

the city INTERVIEW

By Peter Campbell

THE view from Gavin Patterson's office is quite something. From one window the majestic dome of St Paul's Cathedral looms, a vista so ingrained in the country's heritage it is legally protected. Out of the next pane the skyline is dominated by the Shard, a towering reminder of the changing face of the capital and dominance of new money.

It is not a bad metaphor for the situation facing BT. On the one hand the former telecoms monopoly can trace a history to 1846, and today still provides the majority of the landline phone cables across Britain.

On the other, BT has embraced the shifting role of media providers, taking on incumbent Sky in sports broadcasting and currently preparing to break into the consumer mobile market before the end of the year.

The radical transformation has taken place under the beady eye of Patterson, first as boss of BT's retail division and now its chief executive.

He landed the job in September after Ian Livingstone accepted the Prime Minister's shilling to become the Government's trade minister.

Now 46-year-old Patterson finds himself in charge of the company whose domain stretches from Openreach – a national grid of phone and internet cables – to a global telecoms services business operating in more than 170 countries.

After making inroads into the sports market – spooking rival Sky by bidding huge sums for top-flight Premier League and European football games then giving them away free to customers who already take BT's internet – he is busy preparing for the company's next incursion.

BT is drawing up plans to re-enter the world of mobile phones – a business the group scrapped when Cellnet was demerged more than a decade ago.

'The trends are moving in our direction,' he says. 'Getting a level playing field between fixed line and mobile is one of the reasons that we've decided to come back into the market.'

Patterson says mobile providers previously received a windfall from termination rates – a charge they received every time someone made a call. But with this being faded out, the playing field is now even, he reckons.

HE WANTS 'a seamless proposition that works wherever you are', using BT's network of wi-fi spots as well as the current fixed cable network and the company's newly acquired superfast mobile spectrum.

'Our customers look for seamless services wherever they are, particularly when using the internet,' says Patterson.

'They want quality, they want speeds that they get with home internet, they don't want to be constricted.'

And unlike current market incumbents – Vodafone, O2, EE and Three – BT has a historic brand that resonates with millions of customers, many of whom can remember when the company was privatised.



GAVIN PATTERSON

■ A passionate Liverpool fan, he has signed shirts of Steven Gerrard and Luis Suárez hanging in his office

■ Married with four children

■ First job was running a market research firm among fellow students at Cambridge

■ Attended Huish Episcopi comprehensive school in Langport, Somerset before going to Yeovil College

■ Studied chemical engineering at Emmanuel College, Cambridge

■ Spent several years running Pantene, Head & Shoulders and Clearasil at Procter & Gamble

■ He is on the board of British Airways and a trustee of The British Museum

BT boss calls up his vision of the future

But he adds: 'It's not only older customers, but younger customers see what we've done with sport and see that we can challenge the status quo and create new and interesting services.'

He adds: 'Competing in the sport market with a dominant player – who has done, I would say, a very good job at running a service – that's no easy pitch at all.'

'The mobile market will be equally challenging. It's a different market, it's much bigger and has different dynamics.'

He won't reveal any specific details of deals yet, but promises more 'in the coming weeks'.

First to receive the BT mobile service will be businesses signed up to the company, with consumers having to wait until Christmas to see what the offering is for them.

Like sport, where BT kept its powder dry, Patterson is keen to leave some questions unanswered – such as whether the group will offer free calls across the network.

'It's too early to speculate,' he says, before correcting himself: 'All right, it's too early to confirm your speculation.'

Always impeccably turned out, his demeanour of slicked hair, double cuffs and pocket square would not look out of place in Mad Men – the 1960s advertising drama the BT boss enjoys. Long before his BT

days Patterson was moving in a similar world to the show's protagonist Don Draper, as the brand manager for Pantene shampoo after completing the graduate training scheme at Procter & Gamble.

This was a far cry from a degree in chemical engineering, which Patterson admits he did not particularly enjoy.

During his time at P&G he met Jeremy Darroch, his counterpart at Sky. The two remain friends – 'we agree with each other on 80pc of things' – and even bump into each other on the morning run because

'For all those who want fibre [optic], it's coming'

their children both attend the same school.

