

APPENDIX 2.1

(referred to in paragraph 2.16)

Note on analogue and digital systems

Analogue systems

1. The human voice produces sound pressure waves which a telephone mouthpiece converts directly into variations in amplitude of electrical current, ie into analogous signals in electrical form. When these analogue electrical signals arrive at the distant end of the telephone line they are converted back by the telephone earpiece to sound pressure waves and the signals from the original human voice again become audible.

2. Analogue transmission has been used since the origin of the telephone and remains the main form of transmission in the United Kingdom. Modern computer controlled analogue switches are widely used and still marketed in the United Kingdom.

Digital systems

3. A full digital telephone system starts at the telephone handset with the same process as in an analogue system; sound pressure waves produced by the human voice are converted into variations in amplitude of electrical current. These signals are then processed either by the telephone itself or by the ancillary equipment into binary digits or 'bits' which are transmitted as a sequence of electrical pulses. At the distant end the process is reversed, the analogue is reconstituted and the audible sound pressure waves are regenerated.

4. Digital transmission has several advantages:

- (a) Digital switches are smaller and cheaper than analogue switches;
- (b) Over longer distances the signals can be more easily regenerated and with less added noise; and
- (c) Voice, text, facsimile and visual information in digital form, as well as the digital output from computers, can be carried on the same system.

5. The emphasis for the future will, therefore be on digital rather than analogue systems.

APPENDIX 4.1

(referred to in paragraph 4.5)

Mitel manufacturing facilities and the products manufactured at each

Kenata, Ontario	SX-2000, Superset 7, Semiconductors
Renfrew, Ontario	Generic 1000, SX-200, SX-100, SX-20, Kontakt, Dart
Bromont, Quebec	Semiconductors
Ogdensburg, New York	Telecom products (Smart Dialler and Special products)
Bayamon, Puerto Rico	SX-200, SX-100, SX-20, SX-10/10E, SP-10
Guadalajara, Mexico (joint venture)	SX-200, SX-100, SX-20, Semiconductors
Caldicot, Wales	SX-500, SX-200, SX-100, SX-20, SX-10/10E, SP-10, Semiconductors
Steinback, W Germany	SX-100
Wellington, New Zealand	SX-20, SX-10/10E, SP-10
Tsuen Wan, Hong Kong	Superset 4 (UK Version), Entrepreneur (and sets), Key systems (Trillium)

Source: Mitel Corporation.

APPENDIX 4.2
(referred to in paragraphs 4.25 and 10.3)

Mitel Corporation: balance sheet

C\$ million

	27.2.81		26.2.82		25.2.83		24.2.84		22.2.85	
Fixed assets		44.1		158.7		224.6		246.2		223.3
Current assets										
Stocks	50.9		99.8		118.3		149.6		134.7	
Debtors	40.0		72.4		77.5		85.6		117.2	
Cash and short-term deposits		90.9		172.2		167.3		363.1		132.5
										367.7
										20.6
										272.5
										135.0
Current liabilities										330.9
Creditors		28.4		45.2		51.1		98.6		80.4
Trading assets employed		106.6		285.7		536.6		515.3		415.4
Other assets	0.3		0.4		0.8		14.1		9.3	
Investments	1.0		—		—		3.6		27.3	
Deferred expenditure	6.2		0.9		0.3		4.9		11.7	
										22.6
										48.3
Total capital employed		114.1		287.0		537.7		537.9		463.7
Financed by:										
Bank indebtedness and notes payable	35.7		16.8		96.0		71.0		12.4	
Long-term debt	16.8	52.5	32.0	48.8	183.7	279.7	192.7	263.7	209.0	221.4
Minority interest								12.6		12.6
Funded by:										
Capital stock	34.0		198.1		217.7		271.6		283.2	
Goodwill	(0.3)		(0.7)		(3.6)					
Revenue reserves	26.3		44.1		58.6		21.8		(24.5)	
Deferred taxes	1.6	61.6	(3.3)	238.2	(14.7)	258.0	(31.8)	261.6	(29.0)	229.7
										114.1
										287.0
										537.7
										537.9
										463.7

Source: MMC from Mitel Corporation data.

