(Approved by The Secretaries of State & signed in their absence)

dti



C00/08923/DC

Baroness Scotland QC
Foreign and Commonwealth Office
LONDON
SW1A 2AH

30 November 2000

Dear Minister

Thank you for your letter of 22 November, in response to our letter of 6 November which sought agreement to the policy proposals outlined in our draft Communications White Paper.

I am pleased that you support our emphasis on public service broadcasting, and on our ambitions for the rollout of digital communications services. You will be aware that we have since written again to EA/HS colleagues with a revised policy on public service broadcasting.

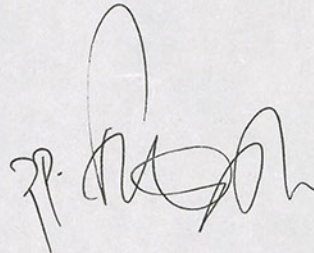
The issue of whether or not OFCOM will have a role in advising on proposals for new or amended public services in relation to the World Service was raised because of the earlier reference in the text to the World Service. We certainly did not mean to give the impression that OFCOM would be considering the market implications in other countries of future changes to the World Service. We have now removed the reference to the World Service in this context and in publishing the report we will make clear that the proposals apply only to the BBC's domestic services.

The second substantive point you raised concerned an earlier policy proposal to consider introducing a system of general authorisation to replace the present licensing system for non-terrestrial programme services. This point has been discussed at official level, and we have now decided not to pursue this policy in the White Paper. The licensing system will continue for channels carried by cable, satellite and other telecommunications systems, to ensure protection for viewers and listeners as well as compliance with EU rules about establishment, advertising, programme quotas and the protection of minors.



INVESTOR IN PEOPLE

- ▶ We are copying this letter to the Prime Minister, members of EA and HS Committees, Geoff Hoon, Clare Short, Sir Robert May, Sir Stephen Wall and Sir Richard Wilson.



CHRIS SMITH
(also signing on behalf of STEPHEN BYERS)

*(Approved by the Secretaries of State
and signed in their absence)*

Department for Culture, Media and Sport
From the Secretary of State

2-4 Cockspur Street
London SW1Y 5DH
www.culture.gov.uk

Tel 020-7211 6253
Fax 020-7211 6249
chris.smith
@culture.gsi.gov.uk

Top: EAPS

dti



C00/21253/08939/DC

The Rt Hon Marjorie Mowlam MP
Minister for the Cabinet Office and Chancellor of the Duchy of Lancaster
70 Whitehall
LONDON
SW1A 2AS

30 November 2000

Dear Ms,

Thank you for your letter to John Prescott of 22 November, in response to our letter of 6 November which sought agreement to the policy proposals outlined in our draft Communications White Paper.

We are grateful to your officials for working with ours in drawing up an agreed Regulatory Impact Statement. I am also grateful for the detailed comments that your officials in the Regulatory Impact Unit have given us. We have reflected these points in our revised Regulatory Impact Assessment.

Thank you also for your reminder of the need for OFCOM to consider the Better Regulation Task Force's 'Principles of Good Regulation' when drawing up detailed rules.

On the timing of the consultation, we appreciate the desirability of giving people three months to comment, but would like to keep to the previous minimum of two months on this occasion. LP Committee has asked us to prepare Instructions to Parliamentary Counsel by February and in order to take account of reactions to the White Paper we need to encourage early responses. This is only one stage in the consultation process, which started a year or so ago, and we can give a commitment to further consultation on the detail of legislation next year.



INVESTOR IN PEOPLE

SK 4/12/00

- ▶ I am copying this letter to the Prime Minister, members of the EA and HS Committees, the First Secretary in Wales, the First Ministers in Scotland and Northern Ireland, the Deputy First Minister in Northern Ireland, the Chief Scientific Adviser, Sir Stephen Wall and Sir Richard Wilson.

Yours ever *Chris*

CHRIS SMITH
(also signing on behalf of STEPHEN BYERS)

RESTRICTED - POLICY



10 DOWNING STREET
LONDON SW1A 2AA

File
Copy in Dec inbox
to Chris Wood
c.c.
JLV

From the Private Secretary

30 November 2000

Dear Julie

TELECOM MASTS

The Prime Minister is aware that DETR are currently considering how to respond to the consultation on telecoms planning in light of the Stewart report. I also understand that this issue is due to be discussed at a meeting of EA Committee before Christmas.

The Prime Minister would be grateful for a report setting out the different options before the policy is announced on your Department's proposals.

I am copying this letter to Alison Walker (DTI), Stephen Waring (DoH), Hermoine Gough (HMT) and Richard Abel (Cabinet Office).

Yours ever

SIMON VIRLEY

Julie Burt
DETR

RESTRICTED - POLICY

JLV

FROM NICK RAYNSFORD MP
MINISTER FOR HOUSING AND PLANNING

MATRIX



DEPARTMENT OF THE ENVIRONMENT
TRANSPORT AND THE REGIONS

ELAND HOUSE
BRESSENDEN PLACE
LONDON SW1E 5DU

TEL: 020 7944 3013
FAX: 020 7944 4539
E-Mail: nick_raynsford@detr.gsi.gov.uk

OUR REF: R/29811/00

Patricia Hewitt MP
Minister for Small Business and E-Commerce
Department of Trade and Industry
1 Victoria Street
LONDON
SW1H 0ET

29 NOV 2000

Jan Patricia

*Top Sv
cc PJ
Press*

TELECOMMUNICATIONS PLANNING CONSULTATION

Thank you for your letter of 7 November enclosing DTI's response to our consultation paper on telecommunications mast development.

As you know the consultation period has now ended. We are currently analysing the many responses received. I appreciate your concerns, and those of the industry, about potential implications of any move to tighten the planning arrangements for roll-out of telecommunications networks. However, I feel that it would be premature for us to discuss the issues raised at this stage. I will write more fully when we have more fully analysed the responses.

I am copying this letter to the Prime Minister, Mo Mowlam, Stephen Timms, Yvette Cooper, Jacqui Smith, James Purnell at No 10 and to Sir Richard Wilson.

Yours ever

Nick

NICK RAYNSFORD



INVESTOR IN PEOPLE



RESTRICTED POLICY

MINISTRY OF DEFENCE
WHITEHALL LONDON SW1A 2HB
Telephone 020 721 82111/2/3

2
Top FAPS
cc FAPS
FAPS
PU
Press
EAPS

SECRETARY OF STATE

MO 21/8/5H

29th November 2000

Dear Chris,

COMMUNICATIONS WHITE PAPER

I am grateful for the opportunity to comment on the White Paper outlining arrangements for rationalising regulation of the communications sector. The case for forming the new regulatory authority, OFCOM, is well made and the Ministry of Defence supports this initiative which should bring added benefit to the economy at large, as well as stimulating the availability of products and services relevant to Defence.

The main area of concern to the Ministry of Defence is, as you point out, management of the radio frequency spectrum and the future of the Radiocommunications Agency (RA). Defence access to the radio spectrum is critical to the delivery of operational capabilities that are linked to sensing, weapons control and intelligence, as well as the essential role of good communications in modern warfighting and crisis management. The RA has an

The Rt Hon Chris Smith MP
Secretary of State for Media, Culture and Sport

RESTRICTED POLICY

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Recycled Paper

RESTRICTED POLICY

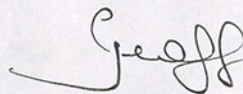
important role in maintaining coherence across the different facets of spectrum use, and has been very effective as the focus for interaction with international bodies. I support the White Paper's recommendation that spectrum management responsibilities should be held together in OFCOM; these should be kept as a single entity, operating along the lines of the RA.

I am content with your plan to proceed to publish the White Paper on 12 December, but I shall want my officials to be closely involved in developing the details for its implementation. My particular concerns are:

- The arrangements for setting radio frequency strategy. This is currently the role of the Cabinet Office UK Spectrum Strategy Committee, of which MOD is Co-Chair and for which the RA currently provides the secretariat. Clarification is required regarding how the Committee will continue to set Government strategy.
- Provision of Ministerial oversight for the spectrum management function of OFCOM, ensuring balance between communications and non-communications uses.
- Ensuring the UK remains a strong force in negotiating international frequency allocations, especially in the protection of Defence interests.

The official responsible for these discussions within the MOD is the Capability Manager for Information Superiority, Andrew Sleight.

Yours sincerely,



GEOFFREY HOON

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MATRIX



Foreign &
Commonwealth
Office

London SW1A 2AH

From the Parliamentary Under Secretary of State

29 November 2000

The Rt Hon Chris Smith MP
Department for Culture, Media, and Sport
2-4 Cockspur Street
London
SW1Y 5DH

SU
cc: JST
PU
From

Dear Chris

You and Stephen Byers sent Robin Cook a copy of your letter of 23 November to John Prescott about the Communications White Paper. Robin has asked me to reply.

I look forward to seeing the revised Chapter 5 of the White Paper later this week. The following comments are subject to any further views we might have when we have seen the text.

In my letter of 22 November I addressed a couple of points at which your proposals risked intruding on the BBC World Service's relationship with the FCO. I hope you will agree with the general principle that the World Service, while operating as an intrinsic and important part of the BBC, should remain fully answerable to the FCO for its use of the grant-in-aid it gets from us, and its performance against objectives agreed with us.

This does not mean that the FCO wishes to adopt the role of a regulator. The World Service should be subject to the same standards and practices as the BBC as a whole. This might mean that any new Tier 2 programming obligations placed on the BBC with an eye to potential abuse of its muscle in the commercial marketplace would have a knock-on effect on the commercial activities of the World Service. That ought not to pose any difficulty, and indeed would bring a welcome consistency of practice across the BBC. But it would not be right for the World Service's programming to become subject to oversight by the new regulator.

