



Review of the Universal Service Obligation

Statement and Further Consultation

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Section 1

Summary

- 1.1 Universal Service ensures that basic fixed line services are available at an affordable price to all citizen and customers across the UK.
- 1.2 The scope of the Universal Service Obligations ('USO') is defined by the EC Universal Services Directive ('USD'). The Secretary of State for Trade and Industry specifies the services which must be provided throughout the UK in the Universal Service Order ('the Order'). The Order has been implemented by Ofcom through specific conditions on the Universal Service Providers ('USPs'), BT and Kingston Communications, and general conditions on all providers. USO services include: special tariff schemes for low income customers; a connection to the fixed network, which includes functional internet access; reasonable geographic access to public call boxes; and a range of services for customers with disabilities including the text relay service.
- 1.3 Ofcom is now reviewing USO with four main aims:
 - Ensuring that the obligations continue to meet the needs of consumers as demands and technology change;
 - Finding the right balance between the needs of vulnerable customers and changing commercial conditions;
 - Making sure the benefits of measures reach those who need them by targeting and creating incentives; and
 - Preparing for the future by linking with Ofcom's strategic review.
- 1.4 Ofcom published a consultation document on 10 January 2005 ('the consultation document') examining the current operation of USO and making a series of proposals for change. This document sets out our conclusions and asks for comments on proposals for legal changes to implement these conclusions.

USO Review and the Strategic Review of Telecoms

- 1.5 The USO review is focussed on the next two to five years and is being carried out alongside the Strategic Review of Telecoms ('Telecoms Review') which looks at longer term Universal Service issues. The Telecoms Review's conclusions on USO were set out by Ofcom on 23 June 2005 and are included in this document for completeness. The Telecoms Review emphasised the importance of USO as a 'safety net' for vulnerable consumers but noted that the mechanisms for funding, for example a Universal Service fund, and provision of universal service may need to change if and when the provision of USO becomes an unfair burden. It may also be appropriate to alter the overall scope of USO. Though we do not believe that there is a case for proposing that universal services be extended to include broadband at this point, the Telecoms Review has considered how the scope of USO might evolve over time.

Affordability

- 1.6 As USPs, BT and Kingston have to ensure that customers can afford to obtain and retain telephone service. This is achieved through special tariff schemes aimed at customers on low incomes. BT's existing schemes use a proxy of low use in order to attract low income customers and around 60% of users are from low-income households. Ofcom consulted on BT proposals for an alternative scheme targeted more directly at those on low incomes. Ofcom proposes to go ahead with the targeted scheme but modified to reflect concerns raised in responses to the consultation. Improvements since the consultation include a discount for early payment and an increased allowance of free calls included with the line rental. It will be aimed at customers who receive Income Support or Pension Credit/Housing Benefit and most customers on the scheme can be better off than on the existing schemes. To protect customers on the existing schemes, those schemes will not be withdrawn until 600 000 customers are on the new scheme.
- 1.7 Disconnections policy is another indicator of affordability. BT disconnects around 5% of residential customers (1 million) a year for non-payment of bills. Ofcom welcomes BT's recently increased marketing of schemes such as prepay to help customers with payment difficulties. This should assist customers who might otherwise be disconnected. BT has set a target for 2006 of 180,000 customers for its pre-pay scheme. If this target is not met and sustained, Ofcom will examine regulatory measures to promote alternatives to disconnections.

Public Call Boxes

- 1.8 Public Call Boxes (PCBs) provide a service that is valued and needed by many people without a phone or those away from home, who cannot, for whatever reason, use their mobile. Many disadvantaged and vulnerable consumers still rely on PCBs.
- 1.9 BT and Kingston are each required to ensure adequate coverage of PCBs. Ofcom considers that adequate coverage is best determined at a local level. The last PCB cannot currently be removed from a site if a local council objects – 'the local veto'. As revenues have fallen, BT has argued that the local veto is unduly restrictive. Ofcom has concluded that the local veto should remain but be restricted to unitary, county council or equivalent level; other local public bodies will however continue to be consulted.
- 1.10 To make the process more transparent and consistent, the consultation period for proposed removals will be extended from 42 to 90 days and Ofcom will issue consultation guidance. Ofcom is changing the definition of a 'site' - this determines which PCBs are subject to the local veto – from 100 to 400 metres. There will also be greater freedom for BT and Kingston to use cashless PCBs where boxes are subject to repeated vandalism or the box is used primarily for emergency purposes.

Services for customers with disabilities

- 1.11 Universal Service measures provide access to, and affordability of, a range of essential services for customers with disabilities. A key service is the text relay, which is highly valued by customers. However, it needs to evolve as demand and technology changes. A Stakeholder Advisory Panel for the relay service will be established and an annual plan and report on the operation of the service will be published. These changes will improve transparency and accountability. A study into a video relay and captioned telephony service will be carried out.

Provision of connection at speeds that permit functional internet access

- 1.12 BT and Kingston are required to provide a connection upon reasonable request and at uniform prices, irrespective of geographical location. This requirement is particularly valuable to customers in remote rural areas whom the market might otherwise not serve. Where installation of a new line costs £3,400 or less, BT sets a standard charge. Where installation will cost over £3,400, BT requires the customer to pay the excess costs (plus its standard connection charge). Ofcom has concluded that a threshold is a sensible approach and that the £3,400 level is reasonable. Ofcom is now proposing to consent to BT charging non-uniform prices above £3,400 and proposing to publish guidance which will suggest BT applies the standard charge when costs exceed £3,400 for particularly vulnerable customers.
- 1.13 The obligation on BT and Kingston to provide a connection upon reasonable request encompasses the provision of a narrowband connection capable of 'functional internet access' FIA. Guidelines on FIA were issued in 2003 which said that users should be able to expect connection speeds of at least 28.8 kbit/s. It also set out measures that universal service providers should take in response to complaints about data speeds. The Guidelines have been beneficial and Ofcom has concluded that no significant changes are needed at this time. In particular, the benchmark minimum speed will remain at 28.8 kbit/s.

Costs and benefits of providing USO

- 1.14 USO is currently funded by BT and Kingston as the obligations have not been considered to represent an unfair burden on them. In the consultation document Ofcom updated estimates of the costs and benefits to BT of providing USO. These suggested that since 2001 the costs of serving uneconomic customers have fallen significantly while the costs of providing uneconomic payphones has risen sharply by a similar amount. Benefits from providing universal services arise primarily from brand image and advertising on PCBs. Ofcom estimated that the benefits have remained broadly stable. We estimated the current costs of USO for BT are around £57-74m and the benefits are around £59-64m. Ofcom has concluded that these estimates are reasonable and believes that there is unlikely to be an undue financial burden currently on BT as a result of USO. However, Ofcom intends to carry out a further cost benefit analysis of the provision of USO once the changes to the obligation set out in this document have been introduced. This study will

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begin in 2006 and will then inform a decision whether a full scale review under the Act is required.

Section 2

Introduction

Universal Service – what it is and why it is important

- 2.1 Universal Service provides a safety net that ensures basic fixed line services are available at an affordable price to all citizens and consumers across the UK.
- 2.2 There are both social equity and economic grounds for USO. It provides services to help vulnerable customers and those in remote and rural areas, whom the market might not otherwise choose to serve, allowing them to take their full part in the economy and society. In addition, all citizens benefit by having a larger telephone network; they can contact and be contacted by more people. Cheap communication also enhances economic growth. The balance between these rationales has changed over time. In 1984 when the proportion of customers with fixed telephones was around 77%, the focus was on increasing the size of the network. Today, when 99% of people have access to telephony services, USO is more focused on bringing benefits to those with low incomes who have difficulty affording telephony service, customers with disabilities who need particular services or facilities and customers in rural areas for whom the actual cost of service might otherwise be prohibitively expensive.
- 2.3 The provision of USO is not cost free. If services are to be made available to those who might not otherwise be able to afford them (or consumers who live in rural areas the market might not serve), this requires a subsidy from other users of the telephone network. While there are social and economic arguments in favour of these cross subsidies, it is also essential that they are targeted effectively. If, for example, there are to be special schemes at lower prices, this involves cross subsidies and should be focussed on low income consumers. To achieve this objective without means testing is not easy. While Ofcom endeavours at all times to operate in accordance with the regulatory principle of a bias against intervention, in this area there may be a need for slightly more detailed regulation in order to ensure the effective targeting of limited resources.

The legal framework

- 2.4 The scope of the USO is defined by the USD. Under the Communications Act 2003 ('the Act') it is the duty of the Secretary of State for Trade and Industry to make an order setting out the general requirements which must be provided as Universal Services in the UK. It is Ofcom's responsibility to carry out the Order and ensure these services are provided. Ofcom imposes certain conditions on all providers, such as requirements in relation to disconnection. In addition, using objective, transparent and non discriminatory criteria, Ofcom has designated BT and Kingston to provide the following specific further services, all of which have to be offered at uniform prices across the UK:
 - A connection to the public telephone network at a fixed location, following a reasonable request, which includes functional internet access;

- At least one scheme for consumers with special social needs who have difficulty affording telephone services;
 - public call box services; and
 - a range of services for customers with disabilities.
- 2.5 BT and Kingston are also obliged to make sure that charges for USO services do not entail payment for unnecessary additional services, to provide free itemised billing and to ensure that USO services meet defined quality thresholds. BT also has to provide a relay service for textphone users and keep an up-to-date database and provide directories and the database contents to other providers.
- 2.6 The Order was laid in 2003. Ofcom is now reviewing USO to ensure that it meets the needs of customers as demand and technology changes and in accordance with its legal duties under the Communications Act. Ofcom's principle duty is to further the interests of citizen-consumers. In performing this duty it is also to have specific regard to the elderly, the disabled, those on low income and the different interests of persons living in rural and urban areas; the needs of these people are very relevant to the USO. This review takes account of Ofcom's Strategic Review of Telecoms ('Telecoms Review'), and the European Commission's review of the scope of the USD launched in May 2005.