APPENDIX 4.3
(referred to in paragraph 4.25)

Mitel Corporation: statement of changes in financial position

	Year ended					C\$ million
	27.2.81	26.2.82	25.2.83	24.2.84	22.2.85	Five-year summary
Working capital provided from operations income/(loss) before extraordinary items	14.3	27.9	14.8	(19.6)	(32.1)	5.3
Items not affecting working capital:						
Depreciation and amortisation	3.2	10.5	18.8	24.8	31.9	89.2
Loss on disposal of fixed assets and investments	—	1.0	—	1.2	2.6	4.8
Debenture redemption premium accrual	—	—	—	5.8	6.7	12.5
Deferred income taxes	0.6	(3.9)	(11.5)	(5.3)	1.2	(18.9)
Total from operations	18.1	35.5	22.1	6.9	10.3	92.9
Minority interest	—	—	—	12.6	—	12.6
Increase in long-term debt net of foreign exchange adjustments	14.1	16.2	161.2	3.9	1.2	196.6
Proceeds from sale of fixed assets	—	0.8	3.3	2.5	10.7	17.3
Issue of shares net of issue expenses	18.0	159.3	19.3	49.5	—	246.1
	50.2	211.8	205.9	75.4	22.2	565.5
Working capital applied to:						
Additions to fixed assets net of grants and tax credits	36.5	125.7	87.5	73.5	23.1	346.3
Extraordinary loss net of provision for loss on assets held for resale	—	—	—	8.1	—	8.1
Reduction of long-term debt	1.6	1.4	6.3	3.0	5.7	18.0
Other	1.2	1.1	6.4	8.7	7.7	25.1
Total working capital applied	39.3	128.2	100.2	93.3	36.5	397.5
Decrease in working capital arising from transactions adjustments	—	—	—	—	4.1	4.1
Increase/(decrease) in working capital	10.9	83.6	105.7	(17.9)	(18.4)	163.9
Working capital beginning of year	15.8	26.7	110.3	216.0	198.1	15.8
Working capital end of year	26.7	110.3	216.0	198.1	179.7	179.7
Working capital changes increase/(decrease) in current assets:						
Cash and short-term investments	—	—	167.3	(34.9)	(111.9)	20.5
Accounts receivable	25.4	25.8	5.4	4.6	32.5	93.7
Grants receivable	(0.2)	6.3	(0.6)	1.6	(3.2)	3.9
Inventories	27.5	48.9	18.5	31.3	(14.9)	111.3
Prepaid expenses	0.2	0.4	0.1	2.1	2.3	5.1
	52.9	81.4	190.7	4.7	(95.2)	234.5
Increase/(decrease) in current liabilities:						
Bank loans and notes payable	25.0	(19.0)	79.1	(24.9)	(58.6)	1.6
Accounts payable and accrued liabilities	14.8	18.8	5.1	25.1	(17.6)	46.2
Income and other taxes payable	1.1	(2.0)	0.4	21.4	(0.3)	20.6
Current position of long-term debt	1.1	—	0.4	1.0	(0.3)	2.2
	42.0	(2.2)	85.0	22.6	(76.8)	70.6
Increase/(decrease) in working capital	10.9	83.6	105.7	(17.9)	(18.4)	163.9

Source: MMC from Mitel Corporation data.

APPENDIX 6.1

(referred to in paragraph 6.7)

Licence for British Telecommunications PLC

1. The licence granted to British Telecommunications PLC by the Secretary of State for Trade and Industry under section 7 of the Telecommunications Act 1984 came into effect on 5 August 1984. It is effective for 25 years in the first instance but terminable on ten years' notice. The licence itself occupies only one page, and the rest of the 140 page document consists of four schedules and an annex.

2. *Schedule 1* is divided into three parts and sets out the conditions under which BT should provide services.

Part 1 lists the definitions and meaning of terms used in the rest of the schedule.

Part 2 sets out the network service obligations of BT (section 3 of the Act) in relation to the provision of:

Condition 1—a universal telecommunication service.

Condition 2—a service in rural areas.

