



Sir Bryan Carlsberg

Interviewed by

Alan Cane

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It's December 13 2016 on a wet winter afternoon here in London, England. I am Alan Cane and today I'll be talking to Sir Bryan Carsberg, a qualified accountant turned academic turned regulator, who is probably best known in information technology circles as the first Director-General of Oftel, the Office of Telecommunications, a regulatory body set up to oversee the dramatic convergence of the telephone network and digital technology in the 1980s. As usual, we will first discuss Sir Bryan's business career, and later his personal background and his influences over a long and varied career.

[00:52]

Sir Bryan, what was the appeal in chartered accountancy? I think you went straight into that from school.

Yes, having left school at the age of sixteen. So I took a five-year articulated contract, articleship contract, as one did in those days, and qualified as a chartered accountant when I was 21. And the... I was good at numbers. I was actually very good at mathematics, although, it's mistaken to think that there's an awful lot of mathematics in accountancy. It's numbers and communication about numbers. But... And I suppose I, I got an interest in that for family reasons. My father was not a chartered accountant, he was actually a chartered secretary, but he had played the part of finance director in a family business that manufactured surgical instruments, and, and seeing what he did and, and perhaps contributing a little bit as I got older, I got interested in that side of things. And, it's strange really. I mean whereas boys have strange ambitions to be different things at different times, I always knew I was going to be a chartered accountant. I mean that was always my ambition, and, and I went straight for it.

[02:15]

But you, I mean at school you... You have a broad range of interests.

Yes.

You've crossed many of the arts subjects as well as science subjects.

Yes. There's a story behind that Alan. I mean I, I was at Berkhamsted School. And when I was twelve I was told I had to choose a special subject, and I was offered a choice of German or classical Greek or science, science being physics and chemistry. And what do you know at twelve? My people, my parents, were not academic in any way, they were not really well placed to advise me. And, so I thought about it, and I had got on reasonably well with French, which I had been studying since I was six, and so I thought German perhaps sounded useful. The family business which I thought I might go into at some stage did quite a bit of exporting, so perhaps speaking German would help in that department I thought. So I choose German. And as a result I never studied any physics or any chemistry at school. Not a jot. And I say that with some emphasis, because I think it's outrageous. I mean I, I don't think you can consider somebody educated if they haven't done that. So, anyway, I, I took my O Levels in due course, when I was fifteen, the equivalent in those days of what's GCSE nowadays, and did well enough, and spectacularly well in mathematics. I took elementary and additional mathematics, and I was top of the year by a, by a long stretch, and got scores, you know, well up in the 90 per cent across the board there. And so they said, 'What do you want to study for A Level in the sixth form?' And I said, 'Oh well, mathematics of course.' And, I was told, 'You can't do mathematics because you didn't choose science when you were twelve.' They didn't offer interesting subjects like economics at that school in those days. So I was left with the possibility of French and German, English and history, those were really the two which were, I mean I was reasonably good at history and reasonably good at French, slightly less good at German, and the kind of English one was examined in in those days. So... So, I tried French and German A Level for a while, but it was about literature analysis and that kind of thing, and frankly, I found I didn't have the interest in it, and all the time I was wishing I could have studied mathematics, which I had really got very interested in by then. So, getting frustrated on that course, I decided to leave and, and go into accountancy.

[05:14]

Right, So you were first an article clerk with Hesketh, Hardy, Hirshfield & Co.

Yes. A small firm based in Holborn in London, not all that far from here. And, and good firm. I mean it was, because it was small, they threw you in at the deep end. It

had four partners, 20 or 30 staff I guess, and, you know, by the time I was halfway through my training contract there I was in charge of little audit jobs myself. Had to do a lot of, a lot of numerical work, and in those days firms didn't use computers and produce you, produce to you a nicely organised set of results from the computer. Often it was left in mid-air and you had to finish it off as well as doing the audit. So... And quite a lot of tax work and that sort of thing. So I, I had good experience there, and enjoyed it. In fact I was actually offered a partnership there when I finished my articles, but, but decided that I ought to have wider experience before settling down, and so I went off to work for one of the large firms, Deloitte, Plender, Griffiths, they were known as Deloitte's. There is a Deloitte around today which is also well-known, but it's a different Deloitte from the one that I joined, because of all the mergers and transformations that have happened.

Yes. Indeed. Yes.

The Deloitte's I was with merged into Price Waterhouse, of which it is part now in the UK, and, the Deloitte's that's around today came out of Touche Ross, which was another of the big firms. So, so I had a couple of years then with Deloitte's. And then I, I took a, an adventurous step, although it didn't seem all that adventurous at the time. But, my father, whom I have said was a finance director of the family business, and, he had also built up an accounting practice in his part time. He lived in Amersham in Buckinghamshire and he, over time he had recruited a lot of the shopkeepers, the publicans, the farmers in the area, people like that, as his clients, and he'd produce their annual accounts and do the tax stuff for them. And, it had grown and grown and got to the point where he couldn't any longer do both that and the family business. So he said to me, would I like to take it over and run it? And, if not, he'd, he thought he'd have to sell it. So, I thought, well, shouldn't let an opportunity like that go by. So I, I took it over, I left Deloitte's and took it over, and ran it for a couple of years, and that was, that was good, you know, it was good experience and went well.

[08:19]

But then there was this much bigger, much more daring step.

Yes.

You became a lecturer in accountancy at LSE.

Yes.

London School of Economics. Why was that?

Well, I had, I had got quite interested in, in teaching, because of various things that had happened over the course of life up till then. One was that I, I was a prize-winner in the professional examinations, I got first place in my final examination, and because of that, people started to turn to me and ask me to help them out with their, their studies, and, one or two people asked me to give them tutorials. So, you know, I, they would... They paid me, and I, I sort of, gave them a class once a week or something like that, and we worked through things. And I thought that was quite rewarding. Then when I was at Deloitte's, they used to run an in-house training course for their students, and, and one day one of the partners was supposed to give a lecture, and, the night before actually he discovered he had an important need to meet a client, so he, he cancelled the lecture, and they asked if I would step in at very short notice. So I did that, and, it was, it was stimulating, you know, it was fun. I, it seemed to go down well, and, the chaps seemed to enjoy it, and I enjoyed giving it. And, so I thought, well, you know, this is, maybe this is interesting. And so, when I got to the point, as I did, when I thought perhaps a sole practice in accounting in a small town like Amersham wasn't the ultimate, it had been a good step on the road, I sort of got in touch with a few people, and, by an enormous stroke of luck somebody put me in touch with one of the professors at the London School of Economics, a man called Harold Edey, who was one of my great mentors in life, and, and he invited me to have lunch with him, and, and we talked about it, and...

He was also an accountant?

Yes, he... Yes, he was the Professor of Accounting at LSE. And, he predicted, correctly as it turned out, that accounting in universities would grow from really a very small kind of enterprise to something quite big, that there'd be a big expansion in

demand for accounting. And, he was worried about where they were going to recruit suitable teachers, and had the idea that, that people who had won prizes in the professional examinations might actually be a good sort of population to look at for this. So, he was interested, and, talking to me and hearing about my motivations, thought this might work. So... And first of all LSE offered me a teaching fellowship which would finance me for a couple of years, and then a lectureship became available, and astonishingly, because I had never set foot in a university before, they offered me a lectureship, and, enabled me to read for a Master's degree in economics with accounting as a special subject, as a sort of part-time thing while I was lecturing. So, that was a big, big break in life, and...

And quite unusual I would have thought at the time.

Yes. I was one of only two people on the LSE staff who, you know, the teaching staff, the academic staff, who didn't have degrees at that time.

Yes, well, the LSE has always had, interpreted its brief pretty broadly, hasn't it.

Yes. Yes, I think it has. And, of course in London there was a, a tradition of part-time degrees, and they, they ran what they call an external BSc Econ, that was the degree concerned. And, I think that kind of activity meant they were much less bound by the conventional assumptions about the qualifications that were needed. And, I mean when I met them, I talked about how unsatisfactory I thought the professional education was, I sort of, picked on a number of things in the professional exams which I thought were unsatisfactory, it was sort of, you, particularly in the costing area, you learnt financial analysis techniques by sort of, rule of thumb, and there were, there was no real justification for, for the things you were supposed to do. So, you know, I thought, why do you do that, why do you do that? And some of them looked frankly wrong. And, [laughs] I found that those ideas fell on fertile ground. So, I'm sure that all helped.