USO and the Strategic Review of Telecoms

- 2.7 This review is about the current scope of USO as permitted by the framework of the USD. It focuses on the shorter term issues of what more can and should be done now. Alongside this USO review, Ofcom has been carrying out the Telecoms Review, which considered broader policy issues around the provision of universal service in the medium to longer term. These included issues of extending USO to broadband, the use of mobile to fulfil USO requirements and the provision and funding of USO in an effectively competitive market. The output of the Telecoms Review will help inform the medium term development of USO and Ofcom's input to the 2005/6 European review of USO. The Telecoms Review's conclusions are summarised in the next chapter.
- 2.8 This review recognises and takes account of these broader developments in the market. Although mobile services are not part of USO (nor could they be as the Directive and therefore the Order relate only to fixed services) Ofcom recognises that mobiles meet the needs of some low income customers for access to telephony services.

The statement and consultation

- 2.9 This statement is the second document published in the review. The first was a consultation document published on 10 January 2005 where Ofcom invited views on a series of options and proposals. Ofcom received 170 responses; non-confidential responses are listed in Annex O and published on Ofcom's website. In this statement Ofcom summarises those proposals and the responses received. We then set out our conclusions and, where relevant, propose legal changes to implement these conclusions. The questions on which we are inviting views are set out in Annex C.

Section 3

Universal Service and the Strategic Review of Telecoms

Universal Service – an evolving concept

3.1 Universal Service is not a fixed concept. The services considered essential to social inclusion in 2005 are not the same as those that were deemed essential in 1984 when BT was privatised. Twenty years ago no one had mobile telephones and the Internet did not exist. Today functional Internet access is a USO requirement and mobile telephony impacts upon the availability of affordable telephony services.

Universal Service today

- 3.2 USO has adapted as society and technology has changed. Universal Service is not at the forefront of these changes; it follows, and comes into play when the lack of an affordable service prevents full participation in society.
- 3.3 This review examines the here and now. It seeks to ensure that the measures taken to implement USO deliver the best possible outcome for the UK's most disadvantaged and vulnerable consumers within the framework of the USD and the Order.

USO and the Strategic Review of Telecoms

3.4 Ofcom recognises that this immediate focus needs to be supplemented and complemented by a more strategic examination of what should happen to USO in the medium to longer term. Although the extent of USO has been defined and prescribed until 2006 by the EU and by the Government (via the USD and the Order), there are important, higher level and strategic issues associated with USO including: the impact of mobile telephony and broadband; and the operation of USO in a competitive market. These issues are addressed in the context of the Telecoms Review in the consultative document published on 16 November 2004 and the Telecommunications Statement published on 23 June 2005. Furthermore, the European Commission published a Communication on 24 May on the Review of the Scope of Universal Service; its consultation runs until 15 July.

Provision and funding of universal service arrangements

- 3.5 The Telecoms Review considered the implications of increasing competition in telecoms for the funding of USO. BT and Kingston have funded any net cost from profits made on higher margin services but, as competition erodes high margins, at some point providing USO may become an 'undue burden' and joint funding might become appropriate. A fund could take several forms:
- A direct levy on all consumers of certain communications services ;
 - An indirect levy on consumers via a levy on communications providers; or
 - Direct Government funding.

- 3.6 The Telecoms Review concluded that it is not necessary to reach a decision now but that it should be kept under review. In section 8 of this statement, Ofcom explains that we will begin a full cost benefit analysis of USO in 2006. Should this study, together with changes in the competitive market, suggest that funding USO could become an unfair burden on BT in the near to medium term, Ofcom would begin work with stakeholders on proposals for joint funding and provision.

Scope of universal service arrangements

- 3.7 USO can be justified on the basis that it promotes economic efficiency through increased access to the network or on equity grounds by ensuring desirable social policy goals are met. We believe the current range of universal services can be justified on these criteria. The Telecoms Review analysed issues around the extension of USO to new areas such as broadband in this policy context. The ability to change USO is determined by the Secretary of State, not Ofcom, and is also framed by the USD. The conclusion of the Telecoms Review is that there is not a case to recommend an extension of USO at this time but there are issues to consider for the future. These are:
- **use of mobile.** Mobiles may be able to meet many of the requirements of USO in future, and it may be a much cheaper technology to deliver services to some remote locations within mobile coverage. This does not mean that a separate mobile USO should be imposed alongside the obligation to provide a fixed service, but that a universal service obligation defined in terms of access to voice services could be delivered via a mobile connection once issues around the affordability of calls to and from mobiles and the provision of functional internet access are met; and
 - **broadband obligations.** The case for extending USO to broadband is not currently strong either on the basis of economic efficiency or of equity. It is too early in the development of the market for the necessary conditions to be met. The combination of BT's further roll-out of DSL, and its adoption of extended reach DSL, means that BT and market dynamics will make DSL available to 99.4% of the population during 2005. The very limited remaining shortfall is currently being addressed through public sector infrastructure schemes.
- 3.8 In its review of the scope of the USD, the European Commission reaches similar interim conclusions to Ofcom on broadband and mobile. For broadband the Commission's view is an extension of USO is not appropriate at this time as broadband is not used by the majority of consumers. On mobile services the Commission considers that there are no affordability issues that need to be addressed through a USO.

Section 4

Special Tariff Schemes and Disconnections

Summary

- One of the key strands of USO is the requirement on BT and Kingston to ensure that all customers can afford to obtain and retain telephone service.
- To achieve this goal, BT and Kingston provide special tariff schemes that target customers with low incomes. BT currently offers the Light User Scheme (LUS) and In Contact (IC); Kingston offers Basic Call and Basic Contact.
- BT's existing schemes are not means tested and use a proxy of low use in order to attract low income customers. This works does not work perfectly: around 60 per cent of current LUS and IC members are from low-income households.
- A more targeted scheme would have benefits. Ofcom consulted in January on a BT proposal for a new scheme for low income households. Responses called for improvements to the scheme and expressed concerns over the likely take-up of a targeted scheme.
- Following further discussions with Ofcom, BT has made several changes to the proposal increasing the benefits and simplifying the eligibility criteria.
- Ofcom welcomes these significant improvements and is inviting views on the proposal that the revised scheme should be introduced.
- In order to ensure that customers stay connected, disconnections policy is an interlinked and vital aspect of USO.
- The number of residential customers that BT disconnects has remained constant at around 5% - over 1 million – a year for several years.
- Ofcom research suggests that BT has not been promoting its debt management schemes and prepay services effectively to customers experiencing problems. BT has made some changes to its procedures and these are beginning to show results. In particular BT has set a target of having 180,000 customers on its prepay scheme in 2006. This must be met and sustained or Ofcom will examine regulatory options to require alternatives to disconnection.

Schemes: Background

- 4.1 The ability to obtain a telephone service, and when connected to remain connected, is an integral aspect of Universal Service. One way this is achieved is through special tariff schemes aimed at customers who are on low incomes or have special social needs that would not be provided under normal commercial conditions.
- 4.2 The requirement for USPs to provide special tariff schemes is implemented through a Universal Service Condition on BT and Kingston, requiring them to make available one or more schemes the effect of which is to assist consumers who have difficulty affording telephone services. Each scheme must comply with any

direction which Ofcom may from time to time make which may specify, amongst other things: the requirements to be met by a scheme; the criteria to be applied by BT or Kingston in deciding which of its consumers are entitled to the benefits of a scheme; and/or the date of the introduction of a scheme. To-date no direction in relation to special schemes has been issued by Ofcom.

- 4.3 BT provides two special tariff schemes: the *Light User Scheme* (LUS) and *In Contact* (IC). LUS currently has around 1.1m customers. Normal line rental charge and installation costs apply but users receive a rental rebate if call charges are less than £15.07 per quarter. IC is a low cost service that combines post and pre-pay which has around 55,000 customers. The connection charge and line rental are billed for and are post-paid; calls are pre-paid using cards purchased at selected retail outlets. Calls are charged at a flat rate of 10p per minute. Details of these schemes are set out in Annex D.
- 4.4 The BT schemes use a proxy of low use in order to attract low income customers. Ofcom's research into LUS and IC suggests that this works reasonably well but not perfectly: around 60% of users are from low-income households.
- 4.5 Kingston has two low cost schemes, *Basic Contact*, an incoming calls only scheme (with the exception of emergency calls and fault repairs) and *Basic Call* which allows for outgoing calls by purchasing a prepaid card. Take up of both schemes has been small to date (112 and three respectively).
- 4.6 In the consultation document, Ofcom sought views on the current schemes and on a new scheme proposed by BT which it would provide to comply with its USO. Under BT's original proposals, a new targeted scheme would be made available for customers who have a household income below £10 400pa and who are also in receipt of significant means tested state benefits. The standard connection charge would apply; quarterly line rental would be £14.50, reduced to £11.50 for customers paying by direct debit, including an inclusive call allowance of £1 per quarter. Local and national call charges would be charged at 10p per minute. There would be certain exclusions from the scheme, including mobile phone users. Ofcom explained that customers on the proposed new scheme would be worse off than they would be on LUS unless they paid by direct debit. The details of the scheme are set out in Fig 4.1 below.
- 4.7 Ofcom put forward three options:
- Option 1: No change to the BT schemes. LUS and IC would remain in their current form.
 - Option 2: BT's proposed new scheme would replace LUS and IC. Customers on the current schemes would be migrated to the new scheme, if eligible and if they so choose, or to another commercial service.
 - Option 3: BT's proposed new scheme would replace LUS and IC but modifications to the scheme would be required.