Condition 3—directory information.

Condition 4—maintenance services.

Condition 5—international connection services.

Conditions 6 and 7—emergency call services.

Condition 8—maritime emergency service.

Condition 9—planning of emergency services.

Condition 10—priority fault repair service.

Condition 11—public call box services.

Condition 12—maritime services.

Conditions 13 and 14—connection to other operators' systems.

Condition 15—provision of services by others by means of BT's applicable systems.

Condition 16—for publication of charges.

Condition 17—a prohibition of undue preference and undue discrimination.

Part 3 lists 36 other conditions included under section 7 of the Act in relation to which BT has certain obligations and the Director General of Telecommunications certain duties and powers. The conditions are:

Condition 18—prohibition on cross-subsidies.

Condition 19—access charges.

Condition 20—separate accounts for certain activities.

Condition 21—apparatus production.

Condition 22—prohibition of preferential treatment.

Condition 23—alterations to the applicable systems.

Condition 24—restrictions of prices for certain services.

- Condition 25—charges for the maintenance of certain exchange lines.
- Condition 26—charges for installation of certain exchange lines.
- Condition 27—code of practice for consumer affairs.
- Condition 28—arbitration of disputes with customers.
- Condition 29—bodies recognised to be representing the interests of consumers.
- Condition 30—metering.
- Condition 31—supply and connection of apparatus for the disabled.
- Condition 32—special telephones for the hearing impaired.
- Condition 33—special facilities for the hearing impaired using public call boxes.
- Condition 34—numbering arrangements.
- Condition 35—prohibition of linked sales.
- Condition 36—prohibition of certain exclusive dealing arrangements.
- Condition 37—requirement to provide itemised information (in relation to charges).
- Condition 38—code of practice on the confidentiality of customer information.
- Condition 39—intellectual property.
- Condition 40—prohibition of non-statutory testing requirements.
- Condition 41—statutory testing.
- Condition 42—limitations on integrated wiring situated on served premises.
- Condition 43—wiring etc not forming part of the applicable systems.
- Condition 44—limitations on certain maintenance arrangements.
- Condition 45—connection arrangements.
- Condition 46—private circuits.
- Condition 47—prohibition of exclusive dealing in international arrangements.
- Condition 48—other arrangements for international services.
- Condition 49—pre-notification of joint ventures.
- Condition 50—associates.
- Condition 51—payment of fees.
- Condition 52—requirement to furnish information to the Director.
- Condition 53—exceptions and limitations on obligations in Schedule 1.

Schedule 2: revocation

This schedule sets out in 2 pages the circumstances in which the Secretary of State may revoke the licence.

Schedule 3: authorisation of connection and provisions of services

This schedule:

- (a) authorises the connection of the 'applicable system' (ie the BT network to which the licence relates) to other systems and apparatus; and

(b) the provision by means of the applicable system of telecommunication services consisting in:

- (i) the conveyance (not including switching) of messages (not including cable programme services) and switching incidental to such conveyance; and
- (ii) directory information services but not any land mobile radio service.

Schedule 4: Other exceptions and conditions relating to the application of the telecommunications code

Conditions 1 to 16 in Schedule 4 provide as follows:

Condition 1—telecommunication lines in designated conservation areas are to be placed underground.

Condition 2—written notice to be given prior to the installation of apparatus in proximity to certain buildings.

Condition 3—relates to apparatus in conservation areas.

Condition 4—covers certain environmentally sensitive areas. BT must give notice to the local authority before installing apparatus.

Condition 5—refers to the special status of the National Trust.

Condition 6—relates to the licensee's obligation and responsibility to the provisions of the Public Utilities Street Works Act 1950 and liaison with highway authorities.

Condition 7—requires installation of apparatus in paved highways to be laid in ducts.

Condition 8—stipulates minimum height requirements of equipment over carriageways.

Condition 9—requires inspection as to the security of BT's equipment installed above ground which may be a danger to the public.

Condition 10—requires continued observance of agreements with electricity boards concerning apparatus installed in close proximity to electrical plants.

Condition 11—sets out the principles under which apparatus is to be installed both underground and overhead.