[13:29]

So would you say at this time you had changed from being a career accountant to becoming a career educationalist?

Yes. I mean there was an element of serendipity about it all. It wasn't all planned out. I took a step at a time, and each time I took a step I threw myself wholeheartedly into what I was doing, and... And then when the time came to move on, I thought about the next step. There was no sort of long-term goal, and, as I thought when I went to LSE, I might have gone back to professional accounting, or moved into industry. I mean I still hadn't quite abandoned the idea that I might go into the family business at some stage, although that was never to happen. So... But looking back, I mean, this was a quantum jump, and, and I never actually went back to the old pattern. Although I did have a job, well, various jobs I suppose, in accounting later on, particularly in setting accounting standards.

[14:38]

Mm. At this point, had you come across computers? I mean, was information technology part of your, part of your life at that stage?

Well, I really came across computers for the first time at LSE, and, we, computers weren't a major part of the course, but, but we taught the students a bit of computing, and they learnt to write their little programs that were run on the computers. And...

How did you learn that?

Well, I, I learnt that by sitting in on the, the classes that the students were having. [laughter] As I did with lots of things there. So, so that, that was my first introduction to computers. I mean it's amusing to think back to the days of my training contract in accounting, which began in 1955, and finished in 1960, and, my first job when I went there to start work was, was stock records, you know, there was, they had a big case where stock records were having to be reassessed, and we had sheet upon sheet of, you know, 1,027 of this item at three pounds twelve shillings and sixpence or whatever it was, which was the currency of the day. And, we had to do those calculations by hand. And, just occasionally when I suppose a job was particularly lucrative, we'd get a young lady in who was called a comptometer operator, and she would sit there at an amazing machine and sort of turn handles and have something that kind of, bounced up and down on its tracks, which was a lot

faster than we were, but... But I spent, day after day doing those calculations manually, quite lengthy calculations, and they were double-checked of course. But... And I suppose it was pretty boring stuff. But you acquire a certain facility, it certainly polishes up your numerical skills in a way that doesn't stand you badly in the rest of life actually.

[16:52]

Did you have any feeling about the, how important computers would become in the accountancy business?

No, I, don't really think I did Alan, to be quite honest about it. It was, it was early years, and, I think... I mean I started to get an inkling of that perhaps, after I had been at LSE for four years, and the system was that you, you know, academics in those days, when you got there, were given appointments that had tenure as they called it, and that meant you had an appointment for life. You couldn't actually be sacked unless you became insane or behaved criminally I think [laughs], something like that. And, so... But when they first appointed you, understandably, they thought, well we need to find out about this person before we make that kind of commitment. So, you would be on a temporary contract which would typically last for five years, that was the plan at LSE. And, in your fourth year, fairly early in your fourth year, you would be assessed, your performance would be looked at by a committee, and you would either be told that your contract would terminate at the end of the five years or else you would be told that you would be given a new contract with tenure. And when I had my review at that time I was told I would be put on a tenured contract. And then I was told that what would be good for me would be to go to the United States and, and get some wider experience. And they sent me, I mean I had a visiting faculty appointment by arrangement at the University of Chicago, which was of course a tremendous place, particularly in those days, and, it was very exciting in accounting, because they had started to do empirical research using the econometric techniques, and, gathering real evidence about the world, and assessing it properly as a basis for their research conclusions. And...

So quite a new approach.

A new approach, in accounting as a whole and to me in particular. And, finance was in a separate department in Chicago, whereas it was in the same department in England, and actually, a lot of the stuff that I was doing as an academic were in the finance field, was in the finance field. So, I was very interested in that. And they had, oh, world distinguished finance professors. Merton Miller of Miller and Modigliani fame about optimal gearing stuff; Gene Fama, who, like Miller, was a Nobel Prize winner eventually. Larry Fisher was another one, who was very distinguished. So I went to all the finance workshops and seminars as well as the accounting ones, and...

It must have been massively exciting, being a lecturer.

Yes. Yes, yes. And, as much as I could, and rub shoulders with all these people. And... And of course, for their empirical research they needed a lot of computing power, and there was a central computer facility, and you used to put in what you wanted done, and they'd run it overnight and you would come and collect your stuff the next morning. So, that was the first time I, I got close to it. I mean I didn't have any research project of my own on the go that merited that treatment, although I played around with a few things and did have a few computer runs done for me, but, but just being in that kind of environment, and soaking it all up, was tremendous, mm.

[20:50]

Mm. Yes, and what sort of lessons do you think you learnt from that spell in the US?

Well, I... More and more as time has gone by I've emphasised the importance, first of conceptual thinking. I mean I, I always think in life you should be clear about your objectives, and then think about the various things you can do to achieve them, and, be quite analytical in relating the things you can do to your objectives. And I also think that you need to be careful to make sure that you don't jump to conclusions that may be wrong without having considered whether there's any empirical evidence about them. So I'm a great empiricist.

Mm.

Where's the evidence? And, those were things. I think that way of thinking started at LSE, but I think seeing the research work that happened in Chicago, that took it quite a bit further. Mm.

[21:55]

Right. So your next step was to the University of Manchester.

Yes.

And a professorship.

Yes, that's right. When I was in Chicago, I had a letter from my mentor Harold Edey, the LSE Accounting Professor, and he told me that Manchester had been in touch with him and they were looking to appoint their first professor of accounting, and, they particularly wanted someone who was well-versed in economics, and were used to working with economists. Because the Manchester structure would be quite similar to the LSE structure in that accounting would be a department in the economics faculty, Economic and Social Studies, looking for close links. And Harold said he had given them my name with one or two others, and he expected I would hear from them. And, soon enough I got a letter from the university asking me to go and visit them.

[23:01]

Now, the Chicago academic experience was, was wonderful. The Chicago living experience was awful. I mean it was very stressful. I had a young family, I had got married in 1960 and had two young daughters. And the university was, it's ten miles south of the city centre, in an area that used to be quite a nice residential area but had gone down with time, and, and there were a lot of low income people around that area, and it was very violent. I mean my, my elder daughter was old enough to go to the local school, and we went her to the local school, and discovered in due course that it was, most days some of the rougher children mugged the younger children to get their lunch money off them, and there were knives, and all this kind of stuff. And of course we were horrified, and had no idea that was going on.

Of course.

And, so there were all those pressures. And the area where we lived was just a couple of blocks from the university, in an apartment the university had found for us, but, it was, you couldn't walk around after nightfall. I mean, I, there were one or two people I knew who did, and they got mugged lots of times and were relieved of their money, and that kind of thing. So, so living there was, was quite tense.

[24:39]

So I, I flew into Manchester for my interview with the university. I had never been to Manchester before, and, and of course there were all these jokes about Manchester and the south where I came from, and, and it was regarded as a place full of dark satanic mills and all that kind of thing. But I went there on a, on a March day, where, it was a beautiful day. I arrived, and it was beautifully sunny, and there was that early hint that you get in England so beautifully of spring on its way. And, the university accommodated me in a hall they had which was on the banks of the River Mersey, in Didsbury, a couple of miles south of the university. And it was marvellous, you know, and after the, the traumas of Chicago where you daren't set foot outside your house, I thought, this is marvellous, this is the Manchester I've heard about. And the interview went well, and we seemed to hit it off, and, they, I discovered later, I mean I went back to Chicago, and awaited hearing from them, and a letter arrived in due course, but when it arrived I saw that they had posted it that same afternoon that I had had the interview actually offering me the job. So...

Oh, right. Mm.

So, I went to Manchester.

[26:00]

Mm. And of course, Manchester was and is an extremely exciting and vibrant university.

Yes.

I mean it must have been a very, very fertile soil for you.