Responses to the consultation

- 4.8 In its response BT set out its arguments for the proposed new scheme, suggesting that telephony is now affordable for the vast majority of consumers and that a targeted scheme is therefore appropriate. BT argued that the scheme should replace LUS and IC which, whilst popular, are largely unfocused and have benefited some customers who should not be the target of such schemes, for example, those with second homes. BT argued that the exclusions should include customers who use IA and CPS and most users of mobiles, since the scheme should not subsidise customers who make calls using other networks.
- 4.9 The views of consumer stakeholders were divided on the principle of a targeted scheme. Some, including Ofcom's Consumer Panel, rejected a targeted approach pointing to the low-take up of other means- or benefit- related schemes and argued for the retention of existing schemes but with improved marketing. Others accepted the principle of targeting and welcomed the clear tariffs of the proposed new scheme. However they were disappointed that the proposed scheme did not reflect the targeting in a more generous tariff. Some argued that standard/'option 1' call tariffs should apply to the scheme.
- 4.10 On eligibility, there was a significant level of concern that the £10 400 threshold was too low and in particular did not reflect higher costs faced by larger households and customers with disabilities. Some responses pointed to the difficulty that some customers on variable incomes would have in calculating their annual income, so that it might not be clear if they were eligible or not. There was little support for the proposed exclusion of customers with mobiles, given high penetration amongst target groups. There was also general rejection of the reliance on a direct debit discount to provide significant benefits, given that low-income households are less likely to have bank accounts and, even when they do, do not like using direct debits as it limits their ability to manage their finances.

Ofcom's conclusions

- 4.11 Ofcom believes that special schemes should be targeted at vulnerable customers who have difficulty affording telephony. This is in line with the spirit of Article 9 of the USD which says that Member States may require USPs to provide tariff options or packages to consumers that depart from those provided under normal commercial conditions, in particular to ensure that those on low incomes or special social needs are not prevented from accessing or using publicly available telephone services. This is also reflected in the Universal Service Order and Universal Service Condition 2.
- 4.12 The provision of special tariff schemes is not cost free; they require a subsidy from other users of the telephone network and it is essential that they are targeted and delivered effectively. LUS and IC do not currently fully meet this objective. Ofcom therefore intends to pursue Option 3 - the proposal by BT for a more targeted scheme to replace LUS and IC while seeking to address the concerns of Ofcom's Consumer Panel and other stakeholders about likely take-up, tariffs and eligibility.
- 4.13 Following the consultation, Ofcom asked BT to address the concerns raised in responses about the new scheme, in particular that:
- the tariffs do not provide greater benefits than LUS

- customers only benefit from line rental reductions if they pay by direct debit;
 - the virtually complete exclusion of mobile customers is inappropriate given the high level of mobile penetration;
 - it is difficult for eligibility criteria based on annual income to fairly reflect the needs of larger households or households with higher costs, or to address the changing circumstances of customers with variable or seasonal incomes.
- 4.14 BT's revised proposal is set out below, along with Ofcom's proposals to address the concern about the take-up of the new scheme. Ofcom is inviting views on these proposals.
- 4.15 In respect of Kingston's schemes, Ofcom will consider the final outcome of the consultation on BT's proposals and review their applicability for Kingston.

Revised proposal for new targeted scheme

- 4.16 Following discussions with Ofcom, BT has proposed several changes to the tariffs and eligibility criteria with the aim of ensuring that most customers would be better off on the new scheme than on existing social tariff schemes and to simplify the eligibility criteria.

Connection charge

- 4.17 A connection charge will only apply to customers who are new to BT where an existing line does not exist. BT is proposing that the charge of £74.99 will be paid over five separate payments.

Line Rental

- 4.18 BT is not proposing changes to the original quarterly line rental (£14.50) or the £3 discount for customers who pay by direct debit or monthly payment plan (also requiring a direct debit discount). However BT is proposing that the Inclusive Call Allowance (ICA) should be increased from £1 to £2 per quarter, effectively allowing 20 minutes of free local or national calls each quarter. BT is also proposing an Early Payment Discount (EPD) which will provide customers not using DD or MPP but who pay their bills within eight calendar days with an additional £2 ICA. The EPD will also be available to pre-pay customers.

Call charges

- 4.19 No changes are proposed to the original call rates: 10p per minute local and national calls; BT Together charges for other calls.

Eligibility Criteria

- 4.20 BT is proposing that eligibility is simplified by removing the annual income criteria and instead focussing on two main benefit groupings. The scheme would be available for customers who receive Income Support or both Pension Credit and

Housing Benefit. Customers would self declare to BT that they are eligible. BT may ask for proof of receipt where it has reasons to suspect that the customer may not in fact be eligible.

- 4.21 BT is proposing that, as with LUS and IC, customers who use Indirect Access (IA) or Carrier PreSelection (CPS) should not be eligible for the new scheme. BT is also proposing that customers with monthly mobile contracts should be excluded from the scheme; BT will also indicate in its marketing material that the scheme is not intended for high-use pre-pay customers, ie those spending on average over £10 a month. The mobile exclusion would not apply to disabled or chronically sick users.

Fig 4.1 Comparison of BT’s original and new proposals for the special scheme

	BT’s proposals - Jan 2005	BT’s revised proposals - June 2005
Connection	£74.99. Can be spread across five payments on request.	£74.99. Default will be to spread the charge across five payments.
Payment method	Post pay and pre pay available	Post pay and pre pay available
Rental	£14.50pq £3 discount for direct debit (DD) and monthly payment plan (MPP) £1pq inclusive call allowance	£14.50pq £3 discount for DD and MPP £2 Early Payment Discount £2pq inclusive call allowance
Calls	10ppm local and national calls; BT Together1 charges for other call types	10ppm local and national calls; BT Together 1 charges for other call types
Eligibility	Customers who have a household income below £10 400pa and are in receipt of significant state benefits. Customers would self-declare.	Customers in receipt of Income Support or Pension Credit and Housing Benefit. Customers would self-declare.
Exclusions	Customers who use IA and CPS would not be eligible for this tariff. Customers in households with mobile phones would also be excluded, except chronically sick or disabled.	Customers who use IA and CPS would not be eligible for this tariff. Customers who are on monthly contract mobiles excluded. Scheme also not aimed at higher prepay users (over £10 a month) who will be discouraged in marketing material. No exclusion for disabled or chronically sick mobile users.

Ofcom’s analysis

- 4.22 Ofcom welcomes the significant changes to the new scheme that BT has proposed. In particular Ofcom considers that the increased Inclusive Calls Allowance and the introduction of an Early Payment Discount (EPD) will ensure that most customers can be better off on the new scheme than on existing schemes. This innovative discount gives customers without a bank account or who are reluctant to use direct debit an opportunity to receive a benefit from prompt payment.
- 4.23 The removal of income-related criteria is another important improvement to the original proposals, removing a potentially significant barrier to customers adopting the scheme. The proposed criteria based on Income Support and both Pension Credit and Housing Benefit seems a reasonable approach. On the basis of estimates we have at this time, it would amount to a potential target market of

above 3m households. However this is a complex area and we will continue our dialogue with stakeholders and relevant government agencies and specifically invite views on these benefit criteria.

- 4.24 On the exclusions, Ofcom agrees that the scheme should not be available to IA and CPS customers, since the scheme is not intended to subsidise the rental charge of customers who make calls on other fixed providers' network. On the exclusion of some mobile users, for similar reasons Ofcom recognises BT's argument that the scheme should not be aimed at users who make large amounts of mobile calls. However, there are difficulties in practice in achieving a workable exclusion. For example, it is difficult to set a level for infrequent use and for customers to know whether they fall below or above that level. Ofcom does not wish to deter eligible customers from using the scheme. Moreover in practice it may be difficult for BT to police a mobile exclusion effectively.
- 4.25 Ofcom therefore welcomes the withdrawal by BT of its original proposals to exclude virtually all mobile customers. BT's alternative - to exclude formally only monthly contract customers and to indicate in marketing material that the scheme is not intended for higher spending prepay customers – appears to Ofcom to be a clearer and more proportionate approach. Ofcom recognises that if mobile customers are prepared to make relatively high monthly rental payments, fixed line telephony should not create significant affordability difficulties.
- 4.26 Taken together, Ofcom believes the targeted scheme modified as proposed by BT now represents a viable replacement for the existing social tariff schemes. There are detailed implementation issues that will need to be addressed, in particular in relation the marketing of the scheme and migration from LUS and IC. Ofcom will address separately with Kingston the implication of these proposals for its schemes.

Encouraging take-up of the new scheme

- 4.27 As explained above, several respondents to the consultation expressed concerns about the likely take-up of a new scheme based on income-related eligibility. The proposed removal of the income-related eligibility criteria should meet some of these concerns. Ofcom is proposing two additional measures:
- to allow BT to focus its marketing on the new scheme, LUS and IC should not be available to new customers from the launch of the new targeted scheme;
 - to protect customers against slow take-up and to give BT an incentive to promote the new scheme, BT should not close LUS or IC to existing customers until the new scheme has at least 600,000 customers.
- 4.28 Ensuring smooth migration of existing LUS and IC customers and establishing an effective marketing campaign for new customers will be crucial to the success of the new scheme. It is essential that BT works closely with the relevant stakeholder bodies – in particular those with close contacts with older and low-income customers, such as Age Concern and Citizens Advice Bodies – in developing its plans.

- 4.29 Ofcom will continue to work with BT and stakeholder bodies and will publish further details of BT's migration and marketing plans at the end of 2005 in the statement that concludes this review.

