

OFTEL revises Universal Service for the UK

UK telecommunications regulator OFTEL has released its final proposals for reform of universal service arrangements.

OFTEL has confirmed the key elements of the reforms of universal service arrangements it proposed in February, following further consultation with interested parties.¹

These elements include the level of service, its pricing, and the availability of a restricted service package at low cost. OFTEL has also confirmed its controversial view that the cost to British Telecom of providing universal service is not an undue burden for it to bear.

Service level

OFTEL defines 'universal telecommunication service' as 'the level and quality of service which everyone in the UK should be able to receive on reasonable request at an affordable price'. It has proposed that that service level should encompass:

- a connection to a fixed network able to support voice telephony and low speed data and fax transmission (voice band data transmission via modems at a rate of at least 2400 bits/sec and, for fax, facsimile group III communications); and
- reasonable geographic access to

public call boxes across the UK at affordable prices.

This base level of service and ancillary features is essentially the same as that provided under Australia's universal service arrangements at present.

All customers are to receive free access to emergency services and access to operator and directory assistance, along with a number of measures to assist in managing their ex-

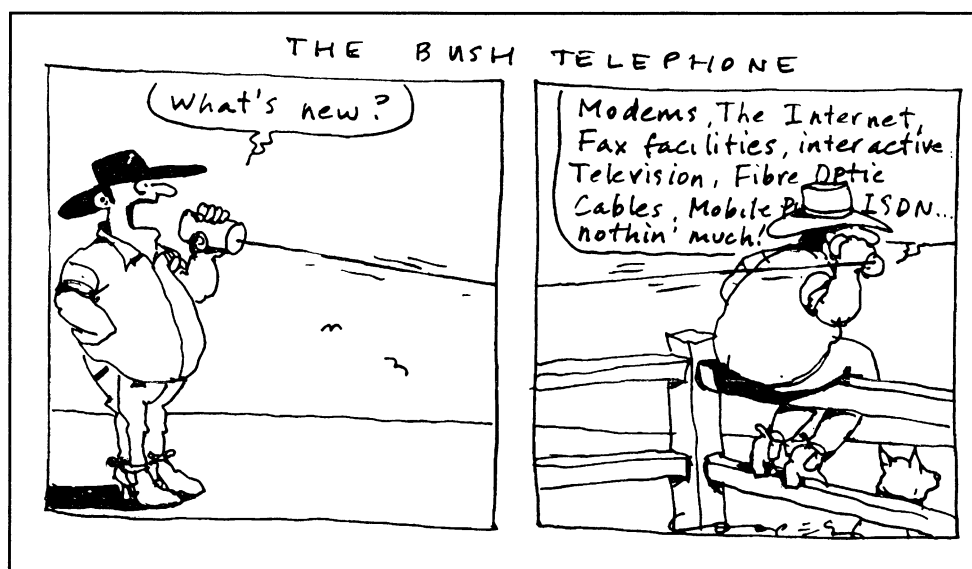
penditure with a limited range of services at a very cheap price. This 'Residential Limited Service Scheme', similar to Telstra's 'In Contact', would accept incoming calls, but bar outgoing calls except those to emergency, customer and fault repair services. BT will introduce such a service at the end of 1997. A further scheme enabling consumers to limit their exposure to debt by predetermining the amount of expenditure will be introduced in 1999.

The basic level of service is to apply until 2001, with a further review in 1999. This base level of service and ancillary features is essentially the same as that provided under Australia's universal service arrangements at present.

The base level of service will also be reviewed in Australia, one year earlier, in 1998. However, the *Telecommunications Act 1997* sets as a goal the universal availability of 'digital

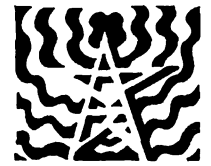
data capability' (effectively, ISDN, at present) by the year 2000. The 1998 review will examine whether this higher level of service should be incorporated into the universal service funding mechanism.

Australia's regulatory arrangements do not specifically require options such as the restricted service



penditure – itemised bills, the option of selective call barring, and the option of an outgoing calls barred service, together with a repayment plan, as an alternative to disconnection for non-payment.

A 'lifeline' service is to be offered by BT to bring people currently without a telephone onto the network



package, although such services have been made available in the market place.

Pricing

Prices for universal services will be geographically averaged. Australia's Telecommunications Act does not require geographic averaging. However, it provides for a mechanism whereby the price caps applying to Telstra will be adjusted to ensure that price falls are not restricted to highly competitive areas.

Funding

The mechanism for ensuring universal service in the UK is conditions on the licences of the two universal service providers.

OFTEL says the concept of universal service 'recognises that telecommunications links are now such an important part of all our lives that everyone should have reasonable and affordable access to them. It also recognises that getting more people onto the telecommunications network increases the value of that network for everyone...'

OFTEL earlier came to the controversial conclusion 'that the case that BT bore an undue financial burden as a result of its universal service obligation was not proven'. It argued that there were considerable benefits attaching to the 'burden' of providing universal service, particularly the visibility of the provider's services. Costs were calculated at £40-80; no figure was put against the benefits, but they were regarded as 'comparable with the estimated costs'.

In response, BT claimed OFTEL had grossly overestimated the ben-

efits of being the universal service provider. It said the estimates of benefits were much less reliable than those of the costs.

OFTEL accepted that its estimates 'could be further refined', but was not persuaded to alter its conclusion, although it will review the costings in the 1999 review. This may be particularly relevant if the level of basic service is increased. BT believes there is no value in further investigation of the costs and benefits, and has indicated it is unwilling to co-operate further in their analysis.

Since OFTEL concluded that there is no net cost to BT in providing universal service, it decided not to set up a universal service funding mechanism.

In Australia, the cost of universal service provided by Telstra in 1995/96 was estimated at \$246.6 million.

Policy

OFTEL says the concept of universal service 'recognises that telecommunications links are now such an important part of all our lives that everyone should have reasonable and affordable access to them. It also recognises that getting more people onto the telecommunications network increases the value of that network for everyone...'. It sees universal service 'not...as a means for rolling out new technologies, but as a means of ensuring that services which the market has provided to most people and which have become essential become generally available to everyone'. The level of universal service 'should be guided by the penetration rates of existing services'.

Jock Given

¹ OFTEL (1997) 'Universal Telecommunications Services', Statement by the Director General of Telecommunications, OFTEL, London, (July) - <http://www.oftel.gov.uk>

013 stays free... for now

Communications Minister Richard Alston has rejected Telstra's proposal to introduce a charge for directory assistance services.

As reported in last month's *CU*, Telstra had proposed a 50 cents charge for calls made to the 013 service. It claimed misuse of the service by people failing to use the White Pages was becoming an increasing problem. The annual cost of the service was growing by 25% each year.

Because the 'price' of this service is subject to Ministerial notification and disallowance under the Telstra Act, Telstra needed the Minister's approval to introduce the charge. The Minister, in turn, sought advice from the ACCC.

The Coalition's *Better Communications* policy statement for the last election committed the new government to maintaining free access to directory assistance. It was this commitment which the Minister said was decisive.

Telstra announced that it was 'disappointed' with the decision but would 'reassess the best way to deliver directory assistance', to cope with the 8.5 million calls which currently 'swamped' Telstra each week. The Australian Democrats' Lyn Allison welcomed the decision but warned that once the current Ministerial notification and disallowance arrangements lapsed at the end of 1998, Telstra would be free to introduce the charge anyway. She claimed the government had 'refused to issue any guarantees on keeping the service free' beyond this point.

Jock Given