Yes. Yes, I love Manchester. One of the things about Manchester, I mean it's not just the university, it was the whole environment of the city. Manchester is, is one of our great cities, and perhaps under-appreciated, but, I've always been interested in the theatre, I love classical music, and Manchester is just marvellous for that. Opera, and, you know, there was the Free Trade Hall with the Hallé Orchestra that I went to regularly, they had some lovely theatre, they had the opera companies up touring. I first, I remember my first hearing of Wagner's *Ring Cycle* in Manchester on a warm, well it was a hot June day, and, and we all used to, we used to cross the road into a local park and picnic in the long interval, you know, and it was a great celebratory occasion, Manchester was so pleased to have this *Ring Cycle*. It was the English National Opera production with Reginald Goodall directing it, Rita Hunter singing Brünnhilde. It was a marvellous, marvellous occasion. So, there was all that about Manchester. Manchester was also a city where you could have good relationships with the local profession, all the big firms had their Manchester branches, and I made common cause with them, and had good relations there. And, whereas in London everybody tends to be sort of more about their national business, you know, there was more of a distinct professional community in Manchester. And then the university itself. I had the opportunity to build up accounting, because, as I said, I was their first professor, and, but student numbers were increasing rapidly at the time, and so that was very stimulating. I eventually became Dean of the faculty actually, and, so I played a role in the university governance. And, then there were the opportunities to meet people in other disciplines. Computer was, computer science was close to accounting, law was a very good faculty, and, and was close.

[28:38]

And I had been developing over the years an amateur love of science, and, as I described, having never studied physics and chemistry at school, I sort of carried a, a gap through the rest of my life of something missing, and that's something I have to fill. So I began by, by reading all the books I could get hold of, you know, typically popularising books of physics and astronomy. A turning point was fairly soon after I left school when I heard Sir Bernard Lovell, the Professor of Astronomy at the university who ran the Jodrell Bank radio telescope, I heard him give the Reith Lectures, and, was fascinated by this view of the cosmology, you know, the great contest between the theories of how the universe developed, was it a Big Bang, or was it continuous creation, as Fred Hoyle advocated? And, Lovell talked about the part

that the radio telescope could play in resolving that. So, when I was there, they called for volunteers to serve on the Jodrell Bank management committee, and I volunteered for that, and got to know Bernard Lovell quite well, and had the opportunity to see at first hand some of the things they were doing there, which was, it was very exciting.

Yes, it must have been, mm.

So yes, they, they were super years.

[30:11]

Mm. And you were there twelve years I think.

Yah. I was actually, I mean I was, my appointment lasted for twelve years, and, the last three of those years were on leave of absence, more of which anon. And I had a year out – well no, not a year, six months out, to be a visiting professor at Berkeley, University of California, which was a nice further opportunity to get some more experience of accounting in the United States. So I was really sort of, active at Manchester for eight and a half or nine years, but, but the appointment lasted for twelve.

Yes, but during that period, it does seem to me, looking at your curriculum vitae, that a key period would be 1981 to 1984, you are still a professor at Manchester at this time, but you served on panels to advise the Secretary of State, which is of course the centre of the Government, on the liberalisation of value-added and data services, and price controls, for British telecoms.

Yes.

So, this is a change in your thinking.

Yes. That was, as you say, '81 to '84, and that was when I was back at the London School of Economics as a professor. I mean what happened, briefly, is that, in 1978, I had been Dean of the Faculty of Economic and Social Studies, and, being Dean was a, quite a heavy administrative chore, and, quite difficult in those days, because

university finances were going through a rather, a crisis-stricken period. They were, they were tight, and there was a lot of work to do in allocating finance and monitoring and controlling all that kind of stuff. And it became the sort of accepted practice that you got a leave of absence when you had finished being dean, so that you could recharge the batteries and get back on track. And the convention was that the deanship lasted for a couple of years and then it was somebody else's turn to do it. So I did my period as Dean, and, while I was there I got a call from the United States asking me if I would consider going to the Financial Accounting Standards Board, which was the US body that wrote the accounting standards for the States. In other words, the rules that govern how you have to report your results to shareholders. And, they were developing actually what they called the Conceptual Framework Project, which was very interesting, and was in tune with what I have said about my approach to life, which is that you should be clear about the concepts and analytical in your approach. And they thought it would be good if I went and worked on that Conceptual Framework Project. There were some people there who knew me and thought that would work. And so I, Manchester said they would give me what was initially a two-year leave of absence, and I went to work for FASB based in Connecticut. And, when I got there, I found that the FASB was in some state of crisis, because, they were a private sector body, but were recognised by the SEC, the Securities and Exchange Commission that had the legal authority to set accounting rules, and the ethos in America was that it's better for it to be done by a private sector body, so the SEC said, 'We'll let the FASB do it for us,' so to speak. They were independent and financed by contributions from industry and the profession. But one or two blots had started to appear, and a big one was to do with inflation accounting, which was of course a big issue in those days, because there was a lot of inflation around. [laughs] And, business were complaining that their accounting made no adjustment for inflation, and this was resulting in an overstatement of their profits which was depriving them of capital for reinvestment, and so on, and something needed to be done about it. The SEC agreed that something needed to be done about it, and said to the FASB, 'It's up to you to produce a standard on inflation accounting, and if you don't, we will.' And, and the worry then was that that would lead to the demise of private sector standard setting, SEC, a sort of quasi-government body, would take it over. So, the FASB was desperate to agree an accounting standard that

dealt with inflation accounting. And it wasn't easy, because there were at least two, and you might argue more, opposing views of what a standard should look like.

Yes.

And I had done quite a bit of work on inflation accounting as an academic. So when I got there I found that this project was in trouble, and they, they turned to me and said, 'Well, forget about the Conceptual Framework Project for the moment. We need you on this inflation accounting project.'

Yes.

And, I eventually took the, I sort of, gradually took the project over. I, I got a standard through, I got it agreed, and got all the board members who had to vote to approve it in line, and we beat the SEC deadline, and, everybody was sort of cock-a-hoop. The FASB asked me to stay an extra year and do other things, that was were sort of offshoots of this project, which Manchester agreed to let me do, and, and that got extended. And, and so, I, I was really doing well over there. I, I went, you know, Alan, I mean, things were pretty grim in the British economy in those days, and, inflation reached a peak rate of 27 per cent year on year at one stage. And, taxation was at a very high level. There was a lot of, there were lots of strikes by trade unionists and trade union power had perhaps got out of hand. And things were looking, looking pretty grim really. And the pound had lost value, we had balance of payments problems, and the whole economy seemed in a mess, and nobody seemed to know what to do about it. So, I went to America intending to come back to Manchester, but at the same time thinking, well I'll keep my eye open over there, and, and perhaps stay in America. And of course FASB would have loved me to stay, and, and made me an offer to stay, and I was offered chairs in one or two American universities that were quite attractive. I was offered a tenured chair at the Wharton School in the University of Pennsylvania, which was a very attractive one. And, I was sort of weighing it up, but, the family I think, to be honest, got to the point where they were starting to miss England, and being a bit homesick and wanted to come back.

[38:05]

And just at that point LSE got in touch with me again and, and, again I think it was Harold Edey pulling strings behind the scene, but, the senior UK partner of Arthur Andersen came to see me, Arthur Andersen being a highly regarded member of the big accounting fraternity in those days, and said, 'We're minded to sponsor a chair at LSE, and would like you to come back for it.' And, this was a very attractive option. It eventually worked out that, the arrangement included my becoming the first Research Director for the Institute of Chartered Accountants on a one-day-a-week basis, that was sort of part of the deal, and, involved rather happy financial arrangements for me. So, I agreed to go back to the UK and do that. And, while I was there, as you said, a number of things started to develop, and one of them was that the Government asked me to do some things in telecommunications, and, that happened entirely by chance so far as I can see. I had been a, before I went to America for the third time, and while I was still a professor at Manchester, I had become a co-opted member of the governing council of the Institute of Chartered Accountants, and I remember some business then where we were all asked to sort of, fill in our details for a register that the Government was compiling of things that, of people who might help them with various tasks, and I duly filled it in like everybody else on the council. And, I wonder, I mean, I think probably, looking back, that, somebody trawled through this and found my name, and, and thought, well we'll give him a try. And the job that came up as needing to be done was to do with the 1981 Telecommunications Act, and this was when the Conservative government under Margaret Thatcher, which was elected in 1979, was starting to embark on a track which led to liberalisation. And they began by, with telecoms, by, first of all British Telecom, which had been part of the Post Office, a government department in the old days, was shifted out of that department and then made into something more like a traditional nationalised industry, still wholly owned by the State but operating more commercially and independently, but still having a monopoly of all telecom services, except for just a very few private branch exchanges which for some odd reason were liberalised. And then the thought was, well, perhaps we can take some of what British Telecom have a monopoly on and liberalise that so as to bring in more competition. And, the initial things were equipment, and there was an approval scheme set up for, for telecoms equipment, attachment to the network. And then value-added services, so-called, were liberalised. And, what were value-added services? Well there was a, a complex definition linked to the Act of Parliament, but, it was quite, quite arcane

really, and, you had to be quite a technologist to apply it. And, in any case, ministers had some flexibility, and, the Secretary of State, who was Patrick Jenkin at the time, decided he would set up an advisory panel of three people, and that... And they would be asked to advise him on what was a value-added service, and when cases came up that were disputed, it would be referred to the panel, and, on their advice the Secretary of State would decide. So, that was set up, and I was invited to be a member bringing accounting and financial analysis skills, and the other two members were Ken Cattermole, who was a professor of telecommunications at Essex University, and Stephen Finch, who was head of telecoms at BP, British Petroleum, and a leading light in the Telecommunications Managers Association, which was a sort of, industry body for telecoms managers. So we met, and discussed cases, and... I mean I had a very simple view of a value-added service. It was a service that added value. [laughs] And, you know, it didn't matter what, what the technicalities were. So, if you could charge a higher price for it in other words, it was a value-added service.