Q1 *Ofcom is seeking views on the proposal that BT should proceed with the revised targeted scheme and on Ofcom's proposed measures to ensure take-up.*

Disconnections: Background

- 4.30 Universal Service is not just about enabling people to become connected, it is also important that all consumers, but particularly low income consumers, stay connected. The Universal Service Directive deals with this by putting an obligation on Member States to authorise specified measures to cover non-payment of bills. This is also reflected in the USO Order and is implemented via General Condition 13. This states that when providers take steps relating to disconnection they should be: proportionate and not unduly discriminatory; give due warning beforehand of service interruption or disconnection; and except in cases of fraud, persistent late payment or non-payment, confine any service interruption to the service concerned, as far as technically feasible. Providers have agreed a voluntary code of practice which explains how they will deal with customers who may be liable to disconnection.
- 4.31 For some time there has been concern about high levels of disconnection for debt. BT disconnections for non-payment have been running at over 1 million residential customers per year for several years. This level of disconnections represents just over 5% of BT's residential customer base. Telewest, ntl, and Kingston have residential disconnection rates slightly below 5%.
- 4.32 Ofcom research for this review carried out during 2004 examining the level of disconnections showed that customers who were disconnected were more likely than average to be in D/E social groups, had lower incomes and tended to be younger than average. Almost half (46%) of disconnected customers felt that they were not given adequate opportunities by BT and a similar proportion (44%) felt that BT were unfair in their handling of the disconnection. A significant proportion of those who were disconnected claimed that this caused them a lot (37%) or some (36%) difficulties. Prior to disconnection only a quarter (24%) used a scheme to help control or reduce costs. Two-thirds said that they had not been offered any scheme to help them manage their bill payments. Amongst those that had not taken up any of these schemes prior to disconnection over half (54%) said that some sort of pre-pay scheme would have helped them to avoid disconnection.
- 4.33 In the consultation document, Ofcom pointed to BT's existing range of services that should help address the needs of customers with affordability and debt management problems:
- **Call Levels** Customers agree a quarterly call level which represents the maximum value of calls they would expect to make in a quarter. If the call level is reached, BT will contact the customer to agree a course of action.
 - **Monthly Payment Plans** Allows customers to pay a monthly set payment by direct debit based on their average bill amount.

- **BT Payment Card** aimed at customers without a bank account, it allows customers to make payments to BT at Post Offices and PayPoints
 - **Pay & Call** BT's commercial pre-pay scheme
 - **USO Special Tariff Schemes** The Light User Scheme and In Contact.
- 4.34 Ofcom's view was that if these services were promoted actively to customers in contact with BT's debt management centre, the levels of disconnections could be significantly reduced and suggested that one approach would be for all customers prior to disconnection to be offered a prepay scheme as an alternative to disconnection. In particular Ofcom pointed to BT's Pay & Call service, introduced to address the needs of customers with debt and affordability problems with a target of hundreds of thousands of customers, and expressed concern that it had been taken up by less than 50,000 customers at the time of the consultation.

Responses to the consultation

- 4.35 BT argued that telecoms, unlike energy, is not seen as a priority debt by advice agencies or customers and so higher disconnection levels are to be expected. BT also argued that the ease of access to substitutes such as mobiles encourages customers not to prioritise debts. BT also pointed out that customers on LUS and IC were ten times less likely to be disconnected than the BT average. Nevertheless BT explained that it has increased its promotion of Pay & Call: since November all termination notices have provided information on Pay & Call and 1.2m letters have been sent to customers with poor payment history to explain about Pay & Call. Take-up of Pay& Call has increased to 90,000.
- 4.36 There was general agreement amongst consumer stakeholders that BT's disconnection levels are too high and that BT should do more to promote its existing debt management tools, in particular prepay, to those experiencing payment difficulties. Some responses argued that Ofcom should set BT targets to reduce disconnections, progressively leading to a complete ban. Others felt that specific measures should be taken to ensure that emergency access and incoming calls continue to be permitted, in particular for vulnerable customers.

Ofcom's conclusions

- 4.37 Ofcom continues to believe that BT's disconnection levels could be significantly reduced if it promoted its special schemes, in particular its pre-pay products, more effectively. Ofcom welcomes the recent improvements BT has made to the marketing of Pay & Call. It is important that these efforts continue.
- 4.38 BT has set itself a target to have 180 000 customers on Pay & Call in 2006. Ofcom will be monitoring take up of this scheme and the level of disconnections. If BT's target for Pay & Call is not met and similar growth not sustained in subsequent years, Ofcom will consider proposing as part of the next universal service review that BT puts in place alternatives to disconnection, such as placing customers on prepay instead of disconnection or restricting service rather than fully disconnecting.
- 4.39 However, Ofcom believes that action is needed now to address concerns that the most vulnerable customers should not be routinely disconnected for non-payment. General Condition 15 already puts in place measures to ensure that

disabled customers who are dependent on telephone service can have free priority Fault Repair Service and can nominate a third party to be contacted or to pay their bills in the event of non-payment. Continued telephone service is essential for customers on these schemes and Ofcom believes that they should have additional protection from disconnection. Ofcom therefore proposes that providers of residential fixed line services (BT, ntl, Telewest and Kingston) should put in place measures to avoid disconnecting customers on these two schemes, other than in exceptional circumstances or in the case of persistent non-payment. Ofcom would expect these measures to be included in their disconnection procedures and/or codes of practice.

Section 5

Public Call Boxes

The payphone market

Summary

- PCBs provide a service that is valued and needed by many people without a land line or a mobile or those away from home, who cannot, for whatever reason, use their mobile.
- PCBs are particularly valued in rural areas, some of which suffer from lack of mobile coverage and in communities, rural and urban, where there are disadvantaged and vulnerable consumers who still rely heavily on PCBs.
- BT and Kingston are each required under the USO to ensure the adequate provision of PCBs to meet the reasonable needs of end-users in terms of numbers, geographical coverage and quality of services.
- Revenues from BT's PCBs have been falling and, according to BT, about 58 per cent of its PCBs are now unprofitable.
- Ofcom has reviewed the approach to regulating PCBs to establish an appropriate balance between delivering adequate local provision while enabling providers to respond to changing commercial circumstances.
- Ofcom's view is that what constitutes adequate coverage is best determined at a local level.
- Ofcom believes this is best ensured by continuing the right of a local public body to object to the removal of the last PCB from a site - the 'local veto'.
- The maintenance of the local veto will be supported by measures to make the process more transparent, accountable and consistent.
- The veto will be held at county or unitary authority or equivalent level. Other local public bodies should continue to be consulted.
- The consultation period will be extended from 42 to 90 days.
- Ofcom will not set a minimum revenue level under which PCBs could be removed.
- The definition of "Site" will be amended to a walking distance of 400 metres from a PCB; how a site is defined determines which PCBs are subject to the local veto.
- Ofcom is publishing guidance on issues to be taken into account by local public bodies when considering requests for PCB removal.
- BT and Kingston will have greater flexibility to make use of cashless PCBs, particularly where PCBs are subject to repeated vandalism or are needed primarily for emergency purposes. Ofcom is proposing that up to 30% of PCBs can be cashless.

5.1 A PCB is a public pay telephone located on a public highway. There are approximately 68,000 PCBs in the UK, of which around 65,500 are provided by BT. Ofcom research shows that over a third of adults use PCBs at least occasionally and 7 per cent use them regularly. The most frequent users of PCBs are younger consumers, consumers from lower income groups and those consumers with a mobile phone only or those without a fixed or mobile telephone.

- 5.2 BT Payphones is a cash positive and profitable business. BT's regulatory Financial Statements 2004 show that BT Payphones' turnover was £176 million per annum and achieved a return of £60 million. Nevertheless, BT's revenues from payphones have been falling – by around 40% between 2000 and 2004. BT argues that this trend is mainly due to increased mobile phone penetration.
- 5.3 The contrast of the continuing profitability of the business overall while revenues are declining reflects BT's success in maximising the profitability of parts of its PCB network. Many PCBs in city centres are highly profitable; others primarily in rural areas are highly unprofitable.
- 5.4 According to BT, the average annual running costs per PCB are £1,914. This figure is based on BT's operational costs and includes its indirect costs. BT advises that of its PCBs about 27,500 (42 per cent) are profitable and 38,000 (58 per cent) unprofitable. Of the unprofitable PCBs, about 17,000 PCBs do not cover their operational costs - for example cash collection, cleaning, maintenance and vandalism. The balance of 21,000 PCBs cover their operational costs but do not cover their indirect costs - for example people costs, external contracts, accommodation, depreciation, research and development.
- 5.5 BT is undertaking a rationalisation programme with the aim of reducing the number of unprofitable PCBs and so improving the profitability of its business. It has already removed 26,625 since March 2002. Kingston has not yet commenced a rationalisation programme.
- 5.6 In carrying out any rationalisation, BT and Kingston have to ensure that the USO is met and follow Ofcom rules set out in a Direction published in 2003. BT and Kingston have to comply with certain consultation requirements set out in the Direction before they remove the last PCB from a site. "Site" is currently defined as any area within a walking distance of 100 metres from that PCB. This means that if there are two PCBs within 100 metres of each other, BT can remove one PCB without consultation but if it wants then to remove the remaining PCB BT has to follow the consultation requirements set out in the Direction.
- 5.7 The Direction requires BT and Kingston to display a notice on the PCB which they propose to remove informing the public of the proposed change and setting out the period for representations (42 days) and to whom such representations can be made. Notice of the proposal to remove a PCB must also be given to relevant local public bodies setting out the nature and effect of the proposal and that objections may be made by the bodies to which the notice has been given. Public bodies that have to be notified are:
- a) The local planning authority;
 - b) The local parish council (in the case of England);
 - c) The local community council (in the case of Scotland and Wales); and
 - d) In Northern Ireland, the local council and any appropriate local community groups.
- 5.8 BT and Kingston must not remove the PCB if they have received any written objection by any of these public bodies within the 42 days period for representations. Any such objection must state that it is an objection to the proposal and must provide reasons for this objection - the 'local veto'.

- 5.9 BT has argued that these rules are now preventing it making appropriate commercial decisions. About 50 per cent of proposed removals are attracting the local veto.

Approaches to regulation of PCBs

- 5.10 In the consultation, Ofcom identified three strategic approaches for consideration:
- 1 Retain but modify the current arrangements: local public bodies would keep their veto but the process would be made more transparent, accountable and consistent;
 - 2 Define a USO PCB, through the use of a set of criteria to make a calculation; a defined USO PCB would be protected from removal; or
 - 3 Replace detailed regulation on BT and Kingston with a general requirement to meet the reasonable needs of PCB users.
- 5.11 In the consultation Ofcom supported approach 1 on the basis that local input should be central to the decision-making process, but recognising that changes to procedures were needed to make the consultation procedures work more effectively, and to allow BT and Kingston to respond reasonably to changes in the market.

