

Response to OFTEL Review of Universal Telecommunications Services

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Please address any responses to secretary@unmetered.org.uk

The Campaign for Unmetered Telecommunications in the United Kingdom (CUT) welcomes the opportunity to comment on the OFTEL proposals stemming from its review of the Universal Service Obligation.

We answer OFTEL's questions and prompts in turn, starting from Section 2 of the consultation document.

2.11 OFTEL welcomes views on the conclusion that efforts should continue to address the needs of the remaining unphoned.

We agree, noting that 5 per cent of the UK population without a fixed phone line amounts to a considerable number of people (roughly three million).

However, as OFTEL itself states, a considerable proportion of these have decided to use mobile telephony as a substitute, so could not accurately be called 'unphoned' but merely 'those without fixed line access'.

2.11 OFTEL welcomes views on whether the measure of fixed telephony is appropriate or whether all forms of telephony should be taken into account.

CUT believes that OFTEL's use of 'the percentage of households with fixed line phones as a measure to test the effectiveness of special schemes' is an appropriate measure.

However, given that mobile telephony is now extremely popular, and is starting to become a substitute for fixed lines, CUT believes that, by the next planned review of the USO, it may well be appropriate to extend this definition to include other means of telephony (such as mobile telephony plus access to public call boxes).

2.19 OFTEL proposes for pre-paid schemes [various details].

CUT supports OFTEL's view that BT and Kingston Communications should continue to publicise their various schemes to encourage takeup among the groups that are most likely to be part of the 'unphoned'.

CUT would also like to see Government departments and agencies assist in the promotion of these schemes - via posters in buildings and leaflets in mailings - particularly bodies such as the Benefits Agency and the Employment Service which are most likely to come into contact with the 'unphoned' (those with special social needs and/or those on a low income).

2.23 The research suggests that the Light User Scheme (LUS) is continuing to serve the needs of those customers for whom affordability and accessibility are key issues. BT has suggested that it could meet its obligations in other ways, possibly by modifying LUS or replacing it with other schemes. In considering any such scheme, OFTEL would need to be satisfied that it would meet the needs of:

- ≡ households with special social needs (including those on low incomes) who need to make regular calls but for whom cost control (including regular payment methods and lower fixed costs) is a key issue in determining affordability, and
- ≡ households who have special social needs (including those on low incomes) for whom a fixed line phone is essential for keeping in touch but who are unable to afford the standard service.

OFTEL invites comments and views on possible criteria for any alternative scheme.

As mentioned in CUT's previous USO submission we believe that the 'Light User Scheme' should be refocused or replaced with a scheme that places the emphasis (for qualification) on 'Low Income'.

At present, consumers can qualify for the LUS scheme if they do not make many calls on a particular BT or Kingston Communications fixed line. The scheme is not able to effectively police whether these consumers (for instance):

- ≡ use indirect or 0800 carriers;
- ≡ have access to a mobile phone or a fixed line provided by another operator.

CUT believes that those on low incomes are more likely to be part of the 'unphoned' rather than being just 'low users'. In addition, the current tariff structure of the LUS appears to penalise these users who are statistically more likely to be unemployed, or disabled, or with special needs.

Our preferred replacement would be, in effect, an extension of BT's new Talk Together tariff which would provide unmetered local calls. We envisage that the new tariff would include unmetered daytime (peak rate) calls instead of just the off-peak calls that BT Talk Together currently includes. The new tariff should be targeted at **low income** families or households, not 'low users'.

Unmetered or flat-rate local calls are a part of USO provision in other parts of the world (such as New Zealand or most American states). Not worrying about the length of a conversation has several effects; it encourages more use of the telephone, encourages social interaction and maintains community ties. The aim of USO is not merely to provide that which is technically feasible but also that which is socially desirable. CUT believes that those who are socially or economically disadvantaged are more likely to **need** to make calls during the daytime from their residence – for example, the unemployed have no office to make calls from as a perk of the job.

2.26 OFTEL welcomes views on whether access to the Light User Scheme should be withdrawn for people with mobiles and, if so, how.

Ideally, schemes like the LUS should be withdrawn from those with mobiles since they raise the overall cost of such schemes which are paid for by other customers of BT and Kingston Communications.

However, in practice CUT believes that this is not an achievable aim, particularly given the growth in pre-pay mobiles as opposed to contract mobiles, and that there would also be, for example, data protection issues.

2.34 OFTEL proposes that a co-regulatory group is established [to revise codes of practice for payment].

We agree with this. However, we believe that OFTEL should do more research on the causes of disconnection, particularly multi-disconnections.

CUT believes that OFTEL will find that many of these are the result of households on low incomes having to deal with variable telephone bills for which it is extremely difficult to budget accurately. As such we believe that CUT's proposals to target 'low income' households with unmetered tariffs would have the added benefit of reducing disconnections.

