Questions related to Section 3

At the Ofcom consultation in Glasgow on Monday 7 March 2005 both BT and Ofcom were represented. The impression gained at the meeting, and from the Ofcom Review of USO, was that if Ofcom basically goes along with the BT proposals, BT will complain, but will still continue to finance USO, much to Ofcom's relief. This is not the transparent, evidenced based regulation, promised by Ofcom.

There needs to be a more fundamental review that looks at the costs for the four elements that make up USO. The costs should then be related to what BT should be contributing. The USO schemes then need to be adjusted and prioritised within the BT contribution, or funding should be sought from other operators.

Given the importance of USO it needs to be actively monitored.

In the following suggestions are put forward that would improve, but increase the costs to BT, of its Special Tariff Scheme and its Connection at Reasonable Cost proposals. Proposals such as these need to be modelled to estimate the cost to BT and then refined, or additional funding sought.

Questions related to Section 4
Special Tariff Schemes and Disconnections

Question 5

Ofcom is seeking views on the three option proposed:

(i) *No change* – the current scheme is far too complicated

(ii) *BT's proposed new scheme* – modifications required

(iii) BT proposed scheme but with modifications – proposed modifications are described below, in addition

- ***a wholesale product should be offered, as other organisations may be better than BT at identifying needy customers.***

Connection charge

A connection charge can represent a significant barrier to adopting a service. BT is proposing that the connection charge can be paid for in five instalments. This would about double the initial quarterly payments.

If paying by instalments:

- ***any 'facility fee' should be minimal; and***
- ***the possibility of paying over 10 quarters should be offered***

Call charges:

BT is proposing:

- *to charge local calls at 10 p/min - with BT Option 1 you can talk for an hour for 5.5p.*
- *not to permit access to alternative operators using IA / CPS.*

One of the great benefits of telecomms policy has been the introduction of competition and the reduction in call charges. These benefits should be available to all. Why should the poorest in our society be denied choice and reduced call charges? Customers will not understand when they would be better off by paying BT at its standard rental and using an alternative operator. Ofcom could be approving a BT scheme that may result in the poor being significantly over charged:

- ***BT should offer its BT Option 1 rates;***
- ***IA / CPS must be permitted;***
- ***Only those eligible should be offered the tariff.***

Eligibility

With the BT LUS, the 10p/min proposal, and the lack of IA/CPS calls are expensive partly to ensure that the scheme is not attractive to high users. But, as explained above, the poor suffer as well by having to pay too much for their calls. Self-declaration with status checking looks to be an appropriate approach, but in addition:

- ***the scheme should not be available to second home owners.***

The number of eligible households should be estimated and the take up monitored.

- ***If the take-up is less than 75% the scheme would appear to be failing and an investigation should be commenced***.

Questions related to Section 7:
Provision of connection upon reasonable request

If you were to explain that BT had an obligation to provide even remote locations with a telephone service people would initially be surprised, but then understand why, but then be amazed if you then told them that 'only if it did not cost too much'. Reasonable means 'sensible, moderate' – if reasonable in this context means 'providing it is not too expensive' then it should say so, but it does not.

Following this logic:

- ***Reasonable needs to be defined – for example the provision of an expensive PSTN line to a second home with good mobile coverage is not really 'sensible or moderate'. But for a first home, mobile is not an effective substitute due to the much higher cost of making and receiving calls;***
- ***There should be no threshold.***

BT's is concerned that there may be 'suppressed demand' but this supports the argument that that the threshold should be removed to understand the scale of the problem. Cost constraints may make it only be possible to connect a few customers year, but this is a much better approach that an arbitrary threshold set by BT.

Dr John M Hunter
Hunter Associates
www.tariffcentre.com
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