Condition 12—requires the licensee to keep records of location of apparatus and to co-operate with anyone undertaking works in the vicinity of the licensee's apparatus.

Condition 13—notice to be given to authorities as soon as possible when emergency works are carried out.

Condition 14—allows the licensee to install overhead lines (on a temporary basis) for public events (exemptions from Conditions 1, 2, 4 and 5).

Condition 15—allows Condition 14 above to apply when providing services to emergency organisations in an emergency (but with additional exemptions of Conditions 6 and 8).

Condition 16—BT must provide the public with access to Schedule 4 of the licence at every major office of the company.

Annex A: Definition of the applicable systems

Annex A defines 'the applicable systems', ie systems which the licence authorises BT to run.

Applicable systems are defined by reference to specified 'network termination points' to or from which systems may convey messages. Certain apparatus and systems are excluded. The network termination point (NTP) is the point at which energy may pass between an applicable system and any apparatus not forming part of the applicable system. Applicable systems convey messages from one NTP to another. The NTP therefore forms a boundary beyond which BT lines may not run.

The system is one which enables messages to be conveyed between any NTP and other NTPs. This permits such system facilities as operator services and a wide variety of necessary 'system housekeeping' messages to be passed within the system.

The NTP is the uniform means of connection through which all telecommunication services must be provided and is located in one of two classes of apparatus. It is located in either the network connecting apparatus (which enables connection to other systems) or to the network termination and testing apparatus.

A provision in the annex prevents BT from running systems in the area of Kingston-upon-Hull City Council, other than providing connections for ships and aircraft. It also prevents BT from running mobile radio services such as radio telephones and radio paging services for which separate licences are required.

The applicable systems exclude telecommunication systems run under any other licence. Thus BT may not use this licence to run branch systems. To do so it was obliged to obtain on the same footing as any other user, a 'Class Licence for the Running of Branch Telecommunications Systems'. This Branch Systems General Licence (BSGL) authorises the running of private systems including those connected to the public telecommunications systems.

APPENDIX 6.2

(referred to in paragraphs 2.36 and 6.17)

PABX wiring on customers' premises

(This appendix is based on information provided by BT.)

1. Most telecommunication wiring on customers' premises is installed in such a way that multi-core cables serving each part of a large building radiate from a distribution frame and test jack frame, normally located close together in the basement. When a PABX switch is installed it is connected directly only to the test jack frame, and the wiring joining the switch to the extension telephones is routed via that frame regardless of where in the building the switch or the telephones are located. The distribution frame is used to connect BT's external grade exchange line cable to the internal grade wires leading to telephones on direct exchange lines, ie telephones connected directly to the public exchange not being extensions on the PABX. These direct exchange line wires will then usually be contained in the same multi-core cable as the PABX extension wiring. This is known as 'integrated wiring'.

2. Under the Post Office Act 1969 and the British Telecommunications Act 1981, BT had the exclusive privilege (subject to limited exceptions) of running telecommunication systems. It therefore provided, installed, maintained and continued to own all wiring installed on customers' premises, whether as direct exchange lines or as PABX extension wiring. It was therefore convenient to include all the wiring within a customer's premises in a set of multi-core cables irrespective of the use to which the wires in the cable were put; a single cable is much easier to handle than a mass of separate pairs of wires, and it is a simple matter to include redundant wires in the cable to cater for expansion and to provide alternative routes in case of breakdown. Other advantages to the customer of integrated cabling are that any pair of wires can be utilised for any telecommunications purpose and that there is complete flexibility to change the use of a pair of wires (without perhaps disturbing the telephone at the end) from, for example, direct exchange line use to PABX use. Because of the advantages of integrated wiring, and in the absence of any prospect of losing its exclusive privilege, BT and its predecessors adopted a policy of installing integrated wiring whenever possible. The consequence of this is that the vast majority of all wiring installed within buildings in the United Kingdom is currently integrated whether or not the buildings concerned consist of single sets of premises or numerous sets of premises (eg shared office blocks). The same applies to larger sites, for instance factories, where buildings are standing on private land, except that in these cases the cabling will be of external grade where it passes between buildings.

