

BT is the world's oldest telecommunications company. Its origins date back to the establishment of the first telecommunications companies in the United Kingdom. Among them was the first commercial telegraph service, the Electric Telegraph Company, introduced in 1846. As these companies amalgamated and were taken over or collapsed, the survivors were eventually transferred to state control under the Post Office. They later became a privatised company, British Telecommunications plc - the forerunner of today's global communications company, BT Group plc, which serves customers in 170 countries.

## The Post Office

The United Kingdom telephone service in its early period from 1878 was provided by private sector companies such as the National Telephone Company (NTC), with the General Post Office (GPO) soon in competition. In 1896, the GPO took over the NTC trunk telephone service. In 1912, it became the monopoly supplier of the telephone service when the GPO took over the whole private sector telephone service in the UK, except for a few local authority services. These municipal services all folded within a few years of set up, the sole exception being the city of Kingston-upon-Hull where the city telephone department became present day Kingston Communications.



The idea of converting the Post Office into a nationalised industry rather than a government department was first raised as early as 1932 in a book published by Lord Wolmer called Post Office Reform. Also in 1932, the Bridgeman Committee was formed, 'to enquire and report as to whether any changes to the constitution, status or system of organisation of the Post Office would be in the public interest'. The Committee's report was rejected. Further attention was given to the subject in 1961, but, as before, the proposals were ignored. The Post Office remained a department of central government, with the Postmaster General sitting in Cabinet as a secretary of state.

In March 1965, the Postmaster General of the time, Anthony Wedgewood-Benn, wrote to the Prime Minister proposing that studies be undertaken aimed at converting the Post Office into a nationalised industry. A working party was established to look into the advantages of such a change and to consider the problems which might arise. The findings were favourable enough for the Government to establish a Steering Group on the Organisation of the Post Office. After some initial deliberations that the business should be divided into five divisions - Post, Telecommunications, Savings, Giro and National Data Processing Services - it was eventually decided that there should be one corporation split into two divisions: Post and Telecommunications. These events finally resulted in the introduction of the Post Office Act, 1969.



Under the Act, the Post Office ceased to be a government department and, on 1 October 1969, it became established as a public corporation. The Act gave the Post Office the exclusive privilege of running telecommunications systems with listed powers to authorise others to run such systems. Effectively, the new Post Office Corporation retained its telecommunications monopoly.

## British Telecom created

In 1977, the Carter Committee Report recommended a further separation of the two main services and for their relocation under two individual corporations. The findings contained in the report led to the renaming of Post Office Telecommunications as British Telecom in 1980, although it remained part of the Post Office.



The British Telecommunications Act, 1981 transferred the responsibility for telecommunications services from the Post Office, creating two separate corporations. At this time the first steps were taken to introduce competition into the UK telecommunications industry. In particular, the Act empowered the Secretary of State for Trade and Industry, as well as British Telecom, to license other operators to run telecommunications systems. Additionally, a framework was established which enabled the Secretary of State to set standards with the British Standards Institution (BSI) for apparatus supplied to the public by third parties, and had the effect of requiring British Telecom to connect approved apparatus to its systems.

The Secretary of State made use of these new powers and began the process of opening up to competition both the public switched telephone network and the apparatus supply market, where a phased programme of liberalisation was started in 1981. In 1982, a licence was granted to Cable & Wireless to run a public telecommunications network through its subsidiary, Mercury Communications.

## British Telecom privatised

On 19 July 1982, the Government formally announced its intention to privatise British Telecom with the sale of up to 51 per cent of the company's shares to private investors. This intention was confirmed by the passing of the Telecommunications Act, 1984, which received Royal Assent on 12 April that year. The transfer to British Telecommunications plc of the business of British Telecom, the statutory corporation, took place on 6 August 1984 and, in November 1984, more than 50 per cent of British Telecom shares were sold to the public.



The new legislation had to enable British Telecom to become more responsive to competition in the UK and to expand its operations globally. Commercial freedom granted to British Telecom allowed it to enter into new joint ventures and, if it so decided, to engage in the manufacture of its own apparatus.

The company's transfer into the private sector continued in December 1991 when the Government sold around half its remaining holding of 47.6 per cent of shares, reducing its stake to 21.8 per cent. Substantially all the government's remaining shares were sold in a third flotation in July 1993, raising £5 billion for the Treasury and introducing 750,000 new shareholders to the company.

The 1984 Act also abolished British Telecom's exclusive privilege of running telecommunications systems and established a framework to safeguard the workings of competition. This meant that British Telecom finally lost its monopoly in running telecommunications systems, which it had technically retained under the 1981 Act despite the Secretary of State's licensing powers. It now required a licence in the same way as any other telecommunications operator. The principle licence granted to British Telecom laid down strict and extensive conditions affecting the range of its activities, including those of manufacture and supply of apparatus.



### **A more open telecoms market**

The next major development for British Telecom, and a move towards a more open market in telecommunications, occurred in 1991. On 5 March, the Government's White Paper, Competition and Choice: Telecommunications Policy for the 1990s, was issued. In effect, it ended the duopoly which had been shared by British Telecom and Mercury Communications in the UK since November 1983 and the build up to privatisation. The new, more open and fairer policy, enabled customers to acquire telecommunications services from competing providers using a variety of technologies. Independent 'retail' companies were permitted to bulk-buy telecommunications capacity and sell it in packages to business and domestic users.