I have similar reservations in connection with the proposed new obligation on the BBC to report to the regulator on the delivery of its remit. As with commercial activity, we would not expect to have difficulty with the World Service being expected to take account of any views expressed by the



regulator about delivery of BBC services in general. But it would not be right for him to be effectively, empowered, perhaps inadvertently, to intervene in World Service matters.

If the new requirements for the BBC to publish detailed statements on how it intends to fulfil its remit, and to report annually on delivery, are to be entrenched in law and incorporated into the BBC Charter and Agreement, it will have to be made clear in these instruments that, so far as the World Service is concerned, these duties are owed to the FCO and not to the new domestic regulator.

I hope that these points will be brought out in the White Paper, and that you will consult us further about the practicalities.

I am copying this letter to the Prime Minister, members of EA and HS Committees, Geoff Hoon, Clare Short, Sir Robert May, Sir Stephen Wall and Sir Richard Wilson.

Yours as ever
R. Scotland

BARONESS SCOTLAND QC

dti



Stephen Timms
Financial Secretary to the Treasury
Treasury Chambers
Parliament Street
LONDON
SW1P 3AG

29 November 2000

Dear Stephen

COMMUNICATIONS WHITE PAPER - POLICY AGREEMENT

Thank you for your letter of 20 November, confirming that you were content with the main policy proposals which Stephen Byers and I put forward on 6 November to John Prescott. Since then we have written about some further policy development and are currently reflecting the points which you and other colleagues made on the draft.

I understand that, following discussions between officials, there are just two points from your letter which are outstanding. On the first (future arrangements for spectrum management) our officials are discussing and will agree some text. The other relates to the text on provisions ensuring, as far as possible, the carriage of the public service channels which should be universally available (section 3.4 of the draft White Paper).

In paragraph 11 of your letter you asked us to stress that Government action on must carry/must provide should be a reserve power. While we agree that commercial negotiation will generally be the basis on which arrangements for carriage will be agreed, we do not think that it would be right for the text on must carry/must provide to be presented as a last resort. We are committed to ensuring, as far as reasonably practicable, the universal availability of the public service channels. These elements of the policy could be critical for our policies of continuing to deliver universal public service broadcasting after analogue switch-over, when we may not be able to rely on the digital terrestrial spectrum to deliver that access. The current drafting is designed to reflect that careful balance.



INVESTOR IN PEOPLE

In essence, we propose the retention of the "must carry" provisions in the 1996 Broadcasting Act, which have yet to take effect because digital cable has been slow to roll out. We think that it would be wrong to abandon these provisions now given their place in delivering our policies.

▶ Our officials have now circulated a revised text, which we hope you and other colleagues will be able to support. We are copying this letter, as yours, to the Prime Minister, the Deputy Prime Minister, members of EA and HS, Robin Cook, Claire Short and Geoff Hoon and to the Chief Scientific Adviser, Sir Stephen Wall and Sir Richard Wilson.

*Yours ever
Chris*

CHRIS SMITH

Also signed on behalf of STEPHEN BYERS

RESTRICTED - POLICY AND MARKET SENSITIVE



QUEEN ANNE'S GATE LONDON SW1H 9AT

22 NOV 2000

The Rt Hon Chris Smith MP
Secretary of State for Culture, Media and Sport
2-4 Cockspur Street
LONDON
SW1Y 5DH

Dear Chris,

COMMUNICATIONS WHITE PAPER - POLICY AGREEMENT

Thank you for sending me a copy of your and Stephen's letter of 6 November to the Deputy Prime Minister. The draft White Paper raises some very important issues of principle and I have read it very carefully. I have to say, however, that I do not think that, as currently drafted, it makes out a convincing case so far as content regulation is concerned. Moving from the current position with separate systems of regulation for different media to a single system, combining content and technical regulation, is a very big step and we need to be confident both that it is justified and that any new system will represent an improvement.

2. I mentioned when I wrote recently in respect of these proposals that answering the substantial questions raised by the convergence of new technologies in this area would pose a considerable challenge and I said that I was concerned that the detail of how OFCOM would work in relation to content regulation remains insufficiently worked up. I am afraid that the current draft has not lessened that concern.

3. The current systems which we have for content regulation - for film, video and broadcast material - are, I think, quite subtle and flexible and, although there may from time to time be dissatisfaction with individual decisions, I do not think there is any widespread sense that they are seriously deficient. The creation of a single regulatory body would tend to blur the distinctions between the media whereas, in practice, people's expectations about content vary according to the medium. Indeed, it can be argued that the existence of different regulatory bodies is helpful in that it promotes a healthy debate about standards. A single body with a monopoly on content regulation could give rise to serious difficulties. If there was dissatisfaction with the way in which the body was

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SKP 23/11/00

RESTRICTED - POLICY AND MARKET SENSITIVE

discharging its functions what levers would be available to us? At least at present any such difficulties would affect only one part of the communications media - with a single regulator we would be faced with much more acute problems. We would also need to be sure that the new regulator would be able satisfactorily to resolve conflicts of interest between its commercial and public protection responsibilities in a way that was seen to be transparent and fair. Similarly, in dealing with appeals against its decisions on content regulation, it may be insufficient, in terms of the need for public accountability in an organisation of this kind, to refer back to a specific panel of the regulator, albeit with the long-stop offered by the Courts.

4. I raise these issues as examples. Overall, I feel the White Paper fails to reflect the subtleties of the current system of content regulation which has been, in public policy terms, extremely important in setting standards and influencing our cultural life. I am concerned that it appears that the checks and balances of the current system would be swept away, as the proposals are currently drafted.

5. With regard to the position of the British Board of Film Classification and their work in relation to the classification of videos, DVDs and computer games, particular difficulties exist in respect of reconciling the statutory requirements with regard to the existing classification system and the regulatory framework envisaged in the White Paper. I know that our officials have worked closely together on drafting the relevant passages, but there is more work to be done. In the context of the White Paper proposals, I think that it will be important to recognise that different systems of control will continue to be needed, at least until such time as the communications revolution has moved on to the point at which videos and films delivered in their current formats (ie as hard copies or in public cinemas) have become a thing of the past. Until then different systems of control, and in particular, the current system of pre-classification, backed up by criminal sanctions, will continue to be needed in order to meet public expectations and, in particular, to provide reassurance that children will not have access to wholly unsuitable material. Recent experience with R18 videos has demonstrated the levels of public concern which exist about this and it would be very dangerous for us to give the impression that we were contemplating relaxing these controls or relying more upon self regulation. It will also be important to ensure that adequate systems exist for challenging decisions by the regulator to classify material in certain categories or to refuse to classify material at all.

6. I am not satisfied that the White Paper currently gives sufficient assurances on negative content controls. In view of the proposed timetable for publication of the White Paper, I would be happy to meet you and Stephen to discuss these issues as a matter of some urgency.

RESTRICTED - POLICY AND MARKET SENSITIVE

RESTRICTED - POLICY AND MARKET SENSITIVE

7. I am copying this letter to the Prime Minister, the Deputy Prime Minister, members of EA and HS Committees, Robin Cook, Geoff Hoon, Clare Short, the Chief Scientific Adviser Sir Stephen Wall and to Sir Richard Wilson.

*Yours ever,
Jack*

JACK STRAW

RESTRICTED - POLICY AND MARKET SENSITIVE



RESTRICTED - POLICY AND MARKET SENSITIVE Foreign &
Commonwealth
Office

22 November 2000

London SW1A 2AH

From the Parliamentary Under Secretary of State

The Rt Hon Chris Smith MP
Department for Culture, Media and Sport
2-4 Cockspur Street
London
SW1Y 5DH

Ⓟ
SV
E.R.

Dear Chris

Thank you for copying your letter of 6 November to John Prescott to Robin Cook, which covered a draft of the Communications White Paper. Robin has asked me to reply.

I welcome the White Paper's affirmation of the role of public service broadcasting. I also support its emphasis on preparation for the transition to a digital world, which chimes with the aspirations of the World Service.

The White Paper does not bear substantially on the relationship between the FCO and the World Service. But the Regulator's approach will no doubt influence the way in which the World Service develops its commercial activities. I am sure this will be helpful. We are keen to encourage the World Service's commercial activities, while at the same time ensuring that there is no cross-subsidisation from the grant-in-aid.

I understand that the new role envisaged for the Regulator in advising on the market implications of proposals for new public services and for material changes to existing ones (clause 2.8) would apply only to the BBC's domestic services. I also assume that the Regulator would not become involved in the BBC's reach into overseas markets through the World Service. You may wish to make this clear.

On the content regulation of non-terrestrial programmes (clause 7.6.9), FCO officials have been in touch with yours to



express concern at the prospect of a system of general authorisation replacing the present licensing system. I am sure it is right to retain a licensing system. General authorisation would make it more difficult to take action against TV stations abusing their ability to broadcast into other countries from the UK.

I am copying this letter to the Prime Minister, members of EA and HS Committees, Geoff Hoon, Clare Short, Sir Robert May, Sir Stephen Wall and Sir Richard Wilson.