3. The installation of wiring on customers' premises was paid for, until August 1983, by BT, and the costs were recovered through the charges made for services which used the wiring, that is connection charges and rentals. BT did not make a specific charge for the rental of wiring; it charged, for example, for the service of keeping a PABX telephone connected to the PABX switch, and this charge entitled the customer to have the wiring maintained and repaired by BT.

4. The liberalisation of PABX wiring from August 1983 opened up a new possibility to customers: that they could, if they so wished, choose separate

wiring for PABX extensions, so as to avoid use of BT's existing integrated wiring. The usual motive for this would be that customers wished to employ a maintenance contractor other than BT for their PABX. It is Government policy, now embodied in the General Licence for Branch Systems (under which most customers run their PABXs) that PABX wiring should be maintained by the same contractor as maintains the switch. It is therefore necessary to have separate wiring for the PABX extensions if BT is not to maintain that wiring because the close proximity of the wires in a multi-core cable creates a high risk that maintenance operations on one wire may affect the service provided by other wires, which may carry direct exchange lines. BT told us that with the Government's agreement, it believes that this risk is too serious to allow integrated wiring to be maintained by anyone other than BT.

5. Following the liberalisation of PABX wiring in 1983 BT ceased to provide cabling in new buildings on the basis that BT paid for the whole cost of installation. Instead the owner of the building or the customer was asked to pay a proportion (about 75 per cent) of the full cost of installation of integrated wiring, because this represented on average the proportion of wires devoted to PABX use as opposed to direct exchange line and other public network uses. Customers could, of course, if they wished opt to have their PABX cabling installed separately, in which case they bought it outright from either BT or a competitor.

6. In new buildings BT does not now (and after 31 December 1985 must not by virtue of Condition 42.1 of its principal licence) install integrated cabling systems. This is so whether the PABX for that building is to be supplied by BT or by a competitor. The position as regards wiring in existing buildings depends not on who is to supply the new PABX but rather on who is to maintain it and its associated wiring.

- (a) All wiring associated with a PABX which is connected to BT's public telephone network must be installed in accordance with the current code of practice or be approved by BT for the purpose. If a new PABX is to be connected to old wiring, BT will conduct a survey and report to the customer. BT told us that the standards set for this survey are not affected by the identity of the prospective supplier or maintainer of the PABX. If the wiring is to continue to be used by BT to provide services charged at a rental (as in paragraph 3 above), any work required to bring the wiring up to standard will be done by BT and included in the subsequent rental charges. Otherwise the customer is free to choose anyone (including BT) to bring the wiring up to standard. If the PABX wiring is integrated with direct exchange line wiring, the PABX wiring will first have to be separated out by BT before anyone else is able to work on it.
- (b) If BT is to supply and maintain a new PABX to be connected to old, integrated wiring, it will normally be most efficient simply to survey and, if necessary, upgrade the integrated wiring. BT will then continue to charge for service at a rental. A customer may, however, request that the PABX wiring be separated out (so as to give him a free choice of maintenance contractor in the future), whether the PABX is to be supplied by BT or by someone else. BT is then obliged by Condition 42.2 of its principal licence to separate out the PABX wiring and, by Condition 43, to make it

available to the customer, *by way of sale or rental at BT's choice*. Once these steps have been taken, any upgrading and subsequent maintenance may be undertaken by any qualified contractor. BT's current policy is to sell segregated wiring in all cases.

APPENDIX 8.1
(referred to in paragraph 8.2)

TEMA member companies and their principal telecommunication product areas

Ferranti PLC

controlling:

Ferranti GTE Ltd
Ferranti Electronics Ltd
Ferranti Computer Systems Ltd
Ferranti Industrial Electronics Ltd

Manufacture and supply of:

Public transmission systems,
PABXs and key systems,
Telephones,
Telex and teletex terminals,
Packet and message switching
equipment.

The General Electric Company PLC

controlling:

GEC Telecommunications Ltd
Marconi Communication Systems Ltd
GEC Reliance Ltd

Manufacture and supply of:

Public exchanges,
Public transmission systems,
PABX and key systems,
Telephones,
Modems.