The White Paper was endorsed by British Telecom, the new policy enabling the company to compete freely and more effectively by offering flexible pricing packages to meet the needs of different types of customer.

### **BT - a new name and identity for British Telecom**

On 2 April 1991, the company unveiled a new trading name, BT, a new corporate identity and a new organisational structure. This structure focused on specific market sectors, reflecting the needs of different customers - the individual, the small business or the multinational corporation. The reorganisation was named Project Sovereign to reflect the company's commitment to meetings customers' needs - 'the customer is King'. Together with a succession of strategic alliances with telecommunications companies worldwide, these changes gave BT the means to expand into overseas markets.



In June 1994, BT and MCI Communication Corporation, the second largest carrier of long distance telecommunications services in the US, launched Concert Communications Services, a \$1 billion joint venture company. This alliance gave BT and MCI a global network for providing end-to-end connectivity for advanced business services. Concert was the first company to provide a single source, broad portfolio of global communications services for multinational customers. On 3 November 1996, BT and MCI announced they had entered into a merger agreement to create a global telecommunications company called Concert plc, to be incorporated in the UK, with headquarters in both London and Washington DC. As part of the alliance BT acquired a 20 per cent holding in MCI. Nevertheless, following US carrier WorldCom's rival bid for MCI on 1 October 1997, BT ultimately decided in November, to sell its stake in MCI to WorldCom for \$7 billion. The deal with WorldCom resulted in a profit of more than \$2 billion on BT's



original investment in MCI, with an additional \$465 million severance fee for the break-up of the proposed merger.

In July 1998, BT announced another global venture with the formation of a 50:50 business with AT&T. The new company, Concert, was launched in November 1999 to serve the needs of multinational companies and the international calling needs of individuals and businesses. In October 2001, following a downturn in the global telecommunications market, it was announced that BT and AT&T were to unwind Concert, returning its businesses, customer accounts and networks to the two parent companies (this was completed in April 2002).



In December 2000, following modifications to BT's licence in April 2000, BT offered local loop unbundling (LLU) to other telecommunications operators, enabling them to use BT's copper local loops (the connection between the customer's premises and the exchange) to connect directly with their customers. By the end of August 2005, 105,055 lines had been unbundled.

In May 2001, as part of a restructuring and debt reduction programme, BT announced a three for ten rights issue to raise £5.9 billion – still the UK's largest ever rights issue - and the sale of Yell, the international directories and associated e-commerce business for £2.14 billion. Both activities were completed in June 2001.

In November 2001, BT Wireless - BT's mobile business, re-branded as mmO2 - was demerged from BT on a one for one share basis. The last day of trading in BT shares was 16 November 2001 and from 19 November, mmO2 plc and the new BT Group plc shares were traded separately.

### **BT's identity and values refreshed**

In April 2003, BT unveiled its current corporate identity and brand values. Reflecting the aspirations of a technologically innovative future, the connected world symbol is bright, strong and clear and embodies BT's five corporate values. The values of Trustworthy and Helpful are long-standing BT service values and are supported by forward-looking values of Inspiring, Straightforward and Heart.



The Communications Act, 2003 which came into force on 25 July 2003 introduced a new industry regulator, the Office of Communications (Ofcom), to replace the Office of Telecommunications (OfTel). It also introduced a new regulatory framework. The licensing regime was replaced by a general authorisation for companies to provide telecommunications services subject to general conditions of entitlement and, in some instances, specific conditions. Under a specific condition BT retained its universal service obligation (USO) for the UK, excluding the Hull area. The USO included connecting consumers to the fixed telephone network, schemes for consumers with special social needs, and the provision of call box services.

In the summer of 2004, BT launched Consult 21, an industry consultation for BT's 21st century network (21CN) programme. 21CN is the world's most ambitious and radical next generation network transformation and will transform the communication infrastructure of the UK by 2010. Using internet protocol technology, 21CN will replace the existing networks and enable converged multimedia communications - that is communications from any device such as mobile phone, PC, PDA or home phone, to any other device.

### **BT: a global company**

In 2005, BT's position as a leading provider of communications solutions across the globe was enhanced by a number of important acquisitions. These included Infonet – now BT Infonet – one of the world's leading providers of global managed voice and data network services for corporate customers.

It also acquired the second largest telecoms operator in the Italian business market, Albacom. The acquisition of Infonet and Albacom form part of BT's increased capability to supply networked IT services to multi-site organisations all over the world.

And it acquired the leading financial services extranet provider Radianz from Reuters, which it intends to develop to deliver additional value added services to the financial market.

### **Openreach created**

Following the Telecommunications Strategic Review (TSR), in September 2005 BT signed legally-binding Undertakings with Ofcom to help create a better regulatory framework for BT and the UK telecoms industry generally. Openreach opened for business in January 2006 and reports directly into the BT chief executive. It is responsible for managing the UK access network on behalf of the telecommunications industry.



Openreach manages the UK's telecommunications infrastructure, treating the rest of BT on an equal basis as other operators. It is one of five businesses which make up BT Group. The other four are BT Global Services, BT Business, BT Consumer and BT Wholesale, which all focus on their own markets and customers.

Today, the company is structured so that British Telecommunications plc (BT) is a wholly owned subsidiary which encompasses the five separately managed businesses and virtually all other assets of the BT Group. BT Group plc is listed on the stock exchanges in London and New York.

BT is transforming from a traditional telecoms company to a leading provider of converged networked services and its aim is to help customers get the most out of communications technology by providing tailored solutions that are easy to use.