Responses to the consultation

- 5.12 The overwhelming majority of stakeholders responded in support of approach 1 and the principle of delegation arguing that what constitutes adequate coverage is best determined at a local level. However, BT believed that it is not appropriate or practical for Ofcom to delegate this power to local public bodies and instead supported approaches 2 or 3 as offering the most proportionate, transparent and non-discriminatory approach to PCB removals. Most respondents were concerned about the flexibility and practicality of a criteria-based approach and the removal of the local community from the decision-making process (approaches 2 and 3).

Ofcom's conclusions

- 5.13 Ofcom continues to support approach 1 and the retention of the local veto. Local public bodies are in the best position to bring to BT's and Kingston's attention particular factors in relation to specific sites. Ofcom is satisfied that it can delegate this power to local public bodies and that local public bodies have the power to exercise the local veto.
- 5.14 Although approach 2 would provide consistency across the UK, it would not take account of specific local factors. Approach 3 would not be fully transparent and would not allow local input.
- 5.15 In supporting approach 1 and the local veto, Ofcom recognises that the current arrangements can be improved to increase transparency and consistency. In the consultation document Ofcom considered a number of issues in relation to the procedures and Ofcom's conclusions are set out below.

Definition of a 'Site'

Background

- 5.16 The existing definition of site is any area within a walking distance of 100 metres from the PCB. The definition is crucial as to whether or not BT and Kingston are required to consult with, and obtain consent from, relevant public bodies before a PCB can be removed. Ofcom's research was undertaken across a wide age range of consumers, including older consumers. It indicated that there was an urban/rural split in terms of expectations of distance in relation to a PCB. In general, a maximum five minutes' walk was deemed reasonable in urban areas, and 20-30 minutes' walk in rural areas. Since the research, personal use of mobile phones has increased from 39 per cent to 47 per cent amongst the over 65s.
- 5.17 In the consultation document Ofcom asked for views on whether the definition should be extended to 200, 300 or 400 metres. 400 metres would represent approximately five minutes' walk at normal walking pace.

Responses to the consultation

- 5.18 Some respondents preferred no change to the definition, with Ofcom's Consumer Panel arguing that any increase in the definition could impact adversely on the distance older people and people with disabilities will have to travel to reach another PCB. However, most stakeholders who responded on this issue supported an increase in the definition to 200, 300 or 400 metres.

Ofcom's conclusions

- 5.19 Ofcom has considered fully the arguments made in response for maintaining the 100 metres definition. However, Ofcom is persuaded that the evidence of the research and the support for an increase from most stakeholders who responded on this issue, together with the changing commercial conditions in the PCB market, justifies a change in the definition of site to any area within a walking distance of 400 metres from the PCB. To help inform consumers where to find the nearest alternative PCB, pending the outcome of the removal procedures, Ofcom is proposing that the PCB notice informing the public of the proposed removal, and the written notice to the relevant public body, should include the address of the nearest alternative PCB. Ofcom will discuss implementation issues with BT and Kingston.
- 5.20 According to BT data, this change would allow it to remove up to an additional 6,000 PCBs, primarily in urban areas, from the local veto process. Ofcom considers that this represents a sensible balance between ensuring an adequate PCB network to meet the reasonable needs of end-users and allowing BT to respond flexibly to commercial pressures.
- 5.21 Ofcom is proposing amendments to the definition of "Site" in Annex E under Paragraph 1 of Part 1 of the Schedule to the Universal Service Notification and in Annex G to the Direction. The Direction will also be amended to include a requirement to publish the address of the nearest alternative PCB.

Public bodies with the local veto

Background

5.22 The current Direction lists the local planning authority, parish council (England), community council (Scotland and Wales) and the local council and community groups (NI) as bodies who have the local veto. The total number of such public bodies is about 12,000. This creates a significant administrative burden. Furthermore, the more public bodies the more difficult it is to achieve a consistent approach. Ofcom consulted on a revised list of higher-level public bodies to whom to delegate the right of veto.

Responses to the consultation

5.23 A number of councils, particularly parish and community councils responded indicating a desire to retain the current list of public bodies with delegated powers. Other stakeholders, including many councils, responded in support of a revised list of higher-level public bodies. Respondents recognised that higher-level public bodies have various consultation mechanisms in place which allow local issues to be discussed with local communities. Most respondents recognised the importance of involving the local community and local public bodies, such as parish and community councils, in the decision-making process. It was suggested that there could be a requirement on higher-level bodies to consult with these local bodies.

Ofcom's conclusions

- 5.24 To simplify procedures Ofcom believes that the right of veto should be held by a single public body in each area but that the local community and other local public bodies should continue to be consulted, with their views passed to the body with the right of veto.
- 5.25 Ofcom is proposing that the veto is held: in England by County Councils, Metropolitan Councils, London Boroughs, Unitary Councils, Corporation of London and Council of the Isles of Scilly; in Northern Ireland by Unitary Districts; in Scotland by Unitary Councils; and in Wales by Unitary Counties.
- 5.26 These arrangements will promote transparency and consistency while ensuring that bodies such as parish and community councils retain a key role in the decision-making process.
- 5.27 Ofcom is consulting in Annex G on changes to the Direction and in Annex H on guidance to reflect this approach.

Consultation process

Background

5.28 The current consultation period is 42 days. In the review, Ofcom consulted on extending the consultation period to 90 days.

Responses to the consultation

- 5.29 The majority of stakeholders responded in support of extending the consultation period to 90 days - this period would enable public bodies to effectively engage local communities and obtain a wide range of views on proposed removals.

Ofcom's conclusions

- 5.30 The consultation period should be amended to 90 days. This will allow sufficient time for people to see the notice on the PCB, for public bodies to comply with the consultation and notification requirements in the Act and for a decision.
- 5.31 Ofcom is consulting in Annex G on changes to the Direction to implement this policy.

Obligation on public bodies to provide reasons

Background

- 5.32 Under the current Direction local public bodies have to provide reasons when objecting to the removal of a PCB. Between January and October 2004 the average objection rate across the UK by public bodies to BT's planned removals was 43 per cent. The current figure is about 50 per cent. Many objections relate to social inclusion e.g. proximity to communities with relatively low fixed-line phone penetration or areas with no mobile phone coverage. Other reasons are sometimes provided e.g. "the light from the payphone illuminated the parish council notice board at night".
- 5.33 To assist public bodies in carrying out their duties, and to promote consistency of decisions between bodies, in the consultation document Ofcom proposed publishing guidance. It also suggested some of the factors which might be considered objectively justifiable and relevant to public bodies' decisions.

Responses to consultation

- 5.34 Respondents welcomed the idea that Ofcom could publish guidance. There was wide-ranging support for a number of different factors. However, the ability to make emergency calls and no mobile coverage are two factors mentioned by most respondents. Other factors mentioned include:
- Number of households and population in the area
 - Housing type and social-economic make-up of the area
 - Incidence of vandalism to the PCB
 - Profitability and annual revenue of a PCB
 - Volume and type of calls from a PCB
 - Distance to the nearest alternative PCB
 - Accessibility of the alternative PCB in terms of parking, public transport and physical obstacles e.g. a river
 - Level of phone ownership in the area
 - Rurality of an area
 - Nature of the area e.g. tourist area, close to a children's home or other similar accommodation, remoteness

Ofcom's conclusions

- 5.35 The obligation for public bodies to provide reasons is a proportionate obligation in relation to their power to object to the removal of the last PCB from a site and improves the transparency of the procedure. In exercising their delegated powers, public bodies should provide reasons for their decision in writing and comply with the consultation and notification requirements in the Act.
- 5.36 Decisions must be objectively justifiable, not discriminate unduly, be proportionate to what is intended to achieve and transparent. Public bodies must act in accordance with the six Community requirements, including the requirements to promote competition and to promote the interests of all EU citizens.
- 5.37 To assist public bodies in carrying out their duties and to promote consistency of decisions between bodies, Ofcom is now consulting on draft guidance on the consultation and notification requirements in the Act. The guidance includes a non-exhaustive list of factors which may be referred to by a public body to make its decision. The factors included in the guidance reflect comments from the consultation taking into account the practical availability of information:
- Need to make emergency calls;
 - Housing type in the area;
 - No mobile phone coverage;
 - Number of households in the area; and
 - PCB revenue.
- 5.38 While BT does not collect data on the number of calls made to the emergency services from PCBs and there may not be the most robust source of information about mobile coverage, these factors are considered important by most respondents and could be assessed on a case-by-case basis. Some data e.g. the annual volume of calls from and the profitability of a PCB are commercially confidential.
- 5.39 Information about the housing type in the area and the number of households in the area should be available to public bodies. PCB revenue is a reasonable measure of PCB usage and one indicator of its value to the community. In addition, BT advised in its response that it could provide such information in the written notice to the public body.
- 5.40 A public body may refer to other factors. However, any decision must comply with the requirements in paragraph 5.36 above.
- 5.41 Ofcom is consulting in Annex H on guidance to reflect this approach.

Revenue threshold

Background

- 5.42 Ofcom consulted on whether there should be a revenue threshold so that if a PCB takes so little money BT and Kingston would consult and take account of objections, but the local veto would not apply.

Responses to the consultation

- 5.43 Most respondents did not support this option suggesting that revenue threshold alone might not reflect the crucial role a PCB plays in the local community e.g. the need to make emergency calls.

Ofcom's conclusions

- 5.44 Ofcom is not proposing a revenue threshold. The introduction of a threshold might reduce choice for consumers in terms of the number and geographical coverage of PCBs, in particular in rural areas, and would not reflect the importance of PCBs for emergency use.