2.43 Views are sought on how to improve [specialist services].

CUT supports OFTEL's determination that services for disabled people should be improved and also supports OFTEL's proposal to add a new 'Services for Disabled Persons' condition to the licences of fixed line operators.

As mentioned previously CUT would like to see OFTEL coordinate its activities with other government departments to increase awareness and takeup (figures mentioned in 2.36) of special services that are available for the disabled and similar segments of the United Kingdom population. Ideally CUT would like to see any fact sheet (2.37) produced by OFTEL included in mass mailings by, for example, the Benefits Agency.

2.49 OFTEL welcomes views on the proposal for guidelines [to provide telephony on reasonable request].

Given that the '100 man hour' rule is breached in an extremely small number of cases (about forty per year for residential customers on the figures given) we believe that the current situation is acceptable.

2.55 Views are invited [on the provision of public call boxes].

The provision of public call boxes (PCBs) is an important part of USO. Previously, the emphasis has been on the provision of additional PCBs in those areas that need it and OFTEL envisions a further modest increase in the provision of PCBs by BT. No doubt there are areas in the UK where additional PCBs are warranted, but we feel that OFTEL is remiss in not pursuing a thorough and impartial review of existing PCBs to determine if any of them should be removed.

Coming from CUT, a consumer advocacy group, this may seem to be going against consumer interests. It is not. The extraordinarily rapid adoption of mobile phones, which more than 50 per cent of the United Kingdom population now own, means that usage of PCBs has declined considerably. This reduction in usage is adversely affecting the economics of providing PCBs. Some means must be found to economise, otherwise we believe that USO providers may be forced to further increase PCB call rates which will reduce PCB usage yet more and inflict further hardship on the poor. We believe that the situation is so serious as to warrant a full OFTEL consultation on how best to tackle the problem of PCBs.

CUT believes that the following points should be considered in formulating such a consultation:

- ≡ it is obvious, merely from observing how infrequently they appear to be in use, that there are excessive numbers of PCBs in urban areas at the moment;
- ≡ reductions in PCBs can be made with minimal USO impact at locations where multiple PCBs are provided. Removing such 'excess' PCBs should be allowed at the discretion of BT and Kingston Communications. Removing solitary PCBs is more difficult and should be subject to review and approval by OFTEL.
- ≡ the necessity of converting up to 75 per cent of existing PCBs to be handicapped accessible by the end of 2001 makes it important that excess PCBs be removed prior to the conversion deadline in order to avoid unnecessary expenditure.

4.19 OFTEL invites views on the minimum data speed to be set on USO providers [...].

We believe that the minimum data speed should be raised to at least 14.4Kb/sec and preferably 28.8Kb/sec.

Interestingly, we receive relatively few consumer complaints about data transfer rates; most of those are that the speed experienced is 'only' 40 to 45Kb/sec rather than 50 to 54Kb/sec, which is the maximum achievable in practice with a V.90 modem.

In setting future minimum data speeds, OFTEL should consider what percentage of the population is affected, where geographically are they affected and what would it cost to upgrade the local loop to handle the higher minimum speed.

4.19 OFTEL invites views on this conclusion [that the market and the regulatory regime are making considerable progress towards universal Internet access by 2005, as well as affordable tariff packages].

We agree that progress is being made and much will happen between now and 2005 and we cannot predict how the Internet market will evolve over six months or a year, never mind five years. OFTEL has itself stated that the telecommunications industry is currently working to three-month schedules and, as such, making long-term predictions beyond that is difficult.

For example, we do not know how still cheaper desktop and laptop computers, Internet appliances, hand-held devices such as tablets and readers, full mobile access with GPRS and UMTS, digital TV-based Internet access and, quite possibly, techniques not yet invented or only in the laboratory at the moment will drive up Internet penetration.

In any case it could become pointless measuring Internet penetration because technologies may become ubiquitous; for example, does having a wireless computer with Internet capabilities embedded into the dashboard, as is already happening elsewhere, mean that every new car buyer is an Internet user?

Considering affordable tariff packages, there is again progress, with packages offering unmetered local off-peak voice calls becoming available from BT in December 2000 – such packages have always been part of Kingston Communications' portfolio - and the latest developments concerning FRIACO finally, it would seem, allowing sustainable unmetered Internet access packages to become widely available.

However, in this instance OFTEL can do much more than simply observe progress.

4.36 [Extending the USO to higher bandwidth services]

We agree with the conclusion that the USO should not be extended to broadband services at the moment; it would be pointless putting any obligations on technology (i.e. xDSL) which has only just been released and almost certainly cannot be brought to every United Kingdom telecommunications subscriber because of distance constraints; we do not know what local loop unbundling and techniques such as broadband fixed wireless and two-way satellite IP will bring to residential users, as opposed to SMEs, in terms of cheaper services and more choice.

However, we believe that the question of USO for broadband services must be raised during the next USO review cycle when there will be reasonable penetration of such services and LLU will be well under way.