Yours ever

Patricia

BARONESS SCOTLAND QC

Foreign and Commonwealth Office
22 November 2000

RESTRICTED - POLICY AND MARKET SENSITIVE



Ysgrifennydd Gwladol Cymru
Secretary of State for Wales

Rt Hon Paul Murphy MP

Tel: 020 7270 0549
Ffon: 020 7270 0549

Wales Office | Swyddfa Cymru

Office of the Secretary of State for Wales
Gwydyr House
Whitehall
London SW1A 2ER

Swyddfa Ysgrifennydd Gwladol Cymru
Tŷ Gwydir
Whitehall
Llundain SW1A 2ER

Our ref: SF00/sub/495

22 November 2000

Leo Choss,

COMMUNICATIONS WHITE PAPER POLICY AGREEMENT

Thank you for your letter dated 6 November to the Deputy Prime Minister seeking policy approval for the proposals set out in the Communications White Paper.

I welcome the White Paper and support your proposal to publish it in December. I also welcome the fact that you have written to Rhodri Morgan to draw in the Assembly in Wales.

While communications generally is not an area of responsibility transferred to the Assembly, the White Paper potentially impacts significantly on areas of specific interest in Wales.

One issue which I think will be of particular interest in Wales relates to the establishment of OFCOM. If OFCOM is to replace a number of bodies on which there is Welsh representation some extension of this will be desirable.

Over the last month or so I have held my own discussions with broadcasters in Wales and there are a number of points I might make. Firstly, there is concern about the level of accessibility to Digital Terrestrial Television in Wales. I understand that DTT currently reaches only 65% of the Welsh population, with many of those unable to access it being concentrated in the central South Wales valleys. Any measures that you may be able to take to encourage enhanced digital coverage would be very welcome in Wales, particularly given that some of the areas without reception are the most economically disadvantaged.

Secondly, in respect of the analogue/digital issue you may be aware of recent job-losses in the TV manufacturing sector in Wales, in particular at Sony and Panasonic. I gather that some 80% of existing TV manufacturing is based in Wales. The switch from the production of analogue to digital sets is causing some difficulties in the market at the moment, and a clear statement of the



Government's position, in the White Paper, would, I believe, be welcomed by the sector.

Finally, you will be aware that S4C is anxious to secure further funding to support its digital services. Whilst I have a lot of sympathy with their argument that they are the only public service broadcaster not to have been given a financial allocation to cover digitalisation, I think we must keep in view that additional help for S4C should not be at the expense of English-language programming on BBC Wales.

I am copying this letter to the Prime Minister, members of EA and HS Committees, the Chief Scientific Adviser, Sir Stephen Wall and Sir Richard Wilson.

*Yours ever,
Chris*

The Rt Hon Chris Smith MP
Secretary of State for Culture, Media and Sport
2-4 Cockspur Street
London SW1A

dti

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C00/08569

PRIME MINISTER

We are writing to alert you to some further policy development for the Communications White Paper, in advance of writing to HS and EA colleagues tomorrow (Wednesday 22 November). The additional proposals are for a more coherent regulatory framework for broadcasting. This framework will include the BBC and provide for greater reliance on self regulation for other public service broadcasters.

We wrote to you on 10 October about, and we met on 12 October to discuss, the joint DCMS/DTI Communications White Paper. We then wrote to colleagues on HS and EA Committees, seeking policy clearance, subject to further policy development in some key areas. That policy development is now concluded, and as a result we have developed our approach to the structure of regulation further. We have concluded that the White Paper should offer a more coherent framework in relation to the regulation of broadcasters, including the BBC. This letter is to alert you to the change. If you or your office wish to comment before we write to the Deputy Prime Minister as Chair of HS and EA, we fear that we must ask for your views today. The timetable for production of the White Paper by the target date 12 December is punishing.

The framework sets out three tiers of regulation. The first tier would cover the regulation of basic obligations that would apply to all broadcasters - negative content obligations in terms of taste and decency, impartial and accurate news, rules on advertising and sponsorship, and industry-wide requirements in relation to other matters such as subtitling, training and equal opportunities. At this level, OFCOM would regulate most of the broadcasters, but the BBC Governors would regulate the BBC, so that they could retain their key role in editorial matters, for example, maintaining impartiality across all their services.



INVESTOR IN PEOPLE

The second tier would be regulated by OFCOM, which would cover the basic essentials required of each of the public service broadcasters, that is BBC, ITV, Channel 4 and Channel 5, including the provision of news and current affairs in peak time, and regional production and programming. Different obligations would continue to apply to different broadcasters, in recognition of the complementary nature of public service broadcasting provision across these channels, but OFCOM would regulate them. This tier would largely include measurable requirements of public service broadcasters that are additional to the more general tier 1 obligations on all broadcasters.

The third tier would be largely self-regulatory and include qualitative elements in public service broadcasters' statutory remits, which are not already covered in tier two (such as the high quality expected of public service programming, and the need to cater for a wide variety of tastes). Each broadcaster, including the BBC would be required to publish detailed statements on how they intended to fulfil their statutory remits, and to report annually to OFCOM on their delivery. They would be required to take account of OFCOM's views on how the remits had been fulfilled, and how this fitted in across the whole of the broadcasting environment, when developing future schedules. There would be backstop powers for OFCOM to intervene where appropriate should self-regulatory mechanisms not be sufficient.

We see the main implications for broadcasters of this framework as follows:

BBC and S4C

The level of OFCOM oversight of the BBC and S4C will be greater than was set out in the earlier White Paper text, particularly in relation to regulation at Tier 2. While the BBC Governors will remain responsible for the scheduling and editorial content of BBC programmes, OFCOM is to be given a specific role in ensuring that the BBC delivers on Tier 2 obligations, which could include some new obligations for the BBC. While we do not think that the BBC will object to the obligations themselves, the framework will for the first time give an external regulator a role in delivering programming obligations. We judge that this is necessary to address the commercial sector's demands for a 'level playing field' in regulatory terms, but the BBC and S4C will probably view this as representing some loss of independence. We believe however that this represents a good balance between the interests and views of the commercial sector and the BBC/S4C. We shall need to brief the Chairs about this before publication. At Tier 3, the BBC Governors and the S4C Board, along with the Boards of Channel 4 and the commercial public service broadcasters, will remain responsible for delivering their remits, which should be welcome to them, but the backstop powers for OFCOM will again formally impinge on their independence.

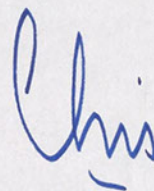
ITV, CHANNEL 4, CHANNEL 5

The new framework represents a significant degree of deregulation for the ITV companies. At present their licences are monitored and regulated against a combination of statutory obligations and "programme promises" offered in their licence bids. We had already proposed to move away from "box-ticking" regulation. Under the framework now proposed, the licence would include only tier one and tier two obligations. Tier three obligations would be delivered according to detailed statements by the companies themselves, and reported against to OFCOM. This will enable the companies to adjust their output in order

to maintain their ability to continue to earn the advertising revenues which fund their public service obligations and support the quality of the rest of their output. Overall this package is a balanced one, and fits into a coherent framework, replacing the piecemeal approach of the present broadcasting arrangements while preserving the essential features of the broadcasting ecology that still works well.

Other Changes

You should also be aware that we have decided not to pursue the proposal in the draft White Paper that we circulated to colleagues to move from licences to general authorisations for cable and satellite broadcasting channels (though we are retaining the proposal for general authorisations for the networks that carry them). We have been persuaded that the efficacy of regulation might be significantly hampered, a point that might have concerned Robin Cook and Jack Straw.



CHRIS SMITH

Also signing on behalf of STEPHEN BYERS

21 November 2000



DFID Department for
International
Development

94 Victoria Street, London SW1E 5JL

Telephone: 020 7917 0134
E-mail: c-short@dfid.gov.uk

From the Secretary of State

The Rt Hon Chris Smith MP
Department of Culture, Media and Sport
2-4 Cockspur Street
London SW1Y 5DH

14 November 2000

Dear Secretary of State

COMMUNICATIONS WHITE PAPER - POLICY AGREEMENT

Thank you for sending me a copy of the draft Communications White Paper, under cover of your letter of 6 November.

As you know, my interest has been in the provisions on Public Service Broadcasting, and in particular in ensuring coherence with our work to build awareness and understanding of global issues within the UK. I therefore welcome the proposed provisions on Public Service Broadcasting, and specifically the recognition in Section 5.3 of the importance of providing full and balanced information about the world, including at a global level. This is very much consistent with the approach we have been taking in our own work with the Broadcasting industry, and it is also consistent with the approach in the draft White Paper on Globalisation, which I have circulated to you and other colleagues, and which is due for publication the day before the Communications White Paper.

I am copying this letter to recipients of yours.

Yours sincerely

CS

CLARE SHORT
(Agreed by the Secretary of State
and signed in her absence)

PM The note from Patricia Hewitt is attached. As she notes, despite the problems, some progress is being made - although the UK remains significantly behind Germany.

Sv 27/10

From: Richard O'Neill
Date: 27 October 2000

PRIME MINISTER

cc: James Purnell
David Miliband
Simon Virley

I agree with this but we need a more aggressive approach

viz the press thought that's BT don't help.

LOCAL LOOP UNBUNDLING AND ADSL

Patricia Hewitt's note to you, sent on 15 October, provides a summary of where we have got to on unbundling the local loop for telecommunications.

The local loop is a pair of wires between the user's premises and the local exchange. These have traditionally belonged to the incumbent telecoms operator, but recent technological developments - and particularly the arrival of DSL technologies - have increased the need for liberalisation in this sector. As a result, OFTEL formally decided to require BT to unbundle the local loop in November 1999. This is a complicated and drawn-out process under normal circumstances, but is even more so in the UK's competitive market, where more than 30 operators want access to the local loop. However, the legal framework for unbundling is now in place, and the first 361 exchanges where LLU will take place have been identified. Further exchanges will follow in December, and we aim to have widespread roll-out by mid-2001.