Cashless PCBs

Background

- 5.45 Under the current Direction, BT and Kingston must ensure that at least one PCB at a site offers cash payment facilities, except for sites which, for historical crime-related reasons, have no cash payment option. BT says it has experienced a high incidence of 'cash attacks' on low revenue PCBs in rural and semi-rural locations and that the annual cost of crime to its PCB business is substantial. In the consultation document, Ofcom invited comments on whether the existing requirement should be retained or amended.

Responses to the consultation

- 5.46 Most respondents supported the relaxation of the requirement where for example PCBs are subject to cash attacks. BT stated that removing the requirement to offer a cash payment facility at the last PCB at a site would enable it to manage the cost of the payphone base more effectively and therefore retain more PCBs. BT suggested that consumers would benefit as sites previously prone to vandalism and cash attacks would be less likely to experience breaks in service and remote communities would retain PCBs in locations where cash payment facilities are not critical.

Ofcom's conclusions

- 5.47 Ofcom believes that BT and Kingston should have greater flexibility to remove cash payment facilities, in particular at sites which are subject to frequent vandalism and where the local public body has objected to a proposed removal on the grounds of the importance of the PCB for emergency use. The functionality of the PCB would be unchanged. BT and Kingston must ensure that

customers can make emergency, freephone and reverse charge calls as well as providing card payment facilities.

- 5.48 Ofcom proposes to require BT and Kingston to ensure that at least 70 per cent of their PCBs offer cash payment facilities. Ofcom's guidance will include examples of circumstances in which the facility might reasonably be removed and confirm our view that public bodies should be consulted by BT and Kingston on an informal basis before conversion to cashless. It will be possible for customers to make a call from a BT PCB for the existing minimum fee; Ofcom will explore the different charging options with BT and Kingston. BT and Kingston will report on the number of cashless PCBs to Ofcom.
- 5.49 Ofcom is consulting in Annex G on changes to the Direction and in Annex H on guidance to reflect this approach.

Basic payphones

- 5.50 In the consultation document Ofcom invited views on the introduction of 'basic payphones'. These payphones would provide access to the emergency services and to free-to-caller services only. Given the conclusion above that BT and Kingston should have greater freedom to offer cashless PCBs, which will have greater functionality and are more cost effective than basic payphones, Ofcom does not intend to pursue this option.

Appeals

- 5.51 In the consultation Ofcom indicated that the decision by a public body to object to a proposed removal could be subject to appeal to the Competition Appeals Tribunal (CAT). In its response BT stated its concerns about the practicalities of the CAT hearing these types of appeals and that Ofcom should be responsible for decisions about PCB removals, not local public bodies. However, Ofcom considers that the Act sets out that such appeals go to the CAT.

Q2 *Ofcom is inviting views on amendments proposed in Annex E to the USO designation to implement the changes to the definition of Site.*

Q3 *Ofcom is inviting views on amendments proposed in Annex G to the Direction on PCBs to implement the changes to:*

- *the definition of Site*
- *the public bodies with the local veto*
- *the extended consultation period*
- *the rules on cashless PCBs*

Q4 *Ofcom is inviting views on guidance proposed in Annex H*

Section 6

Services for customers with disabilities

Summary

- Some of the most important Universal Service measures relate to provision of services for customers with disabilities. They ensure access to, and affordability of, a range of essential services.
- One of the key services is the text relay service which is highly valued by customers. However, it needs to evolve as demand and technology change. Ofcom is to commission a study into issues around the expansion of the service to include video relay and captioned telephony. Ofcom is encouraging the introduction of Internet Protocol ('IP') based technology which will enhance the range of services that can be provided.
- The transparency and accountability of the text relay service should be improved. A Stakeholder Advisory Panel is to be established and an annual plan and report on the operation of the relay service will be published.
- The requirement on providers to offer bills and contracts in alternative formats for blind or visually impaired customers is proposed to be extended to enable any customers whose disability prevents them from reading the bill or contract to request an alternative format.
- Ofcom will arrange an event for providers and consumer stakeholders on accessibility of payphones to customers with disabilities.

Introduction

- 6.1 A number of services and facilities have to be provided to end-users with a disability. With one exception they apply to all providers through the general conditions:
- Funding of a text relay service (BT only by means of a specific universal service condition);
 - Access to text relay service and rebate scheme (all providers through the general conditions);
 - Certain requirements to make all public payphones accessible to customers with disabilities (all public payphone providers);
 - Directory information free of charge and through connection (all providers);
 - Bills/contract provision in Braille/ large print (all providers);
 - Priority fault repair (all providers);
 - Safeguard third party bill management (all providers);
- 6.2 This section focuses on the provisions that relate to the text relay service, payphones and bill/contract provisions.

The relay service

- 6.3 The relay service is rooted in traditional voice telephony. Many stakeholders consider that despite innovations brought about by TextDirect, the gateway to the relay service, the service has not kept pace with technology. This view emerged strongly in the Ofcom's research for the review. In the consultation document Ofcom set out a number of options for updating of the relay service. The main ones are to extend the relay service to encompass video, to provide web-based access to the relay service and to input messages using email and SMS.

Video relay

- 6.4 Video relay is comparable to text relay with the difference that the relay element would offer British Sign Language (BSL)/voice rather than text/voice interpretation. The key components of such a service would be a video terminal for the BSL user and a link to a BSL interpreter. Video relay is more flexible than video interpretation services, which tend to be by appointment only and require the BSL user and the other party to the conversation to be together in the same place, connected by videophone to a remote interpreter. A video relay service offers communication, ideally at any time, between a BSL user, a hearing person and an interpreter, each in a different place.
- 6.5 Support for the introduction of a relay service arises from a number of developments, the most significant of which are:
- the roll-out of video relay services in the USA and Sweden;
 - the Government's March 2003 recognition of BSL;
 - IP-based technologies can support multiple forms of data communication.
- 6.6 In the consultation document Ofcom proposed to commission a study into the feasibility of implementing a video relay service, recognising that a number of factors need to be better understood before a realistic cost-benefit analysis can be carried out.

Responses to the consultation

- 6.7 There was general support for this proposal from providers and consumer stakeholders although this is more cautiously expressed by providers. While supporting the proposal BT argued that the provision of a video relay service is not appropriate to universal service as it may enable other companies to discharge their responsibilities under the Disability Discrimination Act 1995 at BT's expense. Mobile providers recognised that video telephony is beginning to be introduced into the mobile sector, and is already being employed by users of BSL. However they argued that the technology is still in its infancy and that it would be premature to include it in the universal service obligation.
- 6.8. Consumer stakeholders reiterated the general case for a video relay service. There was support for the feasibility study although a number of responses urged Ofcom to make an immediate commitment to the provision of video relay. Some felt that the provision of a national video relay service would require a universal service fund.
- 6.9 A number of consumer stakeholders pointed to the RNID's pilot service as a source of evidence for the study and argue that the study should address the

market potential for video relay amongst business, health, education and local government service providers. Several argued for widening the scope of the study to incorporate a relay service for people with speech impairments and a captioned telephony service, that is, a voice telephony service supported by subtitles.

Ofcom's conclusion

- 6.10 The current Universal Service Order envisages a relay service which provides facilities for the receipt and translation of voice messages into text and text into voice and the conveyance of that text or voice message to a textphone. Accordingly, Ofcom is not at present able to make a commitment to the implementation of video relay. However we believe that future discussion about relay services in the context of universal service provision will be better informed on the basis of a feasibility study with which we intend to proceed.
- 6.11 In response to stakeholder feedback the study will have a wider remit than the original proposal and encompass alternative relay provision, in particular speech relay and captioned telephony. The study will have regard to the experiences of alternative relay services that have already been trialled or launched in the UK and will have three major strands. These will consider the technical aspects of implementing other types of relay, the potential customer base and the costs of serving this market.
- 6.12 Ofcom now intends to proceed to commission the study; the findings of the study will be published.

Stakeholder Advisory Panel

- 6.13. In the consultation document, Ofcom proposed the establishment of an Advisory Panel to offer advice and maintain a dialogue with the management and provider of the relay service. This was in response to a view expressed by several stakeholders that the management of the relay service was perceived to be remote and lacking in transparency.

Responses to the consultation

- 6.14 Of the four providers which made public responses to this question, three were in favour, including BT. The dissenting response believed that an advisory panel would be "superfluous".
- 6.15 Consumer stakeholders generally supported this proposal although they do not express a common approach to the panel's make-up and duties. There was a division as to whether panel members should be representatives of relevant organisations or named individuals, the role of providers and the links between the panel, Ofcom and its advisory bodies.

Ofcom's conclusions

- 6.16 The establishment of an Advisory Panel offers a positive opportunity to build greater transparency into the relay service's management processes. Stakeholder feedback should drive the relay service towards a heightened awareness of customer expectations.
- 6.17 BT should facilitate the panel, including arranging for the secretariat to be provided, as part of its management of the relay service. We do not believe this will detract from its ability to function in an independent manner. BT and the RNID as funder and provider of the service will be permanent members.
- 6.18 We believe that to be effective the panel should not have more than about ten additional members and our proposal is that this should include one fixed-line and one mobile provider as well as representatives from relevant consumer groups and a member of Ofcom's Advisory Committee on Older and Disabled people. We invite groups that would like to be represented to indicate their willingness to participate in their responses to this statement.
- 6.19 Because we believe that one of the panel's most important jobs will be to act as a channel for a two-way information exchange between BT and stakeholders we think it is important that the panel's members should have strong links with stakeholder groups. This aim will be better served if the panel members are nominated by the groups rather than being elected as individuals in their own right. However we think it is fair that panel members who attend in their own time should receive expenses and a daily allowance from BT as part of the facilitation role referred to in paragraph 6.17.
- 6.20 Ofcom does not propose to suggest Terms of Reference for the panel in this Statement. We see this as an immediate task for the panel itself, once constituted. We would expect the panel to meet three or four times a year with a meeting calendar informed by the need to review Tynetalk's annual plan and report. Amongst other issues that the panel will need to address are Quality of Service and the adoption of a set of performance targets.