But Patterson insists the playground row between the two – they are still locked in talks about selling each other some of their respective programmes – has been 'blown up into a great carnival'.

'I have huge respect for Jeremy,' he adds.

Recently Sky has opened a new front against BT, teaming up with

budget rival TalkTalk to build its own competing fibre-optic network in York.

The scheme could be rolled out nationwide if successful in a move that would threaten the revenues of BT's Openreach division, which makes money by wholesaling its fibre network to other providers.

But Patterson seems more amused than worried: 'It's a very interesting move'.

BT's network of fibre cables, which now reaches 19m UK homes, has become something of a lightning rod for criticism by MPs.

With many families in rural areas unable to receive superfast speeds, MPs on the Public Accounts Committee said the company had 'exploited its monopoly position' in rolling out the network.

Patterson has no time for the arguments and says most local MPs are delighted at having fibre cables in their areas.

'For all the criticisms that have been levelled at us you need to remember two things,' he says.

'We have gone from being the laggard to being second only to Japan in the G8 in terms of speeds.'

'Also, we put £2.5bn into the commercial roll-out. That's the biggest private infrastructure investment in the UK, and we did it in the middle of a recession.'

He adds: 'For all those customers

who are part of rural communities who want fibre, it's coming.

'It's coming in the next two, two-and-a-half years. We are rolling out as fast as we can.'

Businesses in particular are keen to get up and running on the network – and the possibility of becoming a one-stop-shop for millions of small and medium-sized businesses across the UK is another reason BT is keen to corner the mobile phone market.

It seems Patterson's vision for the company is to be the provider of choice for all home entertainment and communications services across the country – both for consumers and businesses.

His record shows he has the stomach for a fight. But even with the ground BT has gained in the past 12 months, there is still a tremendously long way to go.

BT will have to branch out and offer more services than just sports on TV to attract television's other key audience, avid Netflix fans. Would BT be prepared to tie up with the on-demand giant to boost its TV output?

'If we didn't keep some surprises back, what would you be writing about later in the year?' says Patterson.

That sounds like BT's chief conjuror has just a few more rabbits waiting in the hat.

Thames gets £87m tax credit

THAMES Water was handed an £87.4m tax credit by HMRC, despite racking up earnings of £259m last year.

The utility company's profits jumped 79pc on the back of revenue up 8.5pc to £1.9bn, a rise chairman Sir Peter Mason said was 'driven by increased prices'.

Despite the surge the tax credit, which will be deducted from future cheques to HMRC, soared from £5m last year to £87.4m.

This was largely down to a £132m boost after Chancellor George Osborne reduced corporation tax from 23pc to 20pc.

Tax credits are awarded in return for investment in facilities such as sewers and water treatment plants, allowing firms to

By Rob Davies

defer their bill to a later date. The £132m credit arises because the headline corporation tax rate has changed, meaning that when Thames does start paying tax again, the firm will do so at the lower rate.

Thames Water attracted controversy last year when finance director Stuart Siddall said the company was unlikely to pay any tax at all for ten years.

But Thames insists that tax credits encourage investment and help keep customers' utility bills low.

Thames Water's bills rose by 3.4pc in April, after Ofwat rejected initial plan for an 8pc increase.

Holland & Barrett sales healthy

HOLLAND & Barrett will show Britons' drive for fitness has helped boost annual pre-tax sales to £84m.

The retailer, which has 664 health stores in the UK and 72 worldwide, will release annual figures today showing the private equity backed firm has had a strong year.

Sales grew to £349m from £335m after a series of new store openings.

On trading the firm said: 'Both the activity in the year and the year end financial position are extremely strong despite the difficult economic trading conditions currently being experienced within the retail sector.' The group opened 42 stores

By Rupert Steiner

and 42 franchises around the world in places such as China, Dubai, Singapore and Iceland. In the UK seven shops opened.

An H&B spokesman said: 'The company has differentiated itself from its mass market competitors by developing a specialist reputation, whilst at the same time offering high quality products at a low, value price.'

The group, which employs 4,200 staff and is owned by Carlyle, operates a packaging plant and distribution sites in Burton upon Trent, Staffordshire, as well as distribution sites in Beverwijk, the Netherlands.