Mm.

And so I took a very liberal attitude, which was, I think shared by my colleagues on the panel, though perhaps with slightly less ardour, because they were more technically inclined than I. But, anyway, I, you know, this was from a basis of really not knowing anything about telecoms, but it seemed to go pretty well, and, the Government seemed to like it.

[43:52]

And then, we heard that, that a new technology had got to the stage where it was ready for implementation for mobile telephones. And up till then there had been, what was it called? There was a System 4 or something like that where you had sort of, weighty equipment in the boot of your car or wherever, and had a, a very limited ability to communicate through that. But, this brave new idea was for cellular technology, there were going to be cells set up all round the country, and you were going to have relatively mobile telephones, they were a bit clunky at first of course, but, that you would carry around with you, and you would be able to use these telephones on the go, and, and if you moved from one cell to another you would get hand-over automatically, and the whole thing would be a, a whole new world. And,

they were going to implement that, it was going to start in 1985, and British Telecom were to have a licence for that in a subsidiary that was called Cellnet in those days. And they were made to have a minority partner so that they couldn't behave too badly, and that was, Securicor was their minority partner. But then, imaginatively the Government wanted some competition, and here was the first case of network competition in the UK. It was not in a fixed area, but it was mobile. And we had to choose a competitor for BT, so, applications were invited. About five, I think, consortia applied. And then the Government looked around for somebody who could advise them on this, and they hit on our panel you see, they're in place, and should be ready to go, so let's ask them to evaluate the applications, which they did. And so we, we hired consultants to do the leg work for us, but went through it all, and recommended that a surprise addition to the list at a slightly late moment called Racal Electronics should be, should be the awardee of the licence. And they of course, they adopted the trading name of Vodafone and dropped the Racal, eventually got a separate flotation, and are the Vodafone we know and love today. But, then, to present their recommendations to the Government, the panel, well they were, we were summoned to a meeting, Kenneth Baker was Minister of State, and he was going to chair a meeting, lots of civil servants there, and, the panel were invited to present their recommendations about the choice of operator. And, you know what it is with ministers. You're told a date, and you are expected to be there. So, that was fine for me, I could manage that. But Ken Cattermole said, 'Oh I'm teaching that day, so I can't go.' And, and Stephen Finch said, 'Well I've got a, a vital business meeting, I can't go.' So I was left to [laughs], to present alone to this meeting. And, so I went along, and presented our recommendation in somewhat robust terms. And it was a bit of a quandary for the Government, because, another firm called Air Call actually, who were quite big in radio paging at the time, had been the sort of favoured contender. They were much smaller than Racal, less well known perhaps outside the industry, but had experience in mobile technology. But we were, the key thing was that really Vodafone had ambitions that this could become big. All the other players thought it was going to be a niche market, fairly high price, and didn't see the opportunities for expansion. So we, we on the panel thought that it, agreed with Vodafone, with Racal, Vodafone, that it had lots of exciting opportunities, and wanted to choose Vodafone for that reason. And so, the Government accepted that recommendation, but were quite anxious to do a few things, which they did, to soften the blow for, for Air Call.

Yes.

[48:27]

But I think, you know, that meeting and that opportunity to meet Kenneth Baker, and the junior minister, John Butcher, I think that was a turning point, because I think that sort of...

A turning point for you?

For me, yes, because that brought me to the attention of ministers. [laughs] And my guess is that, when they came to take the next steps and set up Oftel, my guess is that ministers or civil servants in the DTI said to the headhunters, 'Take a look at Carsberg and see if appointing him might work.'

So how did that work then? Was that job advertised, or, was it simply headhunted?

I don't know Alan. I, I think it must have been advertised, because, I think that's what people did. But I never saw an advertisement. And I was just contacted by the headhunters. Knight Wendling, a very nice man called Eric Platt ran the, ran the contest.

Oh yes. Mm.

And, I remember very well the meeting I had with him. He came in to see me at my office at the chartered accountants where I was part-time research director, and we had a very good discussion. And, I think he was particularly interested in the international experience, that I had had time in America and that kind of thing. And it was clear also, which I think was interesting, that, the Government were looking for an accountant economist type. I think they were looking for somebody who could understand the economics of the industry, and understand the economics of competition. And, while I think we were all surprised when the time came by the extent to which competition became possible, I think nevertheless it was the Government's image to make as much as possible of competition in the early stages.

And I was a great enthusiast for that. I mean I, my economics were liberal, I believe in competition, I believe in free trade, I believe in, in giving people opportunities. I, I see the dampening effect of monopoly power as very damaging, and... And made all that clear when I was eventually invited to meet ministers, as I was. So, I think what happened is that there was an advertisement, but that they didn't restrict the shortlist of people who had replied, and I think the, the search firm were asked to come and talk to me, and, and it went on from there.

[51:18]

Mm, indeed. And at this stage, had you also become fascinated by the whole telecoms industry?

Well, I, I think, to say a simple yes to that would be a bit of an overstatement really. I mean I, I did get fascinated by the telecoms technology as time went by, and I think one of the fascinating things, actually, was to see the way technology constrained the economics, and limited your possibilities. And you had to promote competition, given the technology, which was a very interesting challenge. But, I think it would be more true to say that what I was fascinated by originally was the chance to influence the development of an industry. It mattered less that it was telecommunications, although, certainly I had enjoyed what I had done in telecommunications so far, but I'd got a lot to learn, and I was, you know, very far from being an expert in telecommunications technology. But, one of the things that I did in Manchester, I got to know a group of academics, professors of economics the others were, who ran an economic consultancy as a sideline in conjunction with their academic appointments. And we did a lot of... They invited me to join them, because they felt they needed an accountant, and we did a lot of very interesting work together. And I started to get a taste for how to apply economics and accounting in a constructive way, and, these were the days of price control, and, and incomes policies and all that kind of stuff, to try to combat inflation. And we did a lot of work in Ireland, which had a crisis commission which was headed by an economist, and we were invited to do a lot of projects advising the commission on pricing policy, and one of the jobs we did I remember particularly was prices for buses and rail transport in Ireland. And, I went in to do that with one of my economist colleagues, Victor Morgan, who was an economics professor at Manchester and an applied economist, a very bright man, and

very good at applying economics to the real world. And we worked together on this, and it was just a great experience to see how we could shape things. And they had actually, in our view, got the pricing structure all wrong for the railways. There was no differentiation between peak pricing and off-peak pricing, and so, you know, they were hopelessly overcrowded and undercharging for the peak time, and, and they were running all these empty trains at off-peak times, because, there was no advantage to people in travelling off-peak. And, and so on. So we, we modelled that, and showed how it could be improved, and... And that experience, and a number of others like it, gave me some insight into, into how exciting it could be to bring good academic analysis to bear on real world problems, and...

[54:50]

So in setting up Oftel, what were the big questions, big problems, and how did you set about answering them?