An annual plan and report for the relay service

- 6.21 In the consultation document Ofcom proposed that the relay service should publish an annual plan and report in increase transparency and accountability.

Responses to the consultation

- 6.22 This proposal, tied in with the establishment of a Stakeholder Advisory Panel was widely supported by providers and consumer stakeholders.
- 6.23 Points made by consumer stakeholders included:
- that as TextDirect is integral to being able to access the relay service it too should be incorporated in this proposal;
 - the report should include figures on the proportion of successful calls and on user satisfaction as well as information about the measures taken to promote the relay service to hearing-impaired and hearing users; and

- the report should review relay service standards.

Ofcom's conclusions

6.24 Taken with the preceding proposal for an advisory panel we believe that the drafting and publication of annual plans and reports for the relay service will go a long way towards promoting a culture of openness. It will be for BT, the RNID and the panel to agree on the contents of the plan and report but we encourage them to consider the responses made to this question.

Mobile/email access to the relay service

6.25 In the consultation document Ofcom considered whether the relay service should be developed to accept mobile/email access. There is evidence, supported by the research, that mobile users would value being able to send a SMS message to contacts who have textphone access but no mobile. However, Ofcom concluded that the market for such a service is likely to be small, because mobile penetration is high amongst the deaf and hard of hearing community and that as access to the relay service becomes more widely available from mobiles, demand for SMS/textphone service seems likely to shrink. Ofcom invited views on the proposal that mobile/email access should not be mandated at this stage.

Responses to the consultation

6.26 Responses to the question were very mixed. Providers made the point that alternative 'store and forward' text applications such as SMS and email contradict the realtime nature of relay service communications and that given the degree of mobile phone penetration the market for SMS to textphone communication would be limited.

6.27 Many of the consumer responses focus on the wider question of web-based access to the relay service and emphasised that the ability to communicate on the move is a vital feature of modern life.

Ofcom's conclusions

6.28 We do not believe the case has been made for enabling SMS or email messages to a textphone. The responses to this question do not suggest that there is a large unsatisfied market for either service. Moreover SMS to fixed-line phone is already provided as a commercial service.

6.29 Looking forward we believe that the future development of the relay service will be shaped by the additional features that IP potentially makes available. This is a more progressive option than trying to retro-fit contemporary SMS and web-based technologies onto the existing relay service platform.

The accessibility of public call boxes

- 6.30 The current requirements in relation to accessibility of PCBs are that:
- At least 75 per cent of PCBs provided in the UK (except Hull) and 50 per cent of PCBs provided in Hull must be accessible by reasonable means to customers in wheelchairs,
 - At least 70 per cent of all PCBs must incorporate additional receiving amplification,
 - Providers must consult with Ofcom from time to time on "... all future material changes to the design of its PCBs where the interests of disabled persons are likely to be affected".
- 6.31 At the time these provisions were introduced, wheelchair accessibility was about overcoming the barriers imposed by the design of traditional PCBs. As these PCBs were replaced, there was an expectation that the percentage of accessible PCBs would increase. However, although there are fewer traditional PCBs, accessibility issues have not been solved automatically. Wheelchair accessibility is about more than physical entry to the PCB. Some wheelchair users have reported difficulties with multimedia kiosks because they find the coin and card slots are virtually unreachable from a wheelchair. Accessibility issues also arise for non-wheelchair users. Visually impaired users have argued that more could be done to make call boxes more accessible. Hearing impaired users may wish to see a requirement for hearing-aid compatibility.
- 6.32 Two approaches to remedying this situation were discussed in the consultation. One was the mandatory imposition of an accessibility specification on PCBs. An alternative was a renewed emphasis on the need for PCB providers to consult on the design of new call boxes, which was Ofcom's preferred option.

Responses to the consultation

- 6.33 BT, the only PCB provider to respond, said that it had always consulted on design changes to kiosks with the regulator and representative consumer groups before implementation. However, because there have been fewer design changes to kiosks and housings in recent years the dialogue that used to take place between BT and stakeholders has become less frequent.
- 6.34 A number of consumer stakeholders favour increased regulation, either through an accessibility standard or by increasing and extending the existing accessibility requirements. Several argued that the percentage requirements of the existing General Condition should, sooner or later, be raised to 100 percent and also expressed some concerns at the regulatory distinction between PCBs and 'managed' payphones.
- 6.35 Other consumer stakeholders thought the requirements were too prescriptive as they only apply to a limited number of accessibility features and reported a good outcome when co-operating on the design of roadside emergency telephones.

Ofcom's conclusions

- 6.36 The responses indicate some of the difficulties that would arise from trying to incorporate a multitude of possibly conflicting accessibility requirements in a single

specification. Ofcom does not believe that a single top-down approach would produce a favourable outcome.

- 6.37 However it is important to restore the dialogue between PCB providers and disability stakeholders and we propose to hold a one-day event on PCB accessibility with a view to promoting an inclusive design approach to the design of new kiosks and housings. We believe that this proposal offers a better way of alerting PCB providers to the accessible features that users are looking for. In some cases it may be possible to introduce improved features into existing kiosks.
- 6.38 In line with stakeholders responses we are also proposing to adopt an incremental approach to the existing accessibility requirements and will amend general condition 6 to raise the wheelchair accessibility and additional receiving amplification requirements from 75 to 80 per cent. We also propose to restore the requirement for PCBs to have inductive coupling. The notification setting out the proposed changes is in Annex E.
- 6.39 We note the concern about formal accessibility requirements not being applied to 'managed' payphones but do not believe there is any evidence that indicates that payphones on private sites are less accessible than their street equivalents.

The obligation to provide bills and contracts in acceptable formats

- 6.40 Although the Order requires methods of billing in an appropriate format for "subscribers with a disability" General Condition 15 limits this facility to subscribers who are "blind or whose vision is impaired". In the consultation document, Ofcom proposed to extend General Condition 15 to apply to encompass any subscriber whose disability prevents their reading bills or contracts in conventional printed formats.

Responses to the consultation

- 6.41 BT responded that it already provides bills and contracts in alternative formats to customers with disabilities other than sight loss. There was some concern from other providers that this obligation might extend to producing foreign language versions and the "double-jeopardy" of being subject to the obligations of General Condition 15 and the statutory requirements of the Disability Discrimination Act 1995.
- 6.42 Consumer stakeholders were uniformly in favour of this proposal with several making the additional suggestion for the prompt delivery of bills in alternative formats to avoid the situation where a bill is delivered on or around the due payment date.

Ofcom's conclusions

- 6.43 Ofcom is now proposing to amend General Condition 15 to require bills and contracts in acceptable formats to be delivered in a timely manner to subscribers

who are not able to read conventional print because of their disability. The General Condition will follow the Order by defining disability by reference to the terms of the Disability Discrimination Act 1995. The proposal is set out in notification in Annex I.

Consultation by providers on the requirements and interests of disabled end-users

- 6.44 General Condition 15.1 currently requires communications providers to consult with the Consumer Panel to ensure that the requirements and interests of customers with disabilities are fully taken into account in the development and provision of their services. Ofcom proposed to maintain the obligation to consult but, with the agreement of the Consumer Panel, to require consultation to take place with Ofcom rather than with the panel.

Responses to the consultation

- 6.45 The proposal reflects a purely administrative change which was widely accepted in the responses to the Review.

Ofcom's conclusions

- 6.46 Ofcom is consulting in Annex I on a proposed amendment to General Condition 15.1, replacing the "Consumer Panel" in the text by "Ofcom".

Other issues raised by responses

Extending the nominated third party scheme

- 6.47 The proposal was made in responses that some older people who may have an unexpected hospital stay or who, due to confusion, forget to pay their bill, run the risk of disconnection. This could be avoided by their inclusion in the 'safeguard' scheme whereby a subscriber can nominate a third party to act on their behalf by receiving and paying bills. General Condition 15.6 already provides for such a scheme for subscribers whose disabilities make them dependent on the telephone.
- 6.48 Ofcom believes that this is a sensible recommendation. Although the Order currently limits the beneficiaries of the nominated third party scheme to customers with a disability as defined in the Disability Discrimination Act 1995 Ofcom will strongly encourage those providers who have not already done so to extend the scheme voluntarily to vulnerable customers dependent on the telephone such as long-term hospital patients and older people.

SMS access to the emergency services

- 6.49 The issue of contacting the emergency services using the SMS service was raised in responses, with the point being made that many deaf and deafblind people are unable to use PCBs or mobile telephones for voice calls and do not have access to textphone equipment away from their homes or work.
- 6.50 Ofcom recognises that there are situations in which it would be of beneficial for people to be able to contact the emergency services by SMS. We are also aware that the Hampshire Constabulary and other police services are trialling emergency SMS access. Ofcom participates in the work of the Emergency SMS Sub-Group of the 999/112 Liaison Committee, chaired by the Office of the Deputy Prime Minister. The sub-group is identifying the issues which would need to be solved before nationwide SMS access to the emergency services could be made available. Ofcom supports this initiative.

Accessible communications apparatus

- 6.51 Several consumer stakeholders emphasised the importance of accessible, usable and affordable 'terminal equipment'. In particular, the Disability Rights Commission argued in its response that terminal equipment does not fall outside the scope of the USO, because it believed that it would be possible under the Act to require the provision of a service consisting of the rental of apparatus suitable for use by disabled persons.
- 6.52 Ofcom's advice supports the government's view that terminal equipment falls outside the scope of the USO, primarily because telecommunications equipment falls within the scope of the Radio Equipment and Telecommunications Terminal Equipment Directive 1999/5/EC.
- 6.53 However Ofcom recognises the importance of accessible and affordable terminal equipment so that people with disabilities can use telephony services. Outside the scope of the USO we believe that this objective will be best pursued at a European level through the European Commission's Communication on eAccessibility which envisages public procurement imposing accessibility requirements on manufacturers.
- 6.54 Under section 10 of the Communications Act, Ofcom has a duty to take such steps and enter into such arrangements as appears to it to encourage others to secure that domestic electronic communications apparatus is developed that is capable of being used easily by the widest possible arrange of people, including people with disabilities and is as widely available for acquisition by those who wish to use it.
- 6.55 In carrying out its duty, Ofcom intends to focus on those types of communications apparatus in daily use by consumers where available research indicates consumers find particular difficulty. It will also seek to avoid duplicating work that is already underway, so that it can concentrate its resources in those areas where it can make a difference. In deciding what activities to undertake to fulfil its duty, it will consult both the Ofcom Consumer Panel and the Advisory Committee

on Older and Disabled People, and (through the Consumer Forum established by the Panel), stakeholder organisations representing the interests of consumers, including older and disabled people.

