

UK re-examines the benefits of universal service

The UK telecommunications regulator OFTEL is reviewing the decisions it made about universal service arrangements in 1997.

For observers of recent debates about universal service in Australia, two of the most significant areas explored by OFTEL in its consultation paper *Universal Telecommunications Services* are the costs and benefits of delivering it and the services included in the obligation.

On the first of these, OFTEL has revised downwards its estimate of the benefits BT (the "incumbent" former public monopoly) gains by being the universal service carrier, and revised upwards its estimate of the cost.

In 1997, it estimated the benefits at 102-151 million pounds per year (1995/96), and the costs at 45-65 million pounds,

concluding that there was no need to set up a fund to "compensate" BT for what was in fact a net benefit from providing the universal service "obligation". In 1999, it estimated the benefits at 61 million pounds per year (1998/99) and the costs at 53-73 million pounds but still reached the preliminary conclusion that there was no need to set up a fund to compensate BT.

OFTEL still thinks BT gets a substantial benefit from brand enhancement and corporate reputation - being seen to provide services to uneconomic areas and customers and payphones. But it now thinks it overestimated the "ubiquity" benefits - the advantage that accrues because a household moving from one area to another is aware of BT as a potential supplier but may not be aware of its competitors in the new area. It also thinks it overestimated the

"life-cycle" benefits that accrue from the increased likelihood that BT will retain customers when it becomes profitable because it served them when they were unprofitable.

OFTEL is sceptical about raising the level of service required to be provided under universal service arrangements beyond voice telephony, but suggests "that it might become appropriate to consider extending the scope of universal service at some stage in the future when higher broadband services are being used by the majority and if they come to be seen as essential for full economic and social inclusion".

The full consultation document is available at www.oftel.gov.uk/consumer/uts799.htm OFTEL is seeking comments on the document by October 29, 1999.

From The Archives

Sponsorship setback for public broadcasters

The Federal Court has reinforced a narrow definition of "sponsorship" for public radio. In what amounted to a test case, the Court rejected an appeal by the Public Broadcasting Association of Australia (PBAA) and Gold Coast radio station 4CRB against an Australian Broadcasting Tribunal ruling that many of the station's sponsorship announcements were in breach of s.119AB of the Broadcasting Act.

The Federation of Australian Radio Broadcasters (FARB) was also a party; in an increasingly competitive advertising market, the extent and nature of sponsorship on public stations is very much an issue with its members. With FARB acting as a bedfellow with the Tribunal for a change, the Tribunal's counsel seemed content to sit back and let FARB make the running for the Tribunal's case.

The finding means that public stations are limited to announcing the name, address and general nature of the business of the sponsor, an interpretation which the public broadcasters had argued was too restrictive. For example, the Tribunal had rejected many of 4CRB's announcements on the grounds that they contained a "sample of specific products, services or activities offered by a sponsor's business, which the sponsor wishes to advertise". The public broadcasters argued that they should be permitted to include a description of the component parts or elements of a business as well as announcing its general nature.

Rather quaintly, the Tribunal bars the repeating of a sponsor's name within any individual announcement, though not within the program. In theory, then, even though an announcement might say very little, there is nothing to prevent stations repeating it many times within a program.

The case was heard by Justice Gummow, who made clear in his judgement his awareness that a finding for the public broadcasters would change the whole nature of public broadcasting.

Some smaller public stations, especially those in country towns, along with some ethnic broadcasters, have already said that the restriction on sponsorship announcements could put them off the air. PBAA president John Martin says that...a simple unadorned announcement might be appropriate for BHP or Coca-Cola but would not work for the local deli or hardware store.

But sources in the Tribunal and among public broadcasters suggest that the Federal Court judgement was greeted with a certain amount of relief, since it at least removed the longstanding confusion about exactly what is allowable under the current terms of the Act.

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