



# Universal Service: UK reforms

*Claire Milne, Principal, Antelope Consulting, reviews Oftel's February 1997 Consultative Document on Universal Telecommunication Services.*

For the last few years, universal service has been a priority policy area for Oftel (the UK Office of Telecommunications). Its major consultation document in December 1995 included the following proposals (some of them quite new in the UK context):

1. Extending the definition of universal service to include the idea of affordability. (BT's original licence obligations refer only to meeting reasonable demands for voice telephony at geographically uniform prices anywhere in the UK, without reference to any barrier to takeup that those prices might represent).
2. Requiring an outgoing-calls-barred service (with incoming calls still possible) as an alternative to disconnection for debt; and a similar service as a bottom-rung low-cost entry for people not yet on the phone.
3. New tariff packages limiting exposure to debt (probably by either a low pre-specified ceiling on call spend, or a pay-as-you-go arrangement).
4. Improving the Tynetalk text relay service (similar to Telstra's TTY service) and its associated rebate scheme for deaf users.
5. Providing predictable tariffs to enable all schools to afford a useful amount of Internet access.

6. When calculating the costs of universal service to BT (or another network operator), offsetting against them estimated benefits such as brand recognition and ubiquity.

7. Introducing a Universal Service Fund to meet these net costs, which all operators over a certain size would contribute to in proportion to their revenues.

8. Setting up arrangements whereby new operators might tender to fulfil parts of BT's universal service obligations from which it wished to withdraw.

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## Comparison with Australian USO arrangements

The new Australian universal service regime, established in the Telecommunications Act 1997, has many of these elements - it is funded by the carriers; allows tendering for the universal service obligation, or parts of it; and will eventually incorporate the text/voice 'National Relay Service' used particularly by people with hearing disabilities. Affordability is able to be addressed through the ability of the Minister to regulate prices of USO services, and Telstra markets a service called 'InContact', which offers a residential telephone service with the capacity to receive calls other than operator-connected calls and to make calls to emergency services and to some Telstra customer service numbers. Some special arrangements have been made by carriers with schools,

although they were not required by regulation.

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During the first half of 1996, five working groups, including industry and user representatives, worked to elaborate these proposals. In September Oftel gave a public progress report. Finally in late February, the outcome of all this work has been published.

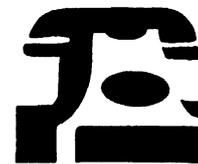
New universal service arrangements must be in force when price controls on BT (British Telecom) are renewed from August 1997. The latest document is still called "consultative", but the timing leaves little scope for change in its proposals.

The full document, including a summary, is available on Oftel's website (see below). This article therefore does not aim to summarise the document. Instead it gives some personal reactions to the proposals from a consumer viewpoint and focuses on the affordability aspects, with which I have been most involved.

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## New proposals

Most of the earlier proposals have survived into the latest document, with two notable exceptions. First, all mention of schools has vanished. This does not reflect any lessening of com-



mitment to educational applications of telecoms - in fact, a special task force has made good progress in this area. However, European Union rules are now clearer and would probably label as anti-competitive any universal service funding for services to schools.

Second, Oftel has concluded that the net cost to BT of its universal service obligations is so low that it cannot justify asking competitors for contributions to any fund. (If this changes, then talk is now of a *virtual* rather than an actual fund).

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Other important points for consumers are:

- The outgoing-calls-barred service has survived and now carries the name of "Lifeline". It has acquired a proposed tariff: £9.99 connection charge plus rental of 50p a week (£6.50 a quarter).
- the limited calling and pay-as-you-go packages are delayed by two years because of operational difficulties in starting them any sooner.
- a draft code of practice on BT's disconnection practices is included.

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**Outstanding issues**

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I have been talking to Oftel about universal service and affordability since 1987. In that context this document represents real progress. A concrete commitment to a Lifeline service itself is obviously to be welcomed. But some of the details give the impression of less careful thought than one might reasonably hope after so many months' gestation. For example:

- BT market research is referred to but not made available in full. It is hard to comment meaningfully on the 50p a week suggestion without seeing this research, and without the time or the means to carry out independent research.
- It is unclear whether it is actually economic to collect such a low rental (collection costs may exceed the amount collected). Is the argument supporting a nominal rental (rather than no rental, as for the corresponding Telstra service) economic or "moral" in nature? Is it, for instance, a matter of "people will not value something they have not paid for"? A counter-argument could be advanced along the lines that one does not pay a subscription to the Post Office for the opportunity to have mail delivered.
- Payment mechanisms for the 50p a week have not been specified. Much of the target market would prefer to pay weekly or monthly rather than quarterly.
- A commitment is needed to add to Lifeline the capabilities to make reverse charge calls and calls to freephone Helplines (if not to all freephone numbers).
- Postponement of the limited calling and prepayment packages for another two years is a major disappointment, when they have already been under discussion for so long. Furthermore, it is not clear that these packages will be obligatory even then. Here there seems to be a basic mismatch between consumer preferences and the regulator's view of its proper role. When the 'RPI+2' constraint on rentals was lifted two years ago, consumer groups asked for this to be tied to BT providing a flexible range of pricing packages. Oftel agreed that the packages were desirable but decided to let BT produce them at its own pace. The result - still no such packages. Are we now to see a re-run of this episode?

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**Timing**

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Having spent many years inside BT myself, I am all too aware of how long it can take to implement new services, especially if they rely on changes to existing systems such as the billing system. But I also know that new services *can* be brought to market fast (possibly based on new stand-alone systems) if there is the will to do so. Commercial prepaid card systems are now available off-the-shelf.

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It would not be surprising if BT had withdrawn their co-operation in providing these new tariffs in protest at the decision against shared funding. From a consumer viewpoint, it appears that low-income consumers are the losers in a game between the regulator and the industry. Perhaps the new entrants have a bigger role to play here than has been assumed.

Is there a case for requiring both BT and local competitors with a significant presence (say, more than 10% market share in their franchise area) to provide such services? □

**Universal Telecommunications Services: proposed arrangements for Universal Service in the UK from 1997 is available from Oftel's website at**

<http://www.oftel.gov.uk/uniserv2/contents.htm>