LLU is a particularly relevant issue because of its importance for e-commerce, since it will stimulate the development of Asymmetric Digital Subscriber Line in the UK (which can achieve data transmission speeds up to 30 times that of a normal telephone connection). Fast internet access requires major upgrades of the local loop, and whilst BT has begun a £6bn investment process, other telcos want to get in on the act. This is good, since it will stimulate competition and bring down prices, helping us to make the UK a better place for e-commerce.

The work in progress has not prevented sniping in the media and complaints from telcos other than BT. The press has suggested that BT is dragging its feet - which is true and understandable, since incumbents invariably lose out from Local Loop Unbundling - and, less justifiably, blame OFTEL for not doing more to push the process through.

The usual approach is to make comparisons with other EU countries. These can look bad on paper, but the reality is different. Germany, for example, is held up as an example of successful LLU, carefully ignoring the fact that Deutsche Telekom's

- 2 -

market share two years after LLU was 98% in the local loop, due to wholesale charges 20% higher than its own retail charges! Indeed, the pace of LLU in most EU countries is either similar to or behind that of the UK. Having said that, our ADSL roll-out is behind schedule, and we will need to keep an eye on BT's and other telcos' ability to make it available to a large proportion of the UK in a short period of time.

In conclusion, there is a kernel of truth in some of the press reports on this issue, but the large amount of accompanying obfuscation has made our situation appear significantly worse than it actually is. The approach Patricia is taking – of mounting a clear and consistent press campaign, combined with practical co-operation with BT, looks to be the right one.

RICHARD O'NEILL

118

Patricia Hewitt MP
Minister for Small Business and E-Commerce



SV
cc:PU

Simon Virley Esq
Private Secretary to
The Rt Hon Tony Blair MP
10 Downing Street
London
SW1A 2AA

Department of
Trade and Industry

1 Victoria Street
London
SW1H 0ET

Direct Line 020 7215 5144
Direct Fax 020 7215 5551

Enquiries 020 7215 5000
Minicom 020 7215 6740

e-mail
mpst.hewitt@dti.gsi.gov.uk

13th October 2000

Dear Simon,

Patricia Hewitt has asked to send the attached document on Local Loop Unbundling for the Prime Minister to see.

I am copying this to Stephen Byers and James Purnell.

Best regards,

Alison Walker

ALISON WALKER
Private Secretary to Patricia Hewitt

Encs.

119



Note to the Prime Minister from Patricia Hewitt MP

Local Loop Unbundling

1. Local Loop Unbundling (LLU), which allows BT's competitors to lease and upgrade BT's local telephone wires to offer their own high speed Internet services to consumers, will bring greater choice and lower prices for consumers. Oftel made LLU a legal requirement in August 2000 in advance of the proposed EU Regulation that takes effect on 1 January 2001. But the practical process of delivering LLU is being delayed by disputes between BT and its competitors and amongst competitors. Competitors' frustration with BT – and, by extension, Oftel – has spilled over into the press. I am seeking urgently to persuade all the companies to agree to a speedy timetable and practical co-operation to deliver LLU. The alternative is a slower and more painful process of regulatory trench warfare. Either way, I am confident that Oftel will continue to take the necessary tough decisions. But co-operation (reinforced by Oftel action and the EC Regulation) will be more likely to deliver widespread availability of unbundled loops by mid 2001.

Background

2. Despite competition from the cable companies, which now pass over 50% of homes, BT retains 84% of the market for local telephone connection. It is now investing £6 billion in upgrading its local exchanges to convey higher-speed DSL (Digital Subscriber Lines) services. So far, 38% of homes and businesses are covered by upgraded exchanges; this is planned to rise to 50% by mid-2001 and 70% by end-2001. DSL is vital to delivering higher speed Internet access. But for the foreseeable future it will not be commercially or technically viable everywhere (DSL only works for premises within 3.5 kms of the exchange)



3. BT is now beginning to offer DSL services to customers. Oftel also requires BT to offer competitors a wholesale DSL service, enabling them to sell competing services. Freeserve, Demon, VNL and AOL are among the companies already using the wholesale product to offer their own higher-speed services.
4. LLU takes competition further by allowing competing telecoms companies to move into BT exchanges ("co-location"), install their own DSL equipment and offer services direct to customers. Unbundling is generally resisted by incumbents and requires tough regulatory action to deliver it. The practical and technical problems of co-location are not trivial and, in the UK, are compounded by our extremely competitive market, with 30 competitors all seeking to participate in LLU.

The Situation In Europe

5. The European Regulation should come into effect on 31 December. It is consistent with existing UK obligations on BT, except that it imposes additional requirements on the incumbent to offer "shared access" (i.e. incumbent continues to provide telephony, competitor provides broadband services over the same loop) and "sub-loop unbundling" (not really relevant to the UK network at present). The Regulation is silent on detailed timescales within which services have to be provided once offered. OFTEL believes that its published guidelines are consistent with the requirements of the Regulation.
6. Austria, Denmark, Finland and Germany have all had legal requirements for unbundling for some time and KPN (the incumbent in the Netherlands) is making a commercial offer of unbundling under threat of regulatory action. Of these states, there are significant numbers of unbundled loops only in Germany where the regulatory decision to impose it was taken as long ago as 1996. In practice it has mainly been used in Germany for voice calls. Unbundling for data/Internet has now begun, although DT is also said to be dragging its feet. In other EU countries, the process is only now beginning and there is no realistic prospect of commercial service much before mid-2001. Contrary to press reports, therefore, the UK is not lagging behind most of the EU - although Germany is, of course the most important comparison.



The Situation in the UK

7. The previous Government and Director General saw no need to pursue LLU, preferring to rely on competition to BT from competing networks eg the cable TV networks rather than encourage competition over BT's network. Since David Edmonds became Director General in 1998, OfTel has vigorously pursued Local Loop unbundling. In November 1999 OFTEL formally decided to require BT to "unbundle" its local loops. This allows other operators to upgrade the local loop and so offer direct competition to BT's ADSL products. Competition between operators will lead to lower prices and a greater variety of options in terms of speed of access and services offered.
8. A new condition on LLU in BT's licence came into force on 8 August 2000. This sets the legal framework and obligations on BT and gives OfTel powers to act if problems occur.
9. The industry, through two groups established by OFTEL, has sorted out most of the operational issues. OfTel is fully prepared to act speedily to resolve any disputes. OfTel has already acted, for example to resolve a technical issue (relating to prevention of interference between lines), to require BT to publish an accurate list of its exchanges and to set the process for allocating space in BT's exchanges.
10. On 12 September 2000 operators placed orders for co-location of their equipment at BT's exchanges. A process has been established place to manage the initial rush of demand for co-location from operators. OfTel has chosen the first 361 exchanges and has said that BT should make them ready for operators to install equipment within four months, except in individual exchanges where there are issues to be resolved beyond BT's control (e.g. planning permission). Once equipment has been installed unbundled loops must be provided within 5 days of order. Other exchanges will be chosen in December, once OfTel has agreed and set a process to allocate space in exchanges where demand for space exceeds supply.



11. Thus we are well on track for the first delivery of loops early in 2001. It will be a phased roll-out with the target of delivery of loops on a widespread basis by mid-2001 at the latest. OFTEL is currently pressing BT to commit to the fastest possible programme of preparation of collocation space. It believes it realistic for BT to be able to prepare several hundred exchanges by mid-2001, continuing at a rate of the order of 100-150 per month, although detailed targets have not yet been set. Although these kinds of figures represent only a fairly small fraction of BT's 6000 or so exchanges, they will represent a very considerably higher proportion of consumers and businesses, as the exchanges serving the highest density areas will naturally tend to be prioritised.

12. The main competitors (Energis, Colt, Cable & Wireless, Kingston Communications, Thus) believe however, that BT will not deliver to OfTel's timetable. I met them this week to discuss their concerns. I reinforced the Government's - and OfTel's - commitment to LLU and stressed that practical co-operation between them and BT would be far more effective than forcing OfTel to make formal determinations on very detailed issues involving hundreds of exchanges. (Of BT's 5500 exchanges, around 2800 cover 85% of the population. Those in the most commercially attractive areas pose the greatest problems, with a large number of operators competing for space.)

Media handling

13. Despite accurate and numerous briefings, the press seem determined to misrepresent the real progress that is being made. While they are right to suggest that BT has been dragging its feet, they ignore the fact that the other operators have been poorly organised and have done much less than they might to push forward the LLU process. Instead the press have blamed OFTEL for ineffectual regulation and by implication us for not making OFTEL do more.



14. I have been working with OFTEL to develop a strategy for handling the media. We have agreed a "hymnsheet" of lines to take [attached] which is being copied around other Government Departments to make sure that we tell a consistent story. OFTEL and I are also pursuing an aggressive programme to correct the damaging impression created by the spate of press articles. I ensured that the ridiculous comment by Commissioner Liikanen's Chef de Cabinet that the UK was in the relegation zone of the second division in Europe was retracted by means of the EC press release of 28 September [attached]. I was pleased that Liikanen felt able to welcome our "accelerated efforts".

15. The press interest will not go away until BT deliver unbundled loops. OFTEL are in the front line, and David Edmonds accepts that as the independent regulator he will have to be in the direct firing line. But it is important that the industry and the public know that we support OFTEL in their efforts to solve a complex problem.

