



VANS, AS far as most British Telecom subscribers are concerned, are the yellow vehicles which arrive whenever the telephone goes wrong. But to the telecommunications and computer industries, the term "Vans" is shorthand for an exciting growth business and — increasingly — for a classic case of Whitehall muddle.

In industry usage, the word stands for value-added network services, a new breed of ventures which exploit the commercial possibilities opened up by the widening overlap between computing and communications technologies.

Since the British government began liberalising telecommunications in 1981, it has licensed about 600 Vans — more than in all the rest of Europe. These include "mailbox" systems for sending messages between personal computers, electronic reservation and credit card verification services and videotex information networks such as BT's Prestel.

Novel as today's Vans are, though, many in the industry see them as only primitive forerunners of a coming "information economy," whose central nervous system will be a pulsating network of electronic arteries linking offices, factories and homes. In a nutshell, just the sort of glamorous "sunrise" industry which the Thatcher administration wants to promote.

But the dream is in danger of turning into an administrative nightmare for the Government. Its efforts to speed the development of Vans have become caught up in an extraordinarily complex regulatory thicket and drawn sharp criticism from the very industries it is trying to encourage.

In part, its dilemma reflects the difficulty of devising a sensible framework to regulate services which defy precise definition. But a growing number of critics contend that the Government is also paying the price for an over-hasty and poorly thought out approach to the reform of telecommunications, which led to the setting of too many contradictory objectives.

In particular, the Vans imbroglio calls into question a central tenet of the Government's policy: its commitment

Sunrise industries

The muddle that is slowing Vans

By Guy de Jonquieres

to limit national competition in "basic conveyance" — the physical transmission of communications — to BT and Mercury until July 1989. The aim is to allow BT time to reorganise and adjust its tariffs and to give Mercury a chance to build a business.

The intention is that after 1989 new competitors should be free both to set up their own networks and to buy circuits from BT and Mercury and resell capacity to other users.

Vans can already involve some re-sale of BT and Mercury capacity. But official policy to date has favoured such networks, provided they offer some extra service as computerised information processing or storage and are not simply a backdoor way of breaching the BT/Mercury national duopoly over basic conveyance.

This fine distinction has been put to the test, however, by the emergence from the communications jungle of a shadowy new creature known as a managed data network (MDN). The first such venture, code-named Jove, was jointly proposed by BT and International Business Machines (IBM) last year.

Jove was conceived as a specialised service which would knit together the data processing installations of large organisations such as banks, insurance and manufacturing companies into an extensive integrated network. As such, it begged the awkward question of whether it was a Vans or a basic conveyance system—or both.

In the event, the Government ducked the issue. It vetoed the BT/IBM joint proposal on competition grounds but said it would be prepared to consider other similar projects in the future.

The result of its deliberations was published last June as a consultation document. This recognised that earlier efforts to draw boundaries by defining Vans had proved unsatisfactory. Instead, the Government sought to lay down dividing lines by defining basic conveyance. MDNs would be classed as basic conveyance and would be permitted, so long as they carried only computer data and not ordinary telephone messages.

But the Department of Trade and Industry's attempts to clarify the rules seem only to have muddled the issue still further.

As well as disputing the Department's suggested definition of basic conveyance—a convoluted sentence 81 words long—many respondents have complained that the proposed licensing arrangements would not meet their needs and are so complex as to be almost unworkable.

But the most widespread objection is that if MDNs are classed as basic conveyance, there would be nothing to prevent BT from gaining an unfair advantage by cross-subsidising from its public network revenues any MDN it launches.

Ironically one of the angriest objectors is IBM, BT's erstwhile partner in Jove, which is already operating its own MDN on a pilot basis for the insurance industry. Other companies planning to start similar services include ICL, the British computer company, and Electronic Data Systems, part of General Motors. ICL has won a contract to provide a network linking retail stores' computers directly to those of their trade suppliers so that new stocks can be ordered electronically.

IBM contends that MDNs

should not be considered part of basic conveyance. The Government argues, however, that that would remove any obligation on BT and Mercury to offer MDNs as universal services available nationwide and could slow their rate of development. Such an obligation, according to Whitehall, would offset any benefit BT might gain from the freedom to cross-subsidise.

A more practical explanation for the Government's position is that to prohibit BT from cross-subsidising MDNs would require an amendment to its licence, which BT would almost certainly oppose.

Mercury is unhappy, too. It objects that the Government's proposals undermine much of the original purpose of the "duopoly" protection from which it was supposed to benefit.

In many ways, bringing forward the 1989 deadline appears to offer the simplest solution. The DTI itself concedes that its proposals for regulating Vans and MDNs are based on largely artificial distinctions for which the only justification is political.

However, the Government's commitment to the 1989 deadline is enshrined not only in the BT and Mercury licences, but also in the prospectus for BT's share flotation last year. Reneging on it so soon could lead to the embarrassing spectacle of Ministers being sued by BT shareholders.

Hence the more likely outcome is that the DTI will seek to coax a reluctant industry into accepting its proposals. Almost nobody regards them as satisfactory, and they pose serious problems of implementation.

All the DTI ministers responsible for formulating the original policy have, of course, now moved on, leaving Whitehall officials to pick up the bait.

But the number of senior officials versed in the often arcane intricacies of telecommunications policy is being rapidly depleted. Half-a-dozen of the most able have already left for jobs in the private sector, and by the end of this year all of those involved in the BT privatisation will have been replaced.