Well, the, the biggest problem in a way, I mean, the clear objective... I used, I used to have a kind of, conceptual framework for, for regulation that I used to trot out for people, and, you know, the two big elements were this. The first element was that, competition is the regulator's best weapon, or, better, the promotion of competition is the regulator's best weapon. So, if you have a regulatory problem, wherever you can, you should promote competition. Because the markets are much cleverer than any individual, and if you allow people the chance they'll come in and do exciting things that you could never have thought of as a regulator. So that was, that was the keystone. But there were limits to how much competition you could have of course, quite severe limits originally. And so the second precept was that, that where you couldn't achieve competition in a reasonable timeframe, then you should apply regulation in a way that mimics the effects of competition, as far as you can. So those were the two key tenets of my conceptual framework.

[56:26]

Now, the problems were, first, that British Telecom went into the privatisation, which was a, a concurrent event, with a price structure that was badly out of line, even worse out of line than the Irish railways [laughs], with the cost structure, and, you know, if you had set to work with a blank sheet, starting, starting from scratch with an economic model, you would have come up with a quite different pricing structure.

Local telecommunication services were underpriced, and long-distance telecommunication services, including international, were overpriced. That meant that domestic residential customers were paying too little, and business was paying too much. And of course, the pricing structure that's out of line with the economics of the situation is, is not a promising way to start competition, because, the opportunities to compete, which have to be that you can come in and charge reasonable prices at a cost that will enable you to make a living, that wasn't an easy thing to do. So one challenge was to see a gradual change in the pricing structure to make it more economic, but of course, you couldn't do that too quickly because it would cause all sorts of dislocation. That was one problem I would say. Another problem was to do with, with the operation of such competition as we could have. Now, as far as value-added services were concerned, we were doing very nicely, but, but when I started work at Oftel, there had been no progress on network competition really. You couldn't lease a line from British Telecom and re-sell it for ordinary voice services; it had to be a value-added service. And, you couldn't set up your own competing network. And Government looked at this, and decided on the policy that, that they would license at first one network competitor, which was to be a cable and wireless company, it was originally set up with, as a partnership between Cable & Wireless, which of course had experience of operating telecoms networks and...

Sorry. When you say the Government decided, do you mean literally the Government...

Yes.

...or do you mean acting on your advice?

No, no that was decided before I, before I came on the scene.

Ah. Mm.

I had to implement it.

Yes.

And, it started under my regime, but the Government had made that policy decision beforehand. And, Cable & Wireless were to be given a licence, they operated under the name of Mercury Communications, and they operated at first in partnership with Barclays Bank and British Petroleum, although as time went by those two dropped out and it became a solely Cable & Wireless thing. And, they were given the obligation to build a network of a specified minimum size. They could build a bigger network if they wanted, but on the whole that was not going to be economic, so they needed interconnection with British Telecom's network. And, the first, perhaps arguably the first big decision that I had to make was about the terms of interconnection. Oh, before I explain that, I might just add that the Government said that, that it would hold that position for seven years. This was the policy that became known as the duopoly policy, and it said, we'll give Mercury a head start of seven years, and after that we'll consider whether we're going to open competition more widely. And the restriction on simply reselling British Telecom's lease lines was in place for five or six years I think it was. So, there was a deliberately limited competition at the start with an effort to grow competition rather than have a lot of it, thinking it would finish up stronger that way.

[1:01:13]

So, so each of the network operators was given a licence, and it was going to be my job to administer the licence, to enforce it, and interpret it, and, and that kind of thing. And the licence set down a general framework for interconnecting British Telecom's network with Mercury's network. And broadly it said that the aim is that they should talk together and reach agreement, and if that agreement is reached, then that will be the way it works, and if they can't reach agreement, then they appeal to the Director-General at Oftel, which was me, and he will determine the terms. And it was an odd thing. They talked together, and, they thought they reached agreement, and they signed the heads of agreement, and went to tell the minister that they had reached an agreement, and, you know, they were patted on the head and said, 'What good boys you are [laughs] to have reached an agreement.' And everybody was very pleased. And, then Mercury went away and looked at it, and did a bit more financial modelling, and I mean the truth of the matter is that, they had perhaps been rather naïve in their negotiations, and when they looked at it a bit more carefully they came to the conclusion that they didn't have a viable business on that basis. And as luck

would have it, I mean, we'd have had to take rather draconian action I suppose had it not been for that, but, a BT lawyer, being ultra-careful, had written on this heads of agreement 'Not legally binding' before it was signed. So, Mercury said, well that being so, we can repudiate the agreement and start again. British Telecom fought it, and, extraordinarily, went to court to try to establish that it was legally binding at this stage, and, the judge threw out their case, describing it as a kind of Alice in Wonderland world in which we're now, user world, this means what I intend it to mean, you know, the Humpty-Dumpty quotation. And, so it was decided that the agreement wasn't binding, and Mercury were free to come to me to seek a determination, which I did. And, I did a lot of financial modelling, and then took a broad view, and set down prices for the interconnection, and rights for the interconnection which I thought would give Mercury a, a sound business. I mean to be honest about it now, I didn't agonise too much over what the costs were, and costs in a telecoms network are very difficult anyway, because a lot of them are joint costs, and there's no really sure basis for allocating them between different services. What I wanted to do was to try to set down a basis so that Mercury could get established as a competitor, because I thought that would be good for telecoms and good for the consumer, and could get up to a reasonable volume of business, giving rather favourable prices in the interconnection agreement. But there would be a ceiling on that, so that, once those, once the volume of business related to the ceiling was passed, then, Mercury would have to fight much harder because the prices would become less favourable. And that was the agreement. I'm told that BT considered seeking judicial review of my determination, and decided on advice not to.

[1:05:23]

So, at Oftel, again, what were the main challenges, and how did you set about tackling them?

Yes. Well I've mentioned one or two already. The other one that loomed large in the early years I would say was quality of service, and, and British Telecom's quality of service left a lot to be desired in those days. It might be said it still does perhaps, though in different ways I think from then. And, the licence that BT had, and indeed the others, made no reference to quality of service. The prices were controlled, but quality of service was not, so, of course the worry was that all the economic

incentives were to cut down on quality of service in order to make more profit.

Though I'm, you know, I think, the problem was perhaps rather more that the systems were not very good in those days, and that there was a cynical policy on the part of management to, to run it down. I remember I, I asked ministers one time why there was no provision about quality of service, because it seemed a strange omission, and, and they said, 'Well, it was too difficult; we thought we'd leave it to you.' [laughter] So... And it is difficult of course, you can see that. But...

[1:06:55]

Actually, that does raise an interesting question. I mean, you not being a technologist, how would you deal with these, you know, questions, which did, you know, impinge pretty heavily on the technology available at the time?

Yes. Well, that kind of thing, I mean I, I approached it thinking as an economist, and, thinking, if I set the right incentives, then it ought to take care of itself. And, you know, in a sense it didn't matter to me all that much how things got improved as long as they did get improved. And... And I let it run for, for three years or so, because I thought, well, you know, the BT shares have been sold on this basis, and it's fair to allow British Telecom a bit of time before you start changing things. But, as complaints started to grow about quality of service, I started to feel we must do something, and, first, there was just getting some decent statistics into the public domain, that was the problem, because there weren't any. And I think, part of BT's problem, to be honest about it, and I think part of their resistance, was their concern that they didn't have very good statistics themselves. But, they provided me with statistics, and, and I said that I wanted them to publish their own statistics so that everybody could see what was going on. That seemed a reasonable thing to do, and in the end it seemed reasonable expectation of somebody that still had a lot of monopoly power.

Mm.

And they resisted and resisted, again possibly because they just thought their statistics weren't very good, I don't know really what the reason was. And so I got to the point where I got rather impatient with them and I said, 'Look, I want you to publish these.

If you don't, I will use my powers to obtain the information from you and I will publish it.' So, [laughs] at that point they agreed to publish. Though I think I did actually publish the first lot myself, using my powers.

Mm.

So then we had some data in the public domain, and the next step was, how to improve it. And as I say, I used to get a lot of complaints, it was part of my job to handle complaints. Some of them would come through Members of Parliament where their constituent would write in and say, 'I've had dreadful trouble, my telephone's been out of order for thirteen weeks,' or whatever. I mean, that was the sort of number you were getting.

Mm. Mhm.