Line to take on Local Loop Unbundling (LLU)

- ◆ Unbundling not a trivial exercise. Crucial to get the *practical implementation* right - other countries have had problems.
- ◆ Previous Government and DG of OFTEL relied on competition to BT from alternative networks. It was the present DG of OFTEL, David Edmonds, who decided more was needed, and that there should be competition over BT's lines to customers (known as unbundling the local loop).
- ◆ Condition in BT's licence requiring LLU has been in effect since 8th August, four months ahead of Commission's *proposed* (not yet agreed) deadline for unbundling
- ◆ Fact that nearly 30 operators have applied for space in BT's exchanges underlines how competitive UK telecoms market is. Industry has failed to agree on how to allocate this space, so OFTEL has taken charge of the process, selecting the first 361 exchanges for the process.
- ◆ UK remains on track to have first unbundled loops in January, *in line with the proposed EU timetable*.
- ◆ Of European countries, UK significantly behind only Germany - and unbundling has been part of German law for over 3 years.
- ◆ OFTEL is being tough on BT, and has set a demanding timetable. BT must already allow others operators access to its upgraded ADSL lines on the same terms as BT's retail arm. So, ADSL services are already available, both from BT and competing fixed line operators, in many parts of the country.
- ◆ UK is one of the most competitive telecoms markets in Europe.
- ◆ High speed cable available now, competing with DSL in much of the country. Other high speed services (satellite, 3G mobile and fixed wireless) available or being developed.
- ◆ Competition from ISPs and telecoms companies has given UK cheapest prices in Europe for unmetered off-peak Internet access.


1 -2000 14:43 FROM

0171 215 1721



EUROPEAN COMMISSION

ERKKI LIIKANEN
Member of the Commission

To	Sarah		 Post-it Fax Note Ref No: 7888
Company	Peter Howard		
From	Jane Humphreys		
Company	As promised in my		
Tel No.	e-mail	No. of Pages	7

Brussels, 28 September 2000

**THE EUROPEAN COMMISSION AWAITS FOR A POLITICAL BREAKTHROUGH
IN LOCAL LOOP UNBUNDLING IN THE TELECOM COUNCIL, 3 OCTOBER 2000**

The Lisbon European Council last March identified local loop unbundling as a key tool to pursue cheaper and faster internet access which is at the heart of the eEurope Action Plan. The European Commission proposed in July a regulation requiring unbundled access to the local loop as of 1 January 2001.

Erkki Liikanen, the Member of the European Commission in charge of enterprise policy and information society, said: "A synchronised introduction of local loop unbundling across Europe in January 2001 will provide a level playing field for service providers and operators in the Single Market and will put Europe on par with the USA".

"Above all, it will give a significant push to the extensive provision of cheaper, higher speed internet in Europe. Therefore, it is important that the Telecom Council of 3 October reach a political agreement on the text of the regulation", Liikanen stated. He also said the European Parliament and its Industry Committee are working effectively in parallel to achieve this common target.

The United Kingdom has been in the vanguard of the liberalisation of the telecommunications. The UK has been active in formulating the EU level regulatory framework and has implemented it effectively. The missing part of telecom liberalisation in the UK as well as in the majority of the Member States is that the local access network, or the so-called local loop, is not yet open for full competition. Recently, the UK authorities have accelerated their efforts to unbundle the local loop. This is to be welcomed, as it paves the way to enhance internet usage and e-commerce.

126



10 DOWNING STREET
LONDON SW1A 2AA

file
Copy in CEO inbox
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to all
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24.10
J

From the Private Secretary

24 October 2000

Dear Gavin,


THE CEO OF NOKIA

The CEO of Nokia, Jorma Ollila, has asked to call on the Prime Minister. His request has been relayed by the Finnish Ambassador, and reinforced by Martti Ahtisaari whom I saw this morning on other business. We have said the Prime Minister will see him, and we will offer dates shortly.

Ahtisaari was not sure exactly what it was about, and said he would suggest to Ollila that he send me a short note to prime us.

No action for you at this stage, but I thought you would want to be put in the picture.

I am copying this to Tim Barrow (Foreign and Commonwealth Office), Brooke Hoskins (Department of Trade and Industry), Stephen Wall (Cabinet Office) and Roger Liddle (No.10 Policy Unit).

Yours ever,


JOHN SAWERS

Mr. G. W. Hewitt, C.M.G.
Helsinki

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2G/1371

RICHARD ABEL

- c **John Sawers (No10)**
- Mark Lyall Grant (FCO)
- Simon Webb (MOD)
- Jon Day (Assessments Staff)
- David Veness (MPS)
- Reps of Intelligence Agencies
- Tom McKane (OD Sec)
- Steve Reinstadtler

FROM: STEPHEN CLARK
 DATE: 17 OCTOBER 2000
 EXT: 210 0355
 ROOM: 167 QAC

SECURE MOBILE TELEPHONES

1. I have seen Tom McKane's minute of 10th October (replying to your minute of 9th October regarding "Sierra Leone Hostage Taking: Lessons Learnt") and this note is intended to fulfil the action placed on me to write to you on the subject of secure mobile telephones.

2. As Tom has stated my staff have installed BRENT secure telephones in the homes of Cabinet Office officials. Secure mobile telephones are a rather more difficult issue. Unlike BRENT, which has been in production for some years, there is simply not a suitable device currently available. To that extent I agree with Tom that there is no immediate prospect of providing secure mobile 'phones. There are, however, a number of ways forward including :-

- A MOD project to produce a working demonstrator of a secure GSM handset
- Developments in the US particularly regarding a potential commercial solution

These are identified in the attached report, which sets out the findings of my working group on the subject. There are no short-term solutions but there are potential solutions in both the medium and long term but they all require investment. The report highlights as a key point the absence of a suitable funding mechanism to support work on taking forward potential solutions.

3. Earlier this year SO(IS) commissioned a paper on the subject of secure voice communications and Security Division called for contributions. My working group's report was passed to Security Division as our contribution with the expectation that it would constitute a substantial element of the paper rather than an independent submission.

4. SO(IS) recommended that the Inter-Departmental Infosec Committee (IIC) be tasked with establishing a working group to investigate the problem of funding development of cryptographic products destined for widespread use across Government. The working group's recommendations, endorsed at the IIC meeting of 28 September 2000, included the setting up of a Co-ordinating Committee for Common Good Cryptographic Products. This committee,

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under the chairmanship of Phil Collins in my Division, will consider the requirements for pan-governmental cryptographic products of which secure cell phones is clearly one. The committee is due to hold its first meeting on 15 November 2000 when the HOUSEMAN Implementation Committee will be wound up.

5. Unfortunately, it is difficult to see how the new crypto products committee can obtain funding, in the short term, for this urgent requirement. There is no immediate technical solution to the secure cell phone problem. But, if the issue of funding this particular project is not addressed now then there may still be no available solution in the medium term. You may feel that this specific requirement should be discussed at the next SO(IS) meeting on 24 November 2000 to explore possible funding routes.

Stephen Clark

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REPORT OF THE SECURE COMMUNICATIONS WORKING GROUP

References:

- A. X/1291XE/2220/6 dated 10 November 1999.
- B. X/0315XA/1009/29/3 dated 16 March 2000.

Background.

1. During the Kosovo crisis in early 1999 it became clear that there was a need for Government Ministers and senior officials to be able to speak securely on mobile (ie cellular) telephones. In April 1999 the Cabinet Secretary tasked the Head of Infrastructure Division with convening a Working Group (WG) to investigate options for meeting this requirement in the long-term. A copy of the WG's Terms of Reference is attached.
2. The WG first met in June 1999 and commissioned CESG to produce a Scoping Study. The resultant report, Reference A, was completed in November 1999.

Discussion.

3. There is little point in this paper in reiterating the contents of Reference A. There have, however, been some developments since Reference A was produced. Also it is possible for the WG to draw slightly different conclusions, and hence recommendations, from those drawn by CESG.
4. As Reference A states, Government is making greater use of mobile telephones in the conduct of its business. Furthermore, different government users have differing requirements from their mobile telephones. For convenience the report divides them into Class M (effectively the "normal" mobile telephone user, such as Ministers and senior officials) and Class P (traditionally private mobile radio users, such as early entry teams etc) users. Ideally, a secure mobile telephone would protect information up to Top Secret, plus codeword and/or "eyes only" caveats. Additionally, it would be capable of inter-operating with other telephones, including mobiles, in both secure and insecure modes.
5. The CESG report recognises that such a device is not available in the short term. However, there are developments which, although far short of ideal, will go some way to improving the current situation – particularly for the Class P users. MOD has a project underway to produce a working demonstrator model of a secure GSM handset. The handsets produced under the project (FELTON) will only operate in secure mode but will, hopefully, lead to further development, including a non-secure call mode, and production under a follow on programme known as PULHAM. Unfortunately, neither FELTON nor PULHAM will be capable of direct interoperability with existing secure desktop telephones such as BRENT. Such interoperability will only be available via the MOD BRUNHILDE gateway. (NB. The Cabinet Office has accepted an MOD offer to evaluate FELTON when it is produced).