Mitel Telecom Ltd

Manufacture and supply of:

PABXs and key systems,
Telephones.

The Plessey Company PLC

controlling:

Plessey Major Systems Ltd
Plessey Telecommunications
Products Ltd
Plessey Network and
Office Systems Ltd
Plessey Communication Systems Ltd
Plessey Controls Ltd

Manufacture and supply of:

Public exchanges,
Public transmission systems,
PABXs and key systems,
Telephones,
Packet and message switching
equipment.

Supply only of:

Telex, teletex, videotex and
facsimile terminals.

Siemens (UK) Ltd

Manufacture and supply of:

Telex and teleprinter machines,
Telephones,
Facsimile terminals.

STC PLC

controlling:

STC Telecommunications Ltd
STC Network Systems Ltd

Manufacture and supply of:

Public exchanges,
Public transmission systems,
including submarine cable systems
PABXs and key systems,
Telephones,
Radio pagers,
Telex, teletex, teleprinters
and facsimile terminals.

Telephone Rentals PLC

controlling:

Dictograph Telephones Ltd

Supply of:

PABXs, key systems and other
call routing apparatus,
Telephones,
Telex, teleprinters and
facsimile terminals,
Radio paging systems, message
and data switching systems,
data line support equipment
and terminals.

*Thorn Ericsson
Telecommunications Ltd
controlling:
Thorn EMI Datatech Ltd
Recordacall Ltd*

*TMC Ltd
controlling:
TMC Ltd
Philips Business Systems Ltd*

Transtel Communications Ltd

Whiteley Electronics Ltd

*Manufacture and supply of:
Public exchanges,
PABXs and key systems,
Telephones,
Teletex terminals and answering
machines.*

*Manufacture and supply of:
Public exchange peripherals,
PABXs and key systems,
Telephones,
Teletex and viewdata terminals,
Answering machines.*

*Manufacture and supply of:
Telex terminals.*

*Manufacture and supply of:
Components for public and
private telecommunication
equipment.*

Source: TEMA

APPENDIX 10.1

(referred to in paragraphs 7.39 and 10.73)

Draft undertaking proposed by BT

1. BT undertakes to the Secretary of State that:

- (a) it will not unfairly cross-subsidise the business of Mitel in respect of the production of telecommunication apparatus in so far as that apparatus is produced for supply in the United Kingdom and the supply of such apparatus by Mitel in the United Kingdom;
- (b) it will use its best endeavours to ensure that Mitel will provide to the Secretary of State:
 - (i) accounting statements in respect of each complete financial year fairly presenting the costs (including capital costs), revenue and financial position of such business; and
 - (ii) a report by the auditor of Mitel stating whether in his opinion each such statement is adequate for the purposes of this undertaking;
- (c) it will not give unfair preference to Mitel in the procurement of telecommunication apparatus for supply in the United Kingdom;
- (d) (i) unless the Secretary of State otherwise agrees, where for the time being:
 - (aa) BT is a Monopoly Purchaser in the United Kingdom in relation to PABXs of any particular description;
 - (bb) the Secretary of State has reasonable grounds to believe, after considering any representations from BT and Mitel, that in the interests of promoting fair competition BT ought not to acquire PABXs of that particular description from Mitel unless it has complied with the open tender procedures specified in paragraph (d) (ii) and
 - (cc) the Secretary of State so notifies BT,

then BT shall not acquire any such PABXs from Mitel for the purpose of its business in the United Kingdom unless it has complied with those procedures in relation thereto.