And, eventually, after I had seen one or two egregious cases, I said, I've had enough of this. [laughs] And, so I telephoned BT, and said, 'I want you to agree to pay customers compensation. First, you should have 48 hours to repair a fault, and if you don't do that, I want £5 a day compensation paid to customers for every day that goes beyond that. And also when you're installing a new service...' I didn't say there had to be, they had to install the service within a minimum time, because that was a problem, you know, there might be some areas where their network didn't quite go, and, you could see there they'd need a bit longer. But, but I said, 'You might give your customer a date, and then you must meet that date. And again, if you don't meet it within 48 hours, £5 a day.' And there were also provisions that customers could claim more than that if they could show that they had suffered financial loss. It was interesting, BT, to impose that as a regulation, because there was nothing in the licence, an amendment of the licence would be needed, and I could either do that by agreement with BT, and then I had to publish notice and consider any objections that were put to me, or, if BT wouldn't agree, I had to make a reference to what was then the Monopolies and Mergers Commission, subsequently the Competition Commission, and get their support. And following that, I could make the, make the licence amendment. So, so I would have needed to make a reference to the MMC if BT didn't agree. But BT didn't outright say no when I told them I wanted to do this;

they, they tried to negotiate the price down. [laughs] I mean they said, 'Look, how about £3 a day?' [laughs] And, and so, so I said, 'No.' I mean there was no real economic basis for £5 a day, but that was the number [laughs] I thought felt good, and so I, I said, 'No, I want £5 a day.' And, 'And if you don't like it, I'll make a reference to the Monopolies and Mergers Commission and we'll see what they think.' So BT agreed to £5 a day, and we put that into the regulations. And, and the quality of service did improve dramatically after that. I mean it was work in progress, and no doubt if I had been at Oftel longer I'd have considered further steps, like a minimum time for making a new connection, and things like that. But that was a pretty good start actually in... [laughs]

[1:12:25]

Indeed. What were your relations like with BT over your period as Director-General?

Oh not too bad really. I mean that's an interesting question, Alan. I mean they, we had set-piece meetings, whenever some issue came up, we'd talk about it, might be a few telephone exchanges or written exchanges, but sooner or later they'd come in and bring their rather large team to meet my rather small one [laughs], and we'd sit round the table and talk together. And, they'd see that as an opportunity to make their case, and... I never at those occasions gave an indication of how I felt about what they had said to me. I mean I said, 'Thank you very much, that's very interesting, I'll think carefully about what you've said to me and let you know my decision.' And, that was because of the legal advice I had. I mean, my lawyer said, you must never appear to have made a decision until you actually have made it, and when you have made it, you should just set it down, because, otherwise you are vulnerable to judicial review, and might get your decisions challenged. So, that was what I did. And I think BT found that a bit frustrating, and they'd say, as I saw them out, you know, 'Well how did we do?' [laughter] And I said, 'Well thank you very much, I'll think about it.' [laughs] And... But, at the same time, usually those teams were led by Malcolm Argent, who was the Company Secretary on the board of BT, and, a very nice man, I still see Malcolm Argent regularly, we have lunch together, and we, we talk about the old days, and, we have a very good relationship. George Jefferson, the Chairman, and then Iain Vallance, they didn't on the whole come to the meetings, they let Malcolm

Argent lead. But, I regularly had lunches with them, where we would talk about what's going on in the industry, and, and exchange views. That was very valuable learning for me. And they were always very friendly. And so I mean we, I think it would be fair to say, we understood that we had to be in disagreement, and, I knew what I wanted, and was determined to get it, and I think the BT executives understood that, and accepted that this was part of the life which would become normal for them. And we all accepted that, and, and deliberately remained on good terms, on civilised terms, outside.

[1:15:10]

And the rest of the industry, the other side of the duopoly?

Yes. Well of course I saw a lot of Mercury, and, I... I mean I wasn't always totally pleased with what Mercury were doing. I mean sometimes there was good news in that they were introducing a new service, or doing something brave and innovative, and... And of course I knew they had a tough struggle. But on the other hand, with the imbalances in British Telecom's price structure, there was a clear line for them to sort of, get started with. They could get quite a lot of business from business customers by undercutting BT's prices, and because BT's prices were high in relation to cost, and because Mercury had good interconnect terms, there should have been a good business for them there. And I think in a sense there eventually was. But I think they perhaps didn't look far enough ahead, and, and think about the strategy for, for the future. It was clear that BT were rebalancing their prices. I certainly couldn't, and wouldn't, have told BT to keep their long-distance prices artificially high so there was always room for Mercury for example. [laughs] So Mercury needed to develop a, a plan for the longer term, and, I think, perhaps they didn't do that as well as they might have done. And it's interesting, isn't it, that, although there is an amazing amount of network competition now, and you see competing networks, through the cable television industry for one thing, and they had the advantage of being able to integrate telecoms and cable television from an early stage, they didn't take as much advantage of that as they might have done, but still it helped them some, and then there are the City operators, the urban networks of one kind and another, which tackle the most promising areas for competition. So, there's an amazing amount of that. But, but really, the model for competition, what I would see as the dominant model

for competition, has evolved, and, the local loop unbundling system which really I, I guess it came after my time at Oftel, but came out of Brussels, that is a, a pretty important part of the competitive landscape since then.

Yes. Indeed.

And, in a way, maybe, the better economic part, because the, the start, I think we had to start the way we did, because there was... And of course, they couldn't have done the local loop unbundling under the old technology, in those days, because, it was all Strowger, you know, mechanical systems that went clickety-click, and connected each other mechanically; in those days you couldn't have the kind of local loop unbundling arrangements we have today on that system. So what we did, got things started, and I don't think we could have got things started any other way, and it's important to get them started, so I don't have any regrets about that, but I do think that the evolution that we've had to local loop unbundling has been good, and has moved things along in a very constructive way.

[1:18:43]

What do you think about the health of the industry today?

Well, I'm not so close to it today, Alan, as I, I used to be, so I have a, a little hesitation about that. I think the, I think the amount of competition we have is remarkable, and pretty good, and the, the sort of complete liberalisation that we have of using networks is, is very good, and I think the extent of network competition that we have is amazing, and, and very helpful, and, probably pretty much as much as you can reasonably expect. I think the, I mean the big challenge of course today is the switch to optical fibre methods of transmission, and how to maintain the competitive environment under that technology, which I think imposes some, some difficult challenges. I think there's still quite a long way to go in, in quality of service, and, I think, of course, the development of wireless technologies has been tremendous. I always thought in my time at Oftel as we saw the mobile telephone networks develop that the time would come when mobile competed with fixed, and of course that is now the case, and that's a tremendous extra dimension to competition. I think, the ability of certain operators to use high frequency spectrum is very significant, because,

there's a limited amount of spectrum at the lower frequencies, and, and therefore there's a limit to how much competition can be sustained there, particularly if you're looking, as you will be, as you are, for broadband services, but, bringing the higher echelons of the spectrum into use can solve that, and the satellite operators are playing an important role there. So I think there's, there's much that's, that's going very well, but, I think if I were still at Ofcom I would be most worried about the quality of service problems and the delays over making new connections and, and all that kind of stuff.

[1:21:23]

Yes. So, you left Oftel in 1992.

'92.

How did that happen? Was that simply the end of your term of, of office, or...?

No. It didn't quite take me to the end of the term I think. Well maybe we eventually made the transition at the end of term. No, I, I, the Government asked me to take on the role of Director-General of Fair Trading at the Office of Fair Trading. I think, the Government engaged in some worthwhile succession planning. The previous Director at OFT had been Gordon Borrie, who was another academic, fled the university, he was a professor of law at Birmingham University, but, a very distinguished Director-General of Fair Trading for sixteen years, but was approaching retirement, and I think the Government looked around as to who might be his successor, and, their eyes alighted on me and they... I saw a lot of senior government ministers. I, I knew sort of, half the Cabinet in those days, and talked to them a lot, you know, all on a business basis, but as they rotated I, I had the opportunity to let them see how fervently I espoused the promotion of competition and so on. So they must have thought that I'd be their man for OFT I think.

And had you developed a taste for consumer protection in your time at Oftel?

Well... Yes. I mean it's, consumer protection is, is perhaps a rather negative way to put it, or at least, you know, it's a constraining way. I mean, I always thought that if

one could make any sense of the ultimate objective it was to make things better for customers, and, the definition in the Act of Parliament of my duties, one of them was to promote the interests of consumers, was the word they used, as regards price, quality and variety of service, and that was the thing I wanted to do.

Did you enjoy your work as Director-General of Fair Trading?