CONFIDENTIAL

1 of 4

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6. PULHAM, assuming it proceeds, is 2 to 3 years away but should address the requirements of the Class P users. It is unlikely, however, to find favour with Ministers and senior officials in other Government Departments as it will only be capable of communicating securely with another PULHAM device.
7. Reference A offers a number of technical options from the relatively cheap and cheerful to the sophisticated and, therefore, expensive ideal. None of the options is without its drawbacks.
8. Commercial Option. At the request of the WG CESG investigated the feasibility of using and/or modifying the commercially available Sectra Tiger "secure" GSM cellphone. They conclude that, as manufactured, it would offer no real benefits over the normal GSM models, ie it could be used within the UK, but not abroad, for RESTRICTED traffic only. It could probably be modified to handle CONFIDENTIAL but this would cost an estimated £180K over and above the purchase price. Additionally, CESG estimate that it would take around 18 months to develop the modification.
9. Secure Appliqué. Reference A gives 2 options for a secure appliqué, one as a separate add-on and one fully integrated with the handset. It is estimated that the fully integrated version would cost around £5M and take 3 years to develop. The separate add-on is conceptualised as a hands free kit. This has many benefits. It permits easy reversion to non-secure GSM use and would simplify the INFOSEC certification process. Furthermore, although this point is not made in Reference A, it would be entirely feasible to use the same appliqué or a variant thereof, with a non-secure desktop telephone. This would solve the interoperability problem as well as offering a cost-effective way to "secure" a normal telephone. CESG estimate that this would take at least 2 years to develop at a cost of £1M+ (without a desktop variant). It is considered likely that these options would offer high-grade protection.
10. All New Secure GSM Cellphone. This, clearly, would be the ideal as it would offer all the user functionality and flexibility of a normal cellphone. Additionally, it could incorporate inter-working with BRENT and benefit from Public Key distribution for Key material. However, it is likely to cost in excess of £10M and take around 5 years to realise.
11. Other Developments. Reference A informs of the existence of a US initiative to provide security for mobile networks. Known as the Future Narrow Band Digital Terminal (FNBDT) the project aims to separate the circuit switched communications bearer from the speech security application. This should enable end-to-end security between different network types. It should also ensure interoperability with the US, and potentially NATO, allies whilst not precluding the insertion of a UK cryptographic device for UKEO applications. No costs or timescales are yet available. Since Reference A was published CESG has learned of another US development. This was advised at Reference B and would seem to arise from some speculative investment by Motorola. NSA has, among other things, briefed HQ USEUCOM that the Motorola 8900 could be available in Spring 2001 and that it should meet the high-grade standard. The price is estimated to be no higher than US\$4K each. The US too has concluded that a Sectra based solution is not viable.

CONFIDENTIAL

2 of 4

CONFIDENTIAL

Funding.

12. Under the current repayment regime there is no mechanism to enable CESG to develop pan-governmental, or common good, requirements. Each department must fund CESG to meet its own perceived needs. This results at best in a fragmented approach and at worst in development not being carried forward at all because it is perceived as too costly for one department to bear. The requirement for secure mobile telephones is not confined to one department but is spread across a number of (different sized) departments. A funding mechanism which allows for multi-departmental requirements is needed, and not solely in connection with the current issue. Since the Cabinet Office is the central government department it may be considered appropriate for it to act as the sponsor for pan-governmental requirements.

Conclusions.

13. The following conclusions may be drawn:

- a. There is no short term solution to the requirement.
- b. FELTON/PULHAM will meet the needs of the Class P user (ie military or similar) in the medium term but will not meet those of Class M users. Since it will possibly be the only secure mobile telephone available in the short to medium timescale it may, of course, be deployed in small numbers among Class M users to meet a specific, and probably urgent, need.
- c. A high-grade appliqué would go a long way towards meeting the requirements of both classes of user in the slightly longer medium term. It has the potential benefit of inter-working with a desktop telephone and would seem to offer a low-risk cost-effective way forward.
- d. The US has some promising developments in the medium to long term, particularly the Motorola initiative. This, of course, without modification, would be precluded from UKEO use. The FNBDT appears to offer considerable benefits in the long term as it would be possible to place a UK cryptographic kernel within the FNBDT "standard" for UKEO traffic. Without that kernel, it offers potential for interoperability with the US and other, including NATO, allies.
- e. Any long term national interoperable solution should aim at a dual mobile/fixed solution.
- f. There is no suitable funding mechanism currently in place.

Recommendations.

14. The WG makes the following recommendations:

- a. A suitable funding mechanism, with perhaps the Cabinet Office acting as sponsor, for such pan-governmental requirements should be established.

CONFIDENTIAL

3 of 4

CONFIDENTIAL

- b. The FELTON/PULHAM project should be carried forward to provide a national, secure GSM capability targeted at the military/tactical community.
- c. The secure appliqué should be carried forward as a matter of urgency. It offers the potential for UKEO use and interoperability with a desktop telephone. The estimated cost is only 10% of that of an all-new secure GSM telephone and it could be available in 2 years.
- d. CESG should be tasked with liaising with their US contacts to establish whether the UK would benefit, as seems likely, from the Motorola 8900. Subject to the results of that liaison, and appropriate national certification, the Motorola 8900 should be purchased for UK (but not UKEO) use.
- e. CESG should be tasked with investigating the feasibility of producing a national crypto kernel that would operate with US equipment, particularly the Motorola 8900.
- f. A long-term plan should be established to develop a single fixed/mobile system which possesses the ability to inter-operate with US systems and has backward compatibility with BRENT. Under this plan the feasibility of establishing a UK national cryptographic mode within the FNBDT should be rigorously investigated.

P J Collins
Cabinet Office

Enc. SCWG Terms of Reference.

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4 of 4

Patricia Hewitt MP
Minister for Small Business and E-Commerce



Simon Virley Esq
Private Secretary to
The Rt Hon Tony Blair MP
10 Downing Street
London
SW1A 2AA

SV
cc: PU

Department of
Trade and Industry

1 Victoria Street
London
SW1H 0ET

Direct Line 020 7215 5144
Direct Fax 020 7215 5551

Enquiries 020 7215 5000
Minicom 020 7215 6740

e-mail
mpst.hewitt@dti.gsi.gov.uk

13th October 2000

Dear Simon,

Patricia Hewitt has asked to send the attached document on Local Loop Unbundling for the Prime Minister to see.

I am copying this to Stephen Byers and James Purnell.

Best regards,

Alison Walker

ALISON WALKER
Private Secretary to Patricia Hewitt

Encs.



Note to the Prime Minister from Patricia Hewitt MP

Local Loop Unbundling

1. Local Loop Unbundling (LLU), which allows BT's competitors to lease and upgrade BT's local telephone wires to offer their own high speed Internet services to consumers, will bring greater choice and lower prices for consumers. Oftel made LLU a legal requirement in August 2000 in advance of the proposed EU Regulation that takes effect on 1 January 2001. But the practical process of delivering LLU is being delayed by disputes between BT and its competitors and amongst competitors. Competitors' frustration with BT – and, by extension, Oftel – has spilled over into the press. I am seeking urgently to persuade all the companies to agree to a speedy timetable and practical co-operation to deliver LLU. The alternative is a slower and more painful process of regulatory trench warfare. Either way, I am confident that Oftel will continue to take the necessary tough decisions. But co-operation (reinforced by Oftel action and the EC Regulation) will be more likely to deliver widespread availability of unbundled loops by mid 2001.

Background

2. Despite competition from the cable companies, which now pass over 50% of homes, BT retains 84% of the market for local telephone connection. It is now investing £6 billion in upgrading its local exchanges to convey higher-speed DSL (Digital Subscriber Lines) services. So far, 38% of homes and businesses are covered by upgraded exchanges; this is planned to rise to 50% by mid-2001 and 70% by end-2001. DSL is vital to delivering higher speed Internet access. But for the foreseeable future it will not be commercially or technically viable everywhere (DSL only works for premises within 3.5 kms of the exchange)



3. BT is now beginning to offer DSL services to customers. OfTel also requires BT to offer competitors a wholesale DSL service, enabling them to sell competing services. Freeserve, Demon, VNL and AOL are among the companies already using the wholesale product to offer their own higher-speed services.

4. LLU takes competition further by allowing competing telecoms companies to move into BT exchanges ("co-location"), install their own DSL equipment and offer services direct to customers. Unbundling is generally resisted by incumbents and requires tough regulatory action to deliver it. The practical and technical problems of co-location are not trivial and, in the UK, are compounded by our extremely competitive market, with 30 competitors all seeking to participate in LLU.

The Situation In Europe

5. The European Regulation should come into effect on 31 December. It is consistent with existing UK obligations on BT, except that it imposes additional requirements on the incumbent to offer "shared access" (i.e. incumbent continues to provide telephony, competitor provides broadband services over the same loop) and "sub-loop unbundling" (not really relevant to the UK network at present). The Regulation is silent on detailed timescales within which services have to be provided once offered. OFTEL believes that its published guidelines are consistent with the requirements of the Regulation.

6. Austria, Denmark, Finland and Germany have all had legal requirements for unbundling for some time and KPN (the incumbent in the Netherlands) is making a commercial offer of unbundling under threat of regulatory action. Of these states, there are significant numbers of unbundled loops only in Germany where the regulatory decision to impose it was taken as long ago as 1996. In practice it has mainly been used in Germany for voice calls. Unbundling for data/Internet has now begun, although DT is also said to be dragging its feet. In other EU countries, the process is only now beginning and there is no realistic prospect of commercial service much before mid-2001. Contrary to press reports, therefore, the UK is not lagging behind most of the EU – although Germany is, of course the most important comparison.



The Situation in the UK

7. The previous Government and Director General saw no need to pursue LLU, preferring to rely on competition to BT from competing networks eg the cable TV networks rather than encourage competition over BT's network. Since David Edmonds became Director General in 1998, OfTel has vigorously pursued Local Loop unbundling. In November 1999 OFTEL formally decided to require BT to "unbundle" its local loops. This allows other operators to upgrade the local loop and so offer direct competition to BT's ADSL products. Competition between operators will lead to lower prices and a greater variety of options in terms of speed of access and services offered.

8. A new condition on LLU in BT's licence came into force on 8 August 2000. This sets the legal framework and obligations on BT and gives OfTel powers to act if problems occur.