- (ii) Compliance with the open tender procedures requires BT, in accordance with a procedure adopted after consultation with the Secretary of State from time to time:
 - (aa) to publish a notice giving particulars of the proposed acquisition of PABXs sufficient for the purposes of this undertaking and the date by which it is required and inviting any person to offer to supply PABXs accordingly; and
 - (bb) to give due consideration to any offers made.
- (iii) Paragraphs (d) (i) and (d) (ii) shall not apply to the acquisition of PABXs:
 - (aa) for supply outside the United Kingdom;
 - (bb) which are intended for use by BT other than in the provision of telecommunication services to others;

- (cc) such that there is no producer in the United Kingdom other than Mitel capable of supplying PABXs of that particular kind in the quantities and at the times required;
 - (dd) of a particular kind which is so different from other PABXs produced in the United Kingdom that compliance with the open tendering procedures would place BT or Mitel at an unfair competitive disadvantage; or
 - (ee) the acquisition of which from Mitel is not in material quantities.
- (iv) The Secretary of State shall, when exercising his powers under this undertaking, have regard in so far as he may do so to the interests of BT and of Mitel, the shareholders in BT and Mitel and the employees of BT and Mitel.
- (v) Where BT:
- (aa) is under an obligation to comply with the open tender procedures in respect of PABXs of a particular description; and
 - (bb) furnishes evidence to the Secretary of State that it has ceased to be a Monopoly Purchaser of PABXs of that description

BT shall at the end of a period of six months after it has furnished that evidence cease to be required to comply with the open tender procedures in respect of that description of PABXs unless the Secretary of State has given notice to BT in that period that he is satisfied that BT continues to be a Monopoly Purchaser of PABXs of that description.

(vi) In this undertaking:

'Monopoly Purchaser' in relation to PABXs of any description means a person in relation to whom there exists a monopoly situation within the meaning of any of the provisions of section 6 of the Fair Trading Act 1973 in respect of the supply to him of PABXs of that description.

- (e) nothing in this undertaking shall prevent BT from providing any financial assistance which BT may judge appropriate for the purpose of placing the business of Mitel on a sound financial basis in accordance with the objectives of the merger.

2. BT undertakes to the Secretary of State that it shall not, without the consent of the Secretary of State, enter into any contract with Mitel under which Mitel agrees not to supply to persons other than BT for distribution in the United Kingdom telecommunications products of the same description as those to be supplied to BT under the contract provided that:

- (a) This undertaking shall not apply to telecommunications products manufactured in accordance with BT's designs or incorporating to any material degree BT's intellectual property rights; and
- (b) BT shall not be prevented by this undertaking from applying its own trademarks, trade and model names and other external features to products the subject of any contract between BT and Mitel.

3. BT undertakes to the Secretary of State that it will re-negotiate with Mitel the terms and conditions for the supply by Mitel to BT of the SX-500 and undertakes that any new agreement so re-negotiated shall be in conformity with the undertaking at 2 above.

4. BT undertakes to the Secretary of State not to prevent Mitel from continuing to provide spares for, and enhancements to, Mitel equipment supplied in the United Kingdom to the extent that such supply can economically be continued and on ordinary commercial terms.

5. BT undertakes to the Secretary of State that, for a period of three years from the date when this undertaking comes into effect:

- (a) it will inform the Secretary of State, in respect of a financial period or periods to be agreed between BT and the Secretary of State, of the total volume of PABX equipment (or other equipment of a kind produced by Mitel for supply in the United Kingdom) ordered for supply by BT or delivered by BT within the United Kingdom, showing identity of supplier, volume, type of equipment, price and other principal terms and conditions of purchase by BT;
- (b) in the event that the volume of such products supplied by Mitel to BT for re-supply in the United Kingdom significantly exceeds the quantity supplied in the relevant preceding period or accounts for a significantly greater percentage of the total of such equipment so supplied by BT in the United Kingdom, BT will provide to the Secretary of State a full and reasoned justification for such decision;
- (c) BT will use its best endeavours to ensure that Mitel will provide to the Secretary of State information, for the same financial period or periods as those agreed for the purposes of undertaking 5(a), in respect of the prices at which and the terms and conditions on which Mitel has supplied telecommunications equipment to distributors of such equipment and users of such equipment in the United Kingdom.

6. Nothing in these undertakings shall prevent BT or Mitel from complying with the law applicable in the United States of America or Canada or any part thereof.

7. These undertakings shall come into effect only if BT acquires a controlling interest in Mitel and shall be effective from the date of the completion of the agreement with Mitel for the acquisition of such controlling interest.