Yes. In some ways you know, perhaps a bit less than at Oftel. I mean, at Oftel I was the pioneer, and, it was a, there was a lot to be done, and, I think my skills were very well tailored to what had to be done at Oftel. I enjoyed OFT, and I think, it was interesting to be in a different environment, and I think, we achieved some good things there. But... But, the powers were mainly exercised by ministers, and it was therefore more political than telecoms was, because, at telecoms, as it turned out, ministers didn't come into it a lot, and that was, it was set up that way deliberately. British Telecom was being privatised, ministers I think didn't want there to be any suggestion that after privatising it they were then perhaps constraining what was happening through political, for political reasons, and they wanted me to have my head in terms of the Act of Parliament. But, at OFT, I had a limited canvas to work on. Mostly I made recommendations to ministers, which they would accept or not. Sometimes, for example, I mean if it was a merger case, I would recommend to ministers whether or not it needed reference to the Monopolies and Mergers Commission for further examination. The Monopolies and Mergers Commission would report back to ministers rather than to me, and ministers would make the decision; I would have an opportunity to advise them. So, so there was less of the personal satisfaction in it I think, simply because it was a bit more removed from my particular sphere, and it was more political. But, but still, there was a lot to be done, and as I say, I think we achieved some worthwhile things. One of the things I was particularly pleased with was the ending of Resale Price Maintenance for books, and...

Indeed.

And, there were a few things like that where one could be pleased. It was interesting, I got to see a lot more of Europe of course, because, some of the competents by this

time was, was located in Brussels, and I, I used to go to Brussels quite often for meetings. The Competition Commissioners were Leon Brittan and Karel Van Miert, with both of whom I got on very well. Leon Brittan of course had been one of the several Secretaries of State I worked with over here. So, so that was a very positive aspect of it.

[1:27:00]

Just going back to Oftel for a moment. Is there anything of importance there that perhaps I haven't asked, or that you would like to pass on to future generations as it were?

No, I... I don't... I think we've covered it, Alan. I mean I think the, I think you just come back to the, the message that I gave earlier about my conceptual framework. Promote competition, and use a kind of incentive-based regulation to encourage effects that are similar where you can't have competition. And, I think perhaps the most, one of the most notable things, you know, it was great to see competition develop, and to see new operators coming in, and, and challenging BT's dominance with, with better service, with higher quality of service and the basics and so on. But I think, the real thing is about technology. Monopolists are sluggish investors in new technology, because, you can afford to be if you're a monopolist. There's no hurry. No one can come in with a new technology and steal your market from under you while you're dragging your feet.

Mm.

And there's always a great temptation, I think, for monopolists to think, well we've invested a lot of money in the existing technology; let's get as much as we can out of that, and then when we've done that we'll move over to the new technology in the fullness of time. But when you're facing competition, you can't afford to do that. You've got some new mobile competitors, and they're going to make the most of what mobile telephony can do, so you've got to do that too, as far as you can. You've got optical fibre, you've got, you've got the various value-added services, all this kind of thing. You can't afford to relax when you're facing competition. And, so competition is the best way of ensuring – well, you never quite ensure, but, best way

of getting new technologies taken up as well as is humanly possible, I think that's the message.

[1:29:26]

Since your Oftel and Fair Trading days, you've been, you've gone back to various lines in the accountancy area, and you've also been a non-executive director of a number of companies, including many telecoms companies. Is that something you've enjoyed?

Yes. Very much. I've been remarkably fortunate I think in my career. As you say, when I left the Office of Fair Trading it was to go back to accounting, and I became Secretary-General of the International Accounting Standards Committee. I was headhunted for that, and, and to be honest about it, they made me an offer I couldn't refuse. It was just a very attractive thing for me to do. And of course it was something that I had been well prepared for, because I had spent quite a lot of time previously working with accounting standard setters, and I knew quite a lot about that field.

Of course. Mm.

But it was a particularly exciting opportunity, because, the position then was that, most countries of the world, certainly all the big ones, had their own separate national standard setters, and, and they set their own rules, which might differ widely, one country to another. And if you were an international company, and as time has gone by there have been more and more large international companies, so if you were operating in, in many different countries, you found yourself very often having to prepare your accounts in accordance with the country of your operation. So if you operated in 60 different countries, you might have to prepare your accounts according to 60 different sets of accounting rules. And then you had to convert all those results to one set of accounting rules that applied in the country that was your head office, or where you had a stock market listing. If you were a bank or an insurance company or some other regulated entity it was even worse, because you had to prepare accounts for the regulators in all of the different countries where you operated, and they had to use the standards of those different countries too. And the whole thing was an awful

economic waste. I mean there's no reason why the rules should be different from one country to another; it was just that everybody wanted to do their own thing. And the challenge when I went to the International Standards Committee was to, to move the world towards one set of accounting standards for everyone, and, that was an uphill struggle, but we made excellent progress. And, of course a big step, which came towards the end of my term there, was the adoption of the international standards of my organisation for Europe. Brussels mandated them for all listed companies in the European Union. I use Brussels as shorthand for the Commission. And, and that was a big breakthrough. In addition, now, most of the major economies of the world outside Europe use them, Japan uses them, China uses them, Russia uses them, Australia, Canada. The only country where we haven't really pulled it off yet is the United States, where, they of course were very dominant in the world's capital markets and had a very sophisticated and longstanding national approach. They've been cooperating with the international effort, but we haven't quite got there yet, even, even now. So that was the accounting thing I returned to.

[1:33:26]

Another thing that's worth mentioning. After, I mean I finished full-time work in 2001 when I finished with the Accounting Standards Committee and it was restructured to better meet its new responsibilities, and then I moved into the, sort of portfolio approach. I had a number of non-executive directorships, and, and one appointment that I had in addition to that which is worth mentioning is, I became a founder member of the Equality of Access Board, which was established at British Telecom under an agreement with Ofcom, the successors to Oftel, for improving the competitive environment by monitoring the behaviour of Open Reach, the part of British Telecom that ran the local loop, and local exchanges and so on. And, this was a very bold agreement made between Ofcom and British Telecom. It was, I think a lot of credit is due to Stephen Carter, who was the Ofcom Chief Executive at the time, and Ben Verwaayen, who was the British Telecom Chief Executive. And, in essence the agreement was that British Telecom would structurally separate its local loop, the network and the local exchanges and so on, from the rest of the business, but that section which became called Open Reach would operate at arm's length from the rest of the business, and particularly would not sell directly to customers, and BT Global or BT Retail would be where the sales to customers took place. And, and Open Reach would deal with BT Retail or BT Global on the same terms as it would deal with

outside competitors like Cable & Wireless and, and TalkTalk, the Carphone Warehouse company, and Sky, and, and Energis and all the others. So this was a basis, you see, for making sure that the network where BT still had a dominant position didn't contaminate competition at the retail level, and the job of the Equality of Access Board, which I joined, was to monitor the behaviour of Open Reach, make sure that they lived up to this obligation to treat people equally, and, and develop statistics for monitoring it and all that kind of thing. And I think that went pretty well. I mean there's been another resurgence of, of concern just recently about the question, should BT be made to sell off Open Reach and that kind of thing, and, Ofcom has stopped short of that, although has gone further in requiring a bit more separation within BT. I would not myself want to see Open Reach as separated out. I think the disruption that that would cause might be quite considerable, and I think, there's a danger that customer service might suffer as a result of that. And I think that the Equality of Access Board's work is going pretty well, and I think that, I, I think it would still be needed if Open Reach were to separate out, because I think there would still be dangers that, that the new Open Reach would satisfy their biggest customer before they satisfied others, and, I don't think it would be possible to improve much on things as they are at the moment. But that was a very interesting activity for me, because it enabled me to get inside BT. I mean that board operated as a subcommittee of the BT board. We could and did call BT people to come and give evidence to us about, you know, explain what the problems were, and, what they were going to do about it and so on. And, I think it, it was very interesting, and I think it worked pretty well.

[1:37:53]

And then there are perhaps one or two non-executive directorships worth brief comment. One was RM, the body that's the biggest UK provider of IT services for education. My friend and fellow interviewee John Leighfield was Chairman of that when I joined their board. It was the biggest UK manufacturer of computers when I went there, which wasn't all that difficult to be [laughs], but it was still a signal achievement. And, a great company. It was very very satisfying to see the good things they did for education, and, to see the interaction of technology and education there. The board was very enthusiastic for education and for technology. I was on that board for, ten years or so, and that was a very rewarding period.