9. The industry, through two groups established by OFTEL, has sorted out most of the operational issues. OfTel is fully prepared to act speedily to resolve any disputes. OfTel has already acted, for example to resolve a technical issue (relating to prevention of interference between lines), to require BT to publish an accurate list of its exchanges and to set the process for allocating space in BT's exchanges.

10. On 12 September 2000 operators placed orders for co-location of their equipment at BT's exchanges. A process has been established place to manage the initial rush of demand for co-location from operators. OfTel has chosen the first 361 exchanges and has said that BT should make them ready for operators to install equipment within four months, except in individual exchanges where there are issues to be resolved beyond BT's control (e.g. planning permission). Once equipment has been installed unbundled loops must be provided within 5 days of order. Other exchanges will be chosen in December, once OfTel has agreed and set a process to allocate space in exchanges where demand for space exceeds supply.



11. Thus we are well on track for the first delivery of loops early in 2001. It will be a phased roll-out with the target of delivery of loops on a widespread basis by mid-2001 at the latest. OFTEL is currently pressing BT to commit to the fastest possible programme of preparation of collocation space. It believes it realistic for BT to be able to prepare several hundred exchanges by mid-2001, continuing at a rate of the order of 100-150 per month, although detailed targets have not yet been set. Although these kinds of figures represent only a fairly small fraction of BT's 6000 or so exchanges, they will represent a very considerably higher proportion of consumers and businesses, as the exchanges serving the highest density areas will naturally tend to be prioritised.

12. The main competitors (Energis, Colt, Cable & Wireless, Kingston Communications, Thus) believe however, that BT will not deliver to Oftel's timetable. I met them this week to discuss their concerns. I reinforced the Government's – and Oftel's - commitment to LLU and stressed that practical co-operation between them and BT would be far more effective than forcing Oftel to make formal determinations on very detailed issues involving hundreds of exchanges. (Of BT's 5500 exchanges, around 2800 cover 85% of the population. Those in the most commercially attractive areas pose the greatest problems, with a large number of operators competing for space.)

Media handling

13. Despite accurate and numerous briefings, the press seem determined to misrepresent the real progress that is being made. While they are right to suggest that BT has been dragging its feet, they ignore the fact that the other operators have been poorly organised and have done much less than they might to push forward the LLU process. Instead the press have blamed OFTEL for ineffectual regulation and by implication us for not making OFTEL do more.



14. I have been working with OFTEL to develop a strategy for handling the media. We have agreed a "hymnsheet" of lines to take [attached] which is being copied around other Government Departments to make sure that we tell a consistent story. OFTEL and I are also pursuing an aggressive programme to correct the damaging impression created by the spate of press articles. I ensured that the ridiculous comment by Commissioner Liikanen's Chef de Cabinet that the UK was in the relegation zone of the second division in Europe was retracted by means of the EC press release of 28 September [attached]. I was pleased that Liikanen felt able to welcome our "accelerated efforts".

15. The press interest will not go away until BT deliver unbundled loops. OFTEL are in the front line, and David Edmonds accepts that as the independent regulator he will have to be in the direct firing line. But it is important that the industry and the public know that we support OFTEL in their efforts to solve a complex problem.

Line to take on Local Loop Unbundling (LLU)


- ◆ Unbundling not a trivial exercise. Crucial to get the *practical implementation* right - other countries have had problems.
- ◆ Previous Government and DG of OFTEL relied on competition to BT from alternative networks. It was the present DG of OFTEL, David Edmonds, who decided more was needed, and that there should be competition over BT's lines to customers (known as unbundling the local loop).
- ◆ Condition in BT's licence requiring LLU has been in effect since 8th August, four months ahead of Commission's *proposed* (not yet agreed) deadline for unbundling
- ◆ Fact that nearly 30 operators have applied for space in BT's exchanges underlines how competitive UK telecoms market is. Industry has failed to agree on how to allocate this space, so OFTEL has taken charge of the process, selecting the first 361 exchanges for the process.
- ◆ UK remains on track to have first unbundled loops in January, *in line with the proposed EU timetable*.
- ◆ Of European countries, UK significantly behind only Germany – and unbundling has been part of German law for over 3 years.
- ◆ OFTEL is being tough on BT, and has set a demanding timetable. BT must already allow others operators access to its upgraded ADSL lines on the same terms as BT's retail arm. So, ADSL services are already available, both from BT and competing fixed line operators, in many parts of the country.
- ◆ UK is one of the most competitive telecoms markets in Europe.
- ◆ High speed cable available now, competing with DSL in much of the country. Other high speed services (satellite, 3G mobile and fixed wireless) available or being developed.
- ◆ Competition from ISPs and telecoms companies has given UK cheapest prices in Europe for unmetered off-peak Internet access.

0171 215 1721



EUROPEAN COMMISSION

ERKKI LIIKANEN
Member of the Commission

To	Sarah		 Post-It Fax Note Ref No: 7688
Company	PCTIS Herold		
From	Jane Humphreys		
Company	As promised in my		
Tel No.	e-mail	No. of Pages	7

Brussels, 28 September 2000

**THE EUROPEAN COMMISSION AWAITS FOR A POLITICAL BREAKTHROUGH
IN LOCAL LOOP UNBUNDLING IN THE TELECOM COUNCIL, 3 OCTOBER 2000**

The Lisbon European Council last March identified local loop unbundling as a key tool to pursue cheaper and faster internet access which is at the heart of the eEurope Action Plan. The European Commission proposed in July a regulation requiring unbundled access to the local loop as of 1 January 2001.

Erkki Liikanen, the Member of the European Commission in charge of enterprise policy and information society, said: "A synchronised introduction of local loop unbundling across Europe in January 2001 will provide a level playing field for service providers and operators in the Single Market and will put Europe on par with the USA".

"Above all, it will give a significant push to the extensive provision of cheaper, higher speed internet in Europe. Therefore, it is important that the Telecom Council of 3 October reach a political agreement on the text of the regulation", Liikanen stated. He also said the European Parliament and its Industry Committee are working effectively in parallel to achieve this common target.

The United Kingdom has been in the vanguard of the liberalisation of the telecommunications. The UK has been active in formulating the EU level regulatory framework and has implemented it effectively. The missing part of telecom liberalisation in the UK as well as in the majority of the Member States is that the local access network, or the so-called local loop, is not yet open for full competition. Recently, the UK authorities have accelerated their efforts to unbundle the local loop. This is to be welcomed, as it paves the way to enhance internet usage and e-commerce.

File
RESTRICTED - APPOINTMENTS

(In matrix)



10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

10 October 2000

Dear David

DIRECTOR GENERAL OF TELECOMMUNICATIONS

Thank you for your letter of 6 October.

The Prime Minister has considered the advice and is content with your Secretary of State's recommendation to reappoint David Edmonds as Director General of Telecommunications.

I am copying this letter to Fergus Muir (DCMS), John Fuller and Richard Abel (Cabinet Office).

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Simon'.

SIMON VIRLEY

David Snell
DTI

RESTRICTED - APPOINTMENTS

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(F)

10 DOWNING STREET

PM

We recommend you agree with Steve Byers' proposal to reappoint David Edmonds as Director General of Telecommunications.

To do otherwise could give the impression of too much interference in competition regulation

(particularly post Bridgeman).

It may also be difficult to recruit a high calibre alternative given the uncertainty over OFTEL's future.

Are you content? ✓

SV 6/10



Simon Virley Esq
Private Secretary to the Prime Minister
10 Downing Street
London
SW1A 2AA

Secretary of State
Department of
Trade and Industry

1 Victoria Street
London SW1H 0ET

Direct line
020 7215 6272

DTI Enquiries
020 7215 5000

e-mail
TLO.Byers@tlo.dti.gov.uk

6 October 2000

Dear Simon,

**REAPPOINTMENT OF THE DIRECTOR GENERAL OF
TELECOMMUNICATIONS**

The Prime Minister is invited to agree to the reappointment of David Edmonds as Director General of Telecommunications for a further 3 year period when his initial term expires on 31 March 2001.

David Edmonds' three year appointment as Director of Telecommunications ends on 31st March next year. My Secretary of State considers that he has performed well and merits reappointment. Although there has recently been some sharp and public criticism that he has not been tough enough on the incumbent over local-loop unbundling (LLU), BT seem equally convinced that the regulatory climate is hostile to them. They, however, tend to make their complaints privately rather than in the media.

Mr Byers' view is that Mr Edmonds is succeeding in delivering real improvements in the competitive provision of telecoms services (e.g. widely available and low cost internet access as well as progress on LLU), in the fact of predictable jockeying for position among the range of service providers, not least BT themselves. The statement by Commissioner Liikanen on 29th September shows that the Commission recognise that the UK authorities have accelerated their efforts to unbundle the local loop. My Secretary of State thinks it is essential to maintain continuity and

Restricted: Appointments



momentum on these initiatives. He therefore proposes to reappoint Mr Edmonds for a further three years, unless the post is abolished earlier in the implementation of the Communications White Paper. He also proposes that his salary should be increased to £150,000, rising by £5,000 a year.

In conformity with public appointments principles, the proposal to reappoint Mr Edmonds has been reviewed by an appointment panel including an independent member. The panel has confirmed that reappointment would be appropriate. The salary proposals have been cleared with the Minister for the Cabinet Office.

I should be grateful for confirmation that the Prime Minister would be content for my Secretary of State to reappoint Mr Edmonds as proposed. He thinks it would be helpful to be able to announce the reappointment as soon as possible, to reaffirm the Government's support for the initiatives Mr Edmonds is pursuing and for his even-handed management of the inevitable conflicts between BT and other service providers. An early reappointment would strengthen his hand in managing these conflicts, and help to keep the LLU project on track.

