

# *An interview with Chief Executive, Sir Peter Bonfield*

## **A lot has been said about BT's strategy over the past year. How would you describe it?**

Quite simply, our strategy is to seize the opportunities for growth in the communications market worldwide.

In practice, that means continuing to stimulate and meet growing demand in the UK; moving into new growth markets such as the rest of Europe; and maintaining our world-leading position in serving the needs of multinational companies through Concert Communications Services. Across all of those markets, we will also look to take advantage of the explosive growth in advanced services such as mobility, data, multimedia and the Internet.

Communications technologies are the engines of change and growth in the world's economy at the moment – and that gives us a wealth of opportunities. Our task is to seize those opportunities, deliver excellent value for shareholders and, in doing so, realise our vision of becoming the most successful worldwide telecommunications group.

## **There's a lot of competition for these opportunities. How can BT make sure it makes the most of them?**

BT is uniquely well-positioned. We have proved that we can please a wide range of customers. We are highly experienced in competitive situations. We have significant financial strength and we are already an established global player, with operations in all major markets around the world.

## **Can there be any growth left in the UK market after over a decade of competition?**

Yes there is – even though in the last five years we've steadily increased revenues and call volumes. Usage of residential lines continues to increase. It now stands at more than 11 minutes per line per day, a rise of more than two minutes since 1994. Remember also that UK usage is still only 60 per cent of that in the USA – which shows that there is still considerable room for growth. We're now stimulating the market for phone calls with marketing campaigns and, at the same time, developing a whole new market in advanced services.

## **What are you doing to take the opportunities for growth in mobility, data and multimedia?**

We've taken several steps this year to make sure that mobility is a top priority for the company, and that

means all services which help people communicate free from location restraints – including services such as calling cards and messaging as well as mobile telephones. Cellnet – in which we have a 60 per cent stake – has a reputation for innovation. It was the first operator to enable customers to send and receive faxes and data using mobile phones. And, in the last year, it has launched an Internet-linked service, Cellnet Genie, that delivers information such as news, share prices, football scores or job opportunities to your mobile phone. In mainland Europe, we are pioneering the merging of mobile and fixed line services, with one network, one bill and, ultimately, one handset.

The market for data communications is experiencing explosive growth and is set to overtake voice traffic in the next five years. This trend, known as the "datawave", is being driven by developments such as the spectacular growth of the Internet. Already, BT's Internet business is growing faster than 100 per cent per annum. In the UK, we've announced that we will be making a £1.1 billion investment in our networks to meet the demand for data communications and Internet services. In Europe, data revenues are growing very strongly, and Concert offers global companies a choice of data services delivered consistently and reliably around the world.

In the UK, we are also helping the next generation to use data networks by connecting schools to the Net at affordable prices. We're also on the brink of a multimedia innovation that will transform the domestic communications market: digital interactive television. Subject to the necessary regulatory clearances, our joint venture, British Interactive Broadcasting, will enable people to do some shopping, check their bank statement, have an on-line tutorial or buy a CD, all from their homes. They will be able to receive and respond to information via the TV set using a combination of satellite transmission and the telecommunications network.

## **How can BT give sufficient attention to both UK and global activities?**

We have structured the company to ensure that we can pursue these various opportunities with clarity and determination. I have established a small team to drive group strategy and take an overview of BT's operations in the UK and internationally. BT UK, under Bill Cockburn, is focused on the domestic UK market,

with the objectives of achieving sustained growth from the core telephony business and maximising value in growth markets. Meanwhile, BT Global, under Alfred Mockett, is concentrating on investing in, and developing, new markets around the world. The team which handles mobility and multimedia opportunities reports directly into me and provides a strategic focus on two of the major worldwide opportunities.

**Europe is providing many growth opportunities at the moment – how would you describe BT’s operations there?**

“Fast-moving” is the best description. Europe is a huge opportunity – a market which has been open to competition since 1 January 1998. We have joint ventures operating in every major country and they have already won 11 licences for fixed or mobile services. Taken together, our European alliances are expected to have annual revenues of £2.5 billion this year, a rise of around 50 per cent. They expect to recruit 4,000 people in 1998. Our partners are companies with local influence and established infrastructures. They include financial services providers, media conglomerates, transport companies and retailers, and they all supplement BT’s technology skills and competitive experience with a deep understanding of their own national markets.

**Beyond the UK and Europe, what have been the other highlights of the year?**

First, it’s been another good year for Concert Communications Services, the joint venture we have operated with MCI since 1994. Concert leads the market for global services used by the top multinationals. It is growing at almost 50 per cent per year, serves 40 per cent of the Fortune 500 top companies and was rated number one global outsourcer in the Yankee Group’s survey of customers. Other highlights were winning fixed and mobile licences in Singapore – along with partners, including NTT of Japan; signing a Memorandum of Understanding to co-operate with China Telecom; and announcing that we would be the first European communications company to contribute to a working group including top IT names like Compaq and Microsoft to look at setting standards for new high-speed services.

**How do you assess the impact of not merging with MCI?**

I still believe that merging on the terms which we negotiated would have been a good result for BT and its shareholders, but we decided not to go ahead at a price which would have been uneconomic for BT. Had we chosen to match the rival bid, we believe it would have been against shareholders’ interests. As it was, we took action to secure a good return, maintained our services to US customers through Concert Communications Services and kept open our options to pursue new growth opportunities.

**So what now in the USA?**

We now have two objectives. The first is to make sure we have the most comprehensive possible sales, service and support for customers of Concert Communications Services in the USA. Second – and this is a separate issue – there may still be investment opportunities in growth areas of the US domestic market. It is a valuable market, with over one-third of the world’s telecoms revenues. We are looking at all the options but we will only take an opportunity if it will deliver real value for shareholders.

**In overall terms, what’s your vision for BT?**

To be a company that delights customers and shareholders, and is a good place to work. To seize growth opportunities around the world. To help people use communications technology to improve their education, their health, their business. To enable people to use communications to expand their horizons and to get more out of their lives, as employees, as consumers and as citizens.



**Sir Peter Bonfield CBE**

*Chief Executive*

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