[1:39:03]

Overlapping with that, I was invited to join the Inmarsat board. Now Inmarsat operates satellites for mobile telephone service. It started back in the 1970s as a company that, using satellites, would provide emergency service to ships at sea, because of course conventional telecoms couldn't reach ships at sea. Established a very, a very strong technology through doing that. And, and then was privatised, and, and is operating with great commercial success. It is a British-based company. It has an Anglo-American board, its chairman is American, and I have three or four board colleagues who are American, which makes it very interesting. We are pushing technology in a very exciting way. Two aspects of that that are worth mentioning is, one is that, we've moved from ships at sea to airplanes now, and, and cabin connectivity on airplanes is going to be the thing of the future. I understand that some people may not celebrate that, because they think that there may be loud conversations disrupting their, their quiet in the, in the airplane, but, I think and hope that the airplane companies will probably see it more for data than for voice, and, and it has tremendous opportunities there. Of course, also providing services to the cockpit. I see that whole industry as being potentially, too, a cauldron for the development of new technologies. I mean we may get the automated ship, we may get the automated motorcar; you'll need... And, well we've already got, arguably, and may get more of, the automated or semi-automated airplane. So I mean I think, Inmarsat has the technologies that will enable that. Most recently our challenge there has been to develop broadband services, and, we have about a year ago now completed the launch of a new fleet of satellites, they're geostationary satellites, they hover over the equator at 30,000-odd kilometres, and, and see most of the globe. And, the thing about this new fleet of satellites is that we have introduced the technology using the K_a band of radio frequencies, that's a, a very high frequency band, where there is lots of spectrum available relatively, and therefore you've got enough capacity to provide broadband services. And that service is just getting rolled out. But, we are in a position now, we have started to provide broadband connectivity to ships and airplanes. And, the technology of using the higher frequencies is very very interesting, and very satisfying, and, and comes back to my, my amateur interest in physics where...

Indeed.

...the concern of course with high frequencies is that you don't get good transmission of messages, because they suffer from rain fade, and if you're sending the message through a moisture-laden area, then it may not come through too well, and... But with modern technologies and the use of alternative routings and various things like that, the problem can be largely overcome, and, and isn't an impediment nowadays.
[1:43:16]

And, the final board I'll mention if I may is a young start-up company called Actual Experience, which is an AIM listed company, and, which has a technology for, we've got software which we embed in customers' equipment, and it, it undertakes measurements of the time it takes to get service over the Internet between the customer and the, the website in question. And identifies where delays take place.

Oh right.

So that, you know, in the past companies would say, oh it's very slow. Must be something wrong with our broadband; we'll up our broadband speed. Or, must be something wrong somewhere else. And they didn't really know where it was. And they'd often waste money by spending money in the wrong place. And sometimes of course they wouldn't even know that there was a problem.

Mm, indeed.

Our system pinpoints where it is, and tells you what to do to put it right if you want to. And...

It's essentially a traffic monitoring system.

Yes, that's right. And it's, it's just getting started in deployment. I've been on the board there for two years. It's a spin-out from London University. Jonathan Pitts, who's a professor at Queen Mary, a professor of information technology, developed the system, and, we have great expectations for it.

[1:44:52]

And just finally, Alan, a footnote on physics. I decided after being an amateur of it for years that I really needed to learn it properly. So, I bought one of these enormous

American textbooks that they use for undergraduate courses there, it's the first two years of an undergraduate course in physics, and I've worked my way through that, and I've done it all, and I've worked all the examples, and I've got the right answers, and I've finally learnt physics properly. [laughs]

That's very meritorious.

Well, I don't know about that, but it was great fun.

[1:45:32]

Just a couple of quick and sort of personal questions.

Mm.

What do you think, looking back over your whole career, has been the most important thing you've done, the thing you're proudest of?

Oh, well it has to be Oftel. I mean that was a, that was a tremendous break. I did that for eight years. I was... It was so interesting. I think it really moved things forward. I mean the thing I'm, I'm perhaps proudest of, looking back, is, the role I played in, in encouraging and permitting competition in the networks, which I think led to all sorts of things happening that wouldn't have happened otherwise. And you know, there was a lot of scepticism originally, and I would get, I used to get lots of delegations from overseas. I had one I remember, I won't name the country because, it might embarrass them, but, they didn't believe in competition at all, and they came in to my office and said, 'We've been told that you're experimenting with the introduction of competition. Surely there must be some mistake,' they said. [laughter] And I said, 'No no.' And the meeting went wild, they started talking among themselves in their own language, which was not English, and, and the meeting collapsed in chaos. So... I showed, I think, at Oftel that competition could work, could be made to work. It needed active regulation to make it work, it wasn't just going to happen spontaneously. But I think it, it produced very great benefits.

Mm.

So it was fun, I had the privilege of being the first, and that's what I'm proudest of.

[1:47:17]

Mm. And what do you think your biggest mistake has been?

Pa! [pause] I don't know. I... I have thought about that actually quite a bit, and I've been asked it before. And, I think, as I sort of, work on, on things, I continue to look at these things and work on them, and, and try to work things out, I think I may get better answers to that. I don't think I've made any enormous mistakes. There are always, of course, things that you could have done better. I mean I think, the Oftel years were very busy years. I had the customer complaints handling process. I think I perhaps could have exercised better leadership there. I think if, if I had my time again I would get all the staff together and have meetings with them more often than I did, and sort of, exhort them, and explain what it was all about. I think, I, I think I would perhaps go faster and surer to the, to better solutions. Although I think on the whole, you know, the things we did were, were on the right track. I think I might have gone further and faster with quality of service issues at British Telecom. I was rather an active, a proactive director-general in, at OFT, and I mean I made some references that didn't go anywhere. It was rather a difficult time, because I think the MMC had a rather different mindset from mine, and, a lot of the things... I, I still think that the things I referred to them were worth referring. And of course some of them did lead to good results, and I was actually pretty shocked at some of the things they turned down. I mean, ice cream exclusivity was one thing I remember. [laughter] It may not strike you as the most important thing in the world. But, what happened was that, ice cream providers used to put freezers into shops on condition that they had only their ice cream in them. So, typically in a small town you might find that there was only one ice cream seller, and they would sell only one brand of ice cream as a result of that. And I thought that was a clear customer detriment, and, and wanted to make it a condition, as had been done with the beer orders, you know, for pubs having to have diverse supply. And I, I failed; the MMC panel that looked at it thought it was all right the way it stood. I mean action took place later on as a result of the European Commission intervention actually there. But I thought perhaps, I think perhaps looking back I could have done more. The tradition was that you referred things, and

then didn't interfere with the MMC investigation. You kept, left them with their independence, and they just got on with it. And, I think perhaps I should have done more to have tried to explain to them my reasoning, and convince them of the merits of my case.

[1:50:48]

Mm. I should ask you what your knighthood was awarded for.

That was awarded for telecoms, as I understand it.

Services to the telecoms industry.

It was in 1989, and, I think was a Government thank you for being the first regulator.
Mm.

[1:51:03]

And, what advice would you give a young person starting out in a career these days, either in, say, accountancy, or indeed in telecoms or computing?

Well, I think the best advice is to, is to be thoughtful. I mean obviously, I've always worked very hard throughout my life, I've had the pleasure of finding what I do interesting, but you have to work hard at these things to understand them. And, I think my advice would be, always work hard to understand what you are doing, don't take things at their face value, don't accept things you are told because you are told them by authority. Think them out for yourselves, and make sense, be satisfied that what you are told is right. Too often I think people pursue a line because it's always been done that way, and, I had that in my early accounting days, if you challenge something, well we've always done it this way, and that's the way we're going to do it. But, the way we've always done it isn't always the best way. I mean you have to be prepared to accept that it is when you've thought about it. But, you shouldn't accept authority too easily in my view, you should challenge it, challenge it politely, challenge it through hard work rather than prejudice, but, but keep on challenging.

[1:52:32]

Mm. I think we've probably covered the topic in adequate detail.

I think we have.

Sir Bryan Carsberg, thank you very much indeed.

It's a great pleasure. Thank you Alan.

[End of Interview]