I am copying this letter to Fergus Muir (DCMS), John Fuller (Cabinet Office), Sir Richard Wilson and Alex Allan.

Yours,
David

DAVID SNELL
Assistant Private Secretary



10 DOWNING STREET

~~James Purnell~~

~~Jeremy Heywood~~

~~(SV)~~

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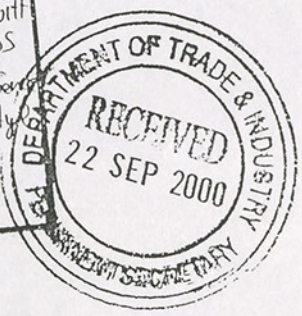
~~_____~~

Geoffrey / Jerry

Blatant attempt to be
less effectively regulated ...

~~_____~~
~~_____~~

10: David Lumley
For advice (and draft reply) appropriate please to
3/10/00
Ahmet Gungoren
CORRESPONDENCE
PS/ SOS
PS/ Ms Hewitt
PS/ SPADS
Jonathan...
Bill Macintyre



CC GN

IN CONFIDENCE



Sir Michael Smith
Permanent Secretary
Department of Trade & Industry
1 Victoria Street
LONDON
SW1H 0ET

22 September 2000

Dear Michael,

I thought I should set out explicitly what I mentioned to you briefly last night about our concerns over the press statement OFTEL released yesterday afternoon.

Of course, it could be mere coincidence that, following a sustained personal attack on the DG culminating in a particularly vehement leader in the Financial Times yesterday, OFTEL should release a statement, without any prior discussion, apparently altering the approach and timetable for unbundling the local loop. I leave that to you to judge.

But, whatever the merits of the case, it does point up the inherent vulnerability of sectoral regulation as it operates in the UK. The concentration of considerable discretionary power in the hands of a single individual (whether the DG of OFTEL or any other 'OF') renders that individual particularly susceptible to external pressure, whether from the media or any other source. There is simply no effective check or balance in the system to guard against it.

When the regime was first established with OFTEL in the 1980's, we were breaking new ground. There was some merit in having a single DG, at arms-length from Government, dealing with a handful of competitors. The environment was such that reasonable accommodations could be reached, flexibly and relatively amicably, by reasonable men.

Sir Iain Vallance
Chairman

BT Centre
81 Newgate Street
London
EC1A 7AJ

tel (020) 7356 5141
fax (020) 7356 6779

037970

British Telecommunications plc
Registered Office:
81 Newgate Street London EC1A 7AJ
Registered in England no. 1800000
BT is an ESQ 9001 Registered Company
www.bt.com

That environment has changed radically. There is now a multiplicity of vocal competitors employing American-style and often, American-led, lobbying techniques to which the UK is unaccustomed. This is hard-ball. The regime was not designed for hard-ball. And, in my opinion, it is no longer fit for purpose.

A solution to this, which I would strongly commend to you, is to find the means of bringing the sectoral regulation of the various 'OF's' into the fold of the re-vamped Office of Fair Trading and the Competition Commission, where the vulnerability associated with the concentration of power in the hands of individual DGs would no longer obtain and where a suitable degree of consistency could be applied across the various sectors, under competition law. This is something we might discuss at greater length at a later date. (The means of addressing OFTEL could be through the forthcoming Communications White Paper.)

I expect you know that I have not been involved in the day-to-day operations of BT for a year or two. But I would leave you with a couple of observations about the local loop unbundling issue itself.

First, it seems to me that the Government is not making enough capital out of the success of true infrastructure competition here in the UK. The cable companies alone provide over 5 million local loops, in competition with BT, to a higher proportion of the population than anywhere else in the world and at an order of magnitude higher than anywhere else in Europe. The European Commission – who now accuse the UK of slipping into the second league – seems to have forgotten that. Or perhaps it never knew.

Second, BT's network (the network of last resort in the UK) and its support systems are undergoing more change at a greater pace and under greater pressure than at any time during my experience in the company. Against that background, none of us should let the hurly-burly surrounding local loop unbundling distract us from our priorities with respect to the operational risks across the UK network as a whole.

I am copying this to Richard Wilson, to whom I also talked last night.

Yours ever,

Iain

IAIN VALLANCE

cc Sir Richard Wilson KCB

MATRIX



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Top-SU
VCC PJ

Treasury Chambers, Parliament Street, London, SW1P 3AG

Nick Raynsford MP
Minister for Housing and Planning
DETR
Eland House
Bressenden Place
LONDON SW1E 5DU.

31 August 2000

Dear Nick,

TELECOMMUNICATION MASTS AND THE PLANNING SYSTEM

Thank you for copying me your letter of 7 August to Yvette Cooper about the recent DETR consultation paper on telecommunication masts and the planning system.

I appreciate the sensitivities of not implementing all recommendations of a report like the Stewart Report, but I am not at all convinced that we should accept Stewart's recommendation on telecommunication masts and the planning system.

The Stewart Report concluded that the evidence did not suggest that there was any health risk from mobile phone base stations. The case for changing the planning regime was based essentially on amenity arguments and a view that a more consultative planning process would help address public concerns about the siting of base stations and masts. However, the Stewart Committee do not appear to have looked at the costs of this recommendation, especially the benefits foregone caused by the delays which will inevitably follow by removing permitted development rights for masts and base stations. I understand that DTI estimate the benefits foregone at some £100m a year for the next ten years if there is a delay of only one month in the roll-out of 3G mobile phones. Whilst there may be room for debate about the exact figure, it seems indisputable that there will be substantial disbenefits if significant additional delays are introduced into the planning system for a technology which is so important to business competitiveness, especially given the UK's lead in mobile telephony and e-commerce. I understand, for example, that the latest DETR figures show that only 63% of planning applications are dealt with within 8 weeks, which suggests that the DTI estimate is not excessive,



certainly in terms of the likely delay which will arise by bringing masts and base stations within the general planning system. I know that you agreed with the Ministerial Panel on Regulatory Accountability in June that planning authorities should be encouraged to improve the turn-around of planning applications, whereas this proposal seems likely to work in the opposite direction.

On the other side of the balance, I appreciate that there are clearly a significant number of people concerned about telecommunications masts. But in many cases their concern is likely to be wholly or mainly about health impacts, where the Stewart Report found no scientific evidence that would justify people's fears. Even if there were, it is not obvious that ad hoc consideration of health questions through the planning system would be the best way to address such concerns. If the opposition of people living near to possible mast sites is limited to amenity considerations, the benefits of having a more open and consultative planning process look small in relation to the disbenefits for mobile phone users and the economy generally.

I was surprised that the consultation paper did not really discuss the principle of whether to implement this Stewart recommendation, as the Government's response said that we would, or consider seriously other options which I believe would be more proportionate. For example, in order to address unjustified alarm about the health effects of base stations, operators could leaflet properties close to a proposed base station to provide factual information on health issues and contact details for people who want more information. There may also be scope to develop the existing DETR code of best practice for telecoms prior approval procedures. And if permitted development rights are to be removed, consideration could be given to specific exclusions where, for example, a mast is a specified distance away from the nearest houses. I believe that these issues should be addressed before you seek colleagues' agreement on the way forward following the consultation. In making these points, I would note that our initial response to Stewart said only that we were **minded** to accept this recommendation, but would consult on the **principle** and precise scope of any new arrangements.

I also have some specific concerns about whether the consultation paper interprets the Stewart recommendation more widely than is strictly necessary:-

- the consultation paper proposes removing permitted development rights for telecommunication masts and base stations from **all telecommunications operators**, as a means of levelling the playing field (compared with removing these rights for mobile phone technology only). If removing these rights is related in some way to health concerns about the effects of mobile telephone equipment, it seems perfectly reasonable to differentiate between masts and base stations where there is some very small level of doubt about possible health risks and those where nobody is suggesting that there is any doubt. If removing permitted development rights is purely an amenity issue, it reinforces the arguments against the principle of making changes.



- the consultation paper discusses whether permitted development rights should be removed where masts are **replaced or altered**, especially where the new or altered mast would be higher than the original. Whilst the Stewart recommendation did also say that changes to power output should be subject to planning permission, I would be concerned if replacement or altered masts which were below 15m in height were not still covered by permitted development rights.
- the consultation paper seeks views on whether **masts on buildings or other structures** should require planning permission. I would agree with the argument set out in the paper that there should be a simpler procedure for masts on buildings, as these should cause fewer amenity concerns than ground-based masts. Given that the Stewart Report did not address the point, there seems no reason to go for the more regulatory option of requiring planning permission, especially when this could well be counter-productive by reducing the incentive for developers to choose generally less intrusive sites on top of existing buildings.
- the Stewart recommendation referred to planning permission for the erection of **base stations**, whereas the Government response referred only to planning permission for new telecommunication **masts**. The consultation paper appears to take a pragmatic approach here and helpfully distinguishes between the types of "base stations". If we do finally agree to make some base stations subject to planning permission, I would be keen to ensure that this element of the package did not become more regulatory for smaller base stations or minor works to stations with masts.

To summarise my position, I am not at all persuaded of the case for adopting this Stewart recommendation and would like to see more work done on non-regulatory options. But if a regulatory option of the sort set out in the consultation paper is finally agreed with colleagues, I would like it to go as little as possible beyond what is strictly necessary to meet the Stewart recommendation.

I am copying this letter to Mo Mowlam (given the regulatory implications), Yvette Cooper, Patricia Hewitt, Jacqui Smith, James Purnell (No10 Policy Unit) and Sir Richard Wilson.

Yours ever
Stephen

STEPHEN TIMMS

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