Other amendments to General Condition 15

- 6.56 Ofcom proposes to amend paragraph 15.4(a) of the General Condition so as to remove the obligation on providers to provide a short code number access to a Directory Enquiry Facility for users of the Relay Service. The proposal reflects the withdrawal of the 192 short code and the introduction of numbers in a 118 xxx. format.
- 6.57 Ofcom further proposes to define the terms “disability” and OFCOM” for the purposes of the General Condition. The former reflects the Order where “disability” is defined by reference to the Disability Discrimination Act 1995. These amendments result from the changes explained in 6.40 to 6.46.
- 6.58 These proposals are set out in the notification in Annex I.

Q5 *Ofcom is inviting views on amendments proposed in Annex F to General Condition 6 to implement the changes relating to the accessibility of PCBs*

Q6 *Ofcom is inviting views on amendments proposed in Annex I to General Condition 15 to implement the changes relating to the obligation to provide:*

- *bills and contracts in acceptable formats*
- *short code number access to a Directory Enquiry Facility*

Section 7

Provision of a connection upon reasonable request and functional internet access

Summary

- BT and Kingston are required to provide access to basic telephone services upon reasonable request and at uniform prices, in the UK (excluding the Hull area) and in the Hull area respectively.
- Where installation of a new line costs £3,400 or less, BT makes a standard charge (£74.99 for residential, £116.33 for business). Where installation costs over £3,400, BT requires the user to pay the excess costs (plus its standard charge).
- Ofcom believes that BT's general approach of a 'threshold' is sensible in the interests of efficiency and consistency, and therefore intends to issue a formal consent to BT to allow it to charge non-uniform prices above £3,400.
- Ofcom is also consulting on guidance on BT's obligation to provide access on reasonable request. This is to help BT and consumers understand the matters Ofcom would take into consideration should it receive a complaint as to whether BT has met its obligation and to provide greater flexibility for BT to handle requests from vulnerable customers;
- The guidelines clarify that BT does not have a right to require developers to build out copper as part of new housing projects in order to fulfil its USO but BT has to meet reasonable requests if made by customers on these developments.
- To provide robust data for future reviews, Ofcom is requesting that BT keep records of all cases where provision of access costs more than BT's standard connection charge (for a period of 12 months);
- The existing guidelines on functional internet access (FIA), including the benchmark minimum of 28.8 kbit/s, appear to be working effectively. Ofcom will retain the guidelines; but
- Ofcom is now consulting on minor amendments to the FIA Guidelines to emphasise that FIA involves the provision of optimal speeds and to clarify the information to be provided by BT.

Background

- 7.1. Universal Service Condition 1 says that BT and Kingston (as designated universal service providers) are each required to provide access to basic telephone services upon reasonable request and at uniform prices and at data rates that are sufficient to permit functional internet access. Ofcom may consent to non-uniform prices but, in accordance with the Universal Service Order, only where there is clear justification for doing so.

- 7.2 In the consultation Ofcom sought views on whether it should consent to non-uniform prices above a certain threshold and on what factors should be taken into account in deciding whether or not BT has complied with its obligation. In addition, Ofcom consulted on the scope of BT's obligation to provide connections capable of FIA and whether the existing guidelines on this need updating to clarify the information required from BT to monitor its compliance.
- 7.3 This chapter sets out Ofcom's policy conclusions on the following key issues:
- The threshold policy
 - Level of the threshold and scope of the guidance to operate alongside the threshold
 - The functional internet access Guidelines
- 7.4 Clarification of the rules surrounding BT's obligation as it relates to new property developments is summarised in paragraph 7.40 and set out in detail in Annex L.

The threshold policy

Background

- 7.5 BT and Kingston are each required to provide access to basic telephone services upon reasonable request and at uniform prices, irrespective of location. Kingston complies with its obligation by making the same standard charge to all new customers whereas BT charges non-uniform prices where the cost of connection exceeds a threshold of £3,400 ('the threshold policy').
- 7.6 Where installation of a new line costs £3,400 or less, BT makes a standard charge (£74.99 for residential, £116.33 for business). Where installation costs over £3,400, BT requires the user to pay the excess costs plus its standard charge. Although connections costing more than £3,400 mostly occur in rural areas, the provision of a connection upon reasonable request is not exclusively a rural issue.

Approaches to regulation of reasonable request

- 7.7 In the consultation, Ofcom identified two options for consideration:
- **Option 1: BT meets all reasonable requests for connection at a standard price.** BT would have to abandon the threshold and would be required to meet all reasonable requests for connection at a standard price irrespective of costs. BT would still have the right not to meet unreasonable requests.
 - **Option 2: BT applies a threshold and Ofcom consents to non-uniform charges.** Maintain the current approach in practice with BT charging a non uniform tariff where the costs of connection exceed a threshold, whatever that might be.

- 7.8 In the consultation Ofcom favoured Option 2 because it has the advantage of lessening the risk of possible cost increase for BT and provides greater clarity about whether or not a request for connection is reasonable. Ofcom invited views on the proposal that there should be a threshold and that Ofcom should consent to BT charging non-uniform prices above the threshold.

Responses to the consultation

- 7.9 The majority of respondents, representing both industry and consumer interests – including the Ofcom Consumer Panel - supported Ofcom's initial view that the threshold was the best way to achieve a sensible balance between the needs of the majority and the needs of customers in remote areas. They agreed that removing the threshold risked substantially increasing the financial burden on BT or could lead to customers who would otherwise be prepared to pay excess charges being refused a connection on the grounds that their request was unreasonable.
- 7.10 A small number of respondents argued that the threshold should be removed and Ofcom should not give formal consent to BT to charge non-uniform prices.
- 7.11 Despite general support for the threshold policy, a number of respondents thought that without an understanding of the actual level of suppressed demand that would be unleashed if the threshold was removed and the cost of meeting that demand, it was difficult to fully determine whether the policy of a threshold was appropriate in the long term.

Ofcom's conclusions

- 7.12 Ofcom believes that there is clear justification for non-uniform prices on the basis that retaining the threshold is and will continue to be beneficial to consumers. The use of a threshold is simple for consumers to understand and straightforward for BT to implement. As noted by the majority of respondents, without a threshold in place BT might be encouraged to refuse requests for more costly connections outright, on the basis they were not reasonable.
- 7.13 Ofcom will therefore go ahead with a consultation on consent to non-uniform charging, enabling BT to apply a threshold policy. The consent is set out in Annex J. Ofcom believes this is the best way to manage the interests of the majority of consumers as well as the minority who live in remote or hard to access areas. Removal of the threshold might result in a greater number of consumers being refused connections by BT. Retaining the threshold will provide better clarity and more opportunity for BT to be rigorous and consistent in complying with its obligation.
- 7.14 Ofcom agrees with respondents that it is much harder to justify a threshold when a consumer requesting a connection is an older or disabled user, and that greater flexibility should apply in these cases. Ofcom is proposing, therefore, to address these concerns through guidance that would sit alongside the threshold and provide clarity on the issues Ofcom would take into account in deciding

whether BT has complied with its obligation (see Issue 2 below).

- 7.15 In addition, Ofcom accepts the Ofcom Consumer Panel's recommendation that BT should record data on all requests for connections, including those declined for cost reasons and details of how much it cost (or would have cost) to provide those connections, for a period of one year. Ofcom has asked BT to collect such data on all requests for connections over that period. Ofcom will use this information to review, as appropriate, the threshold policy going forward.
- 7.16 The cost benefit study discussed in chapter 8 will include consideration of this issue.

Level of the threshold

Background

- 7.17 As set out above, Ofcom is proposing in Annex J to consent to BT charging non-uniform prices above a certain threshold. Ofcom therefore has had to determine the appropriate level of that threshold.
- 7.18 The existing threshold of £3,400 was based on a previous assessment by BT of how many man-hours would be required to complete the work. If it was less than 100 man-hours, a standard charge applied. If over 100 man-hours, the customer was required to pay a charge based on the additional work involved. This was known as the '100 man hours' rule. In 2001, BT changed its approach as contractors it employed no longer charged on the basis of man-hours. BT instead fixed a figure of £3,400, based on a notional rate of £34 per hour. This is now referred to as the '£3,400 rule'.

Approaches to the level of the threshold

- 7.19 In the consultation, Ofcom put forward two options:
- **Option 1: Consent to non-uniform charges where costs exceed £3,400.** Ofcom would consent to BT continuing to apply its £3,400 rule and charge a non-uniform price for connections.
 - **Option 2: Consent, guidance and revision of threshold.** Ofcom would consent to BT charging non-uniform prices and set the threshold according to data on suppressed demand and the responses to the consultation. Ofcom would also issue guidance, setting out issues that it would take into consideration in deciding whether BT had complied with its USO.
- 7.20 In the consultation Ofcom favoured Option 2 on the basis that guidance, together with a revised threshold, would be the most effective way of ensuring BT met all reasonable requests where the cost of providing a connection exceeded the threshold and where BT required the consumer to pay the excess. Establishing a threshold would provide consumers with certainty. The use of guidance would enable individual circumstances to be taken into account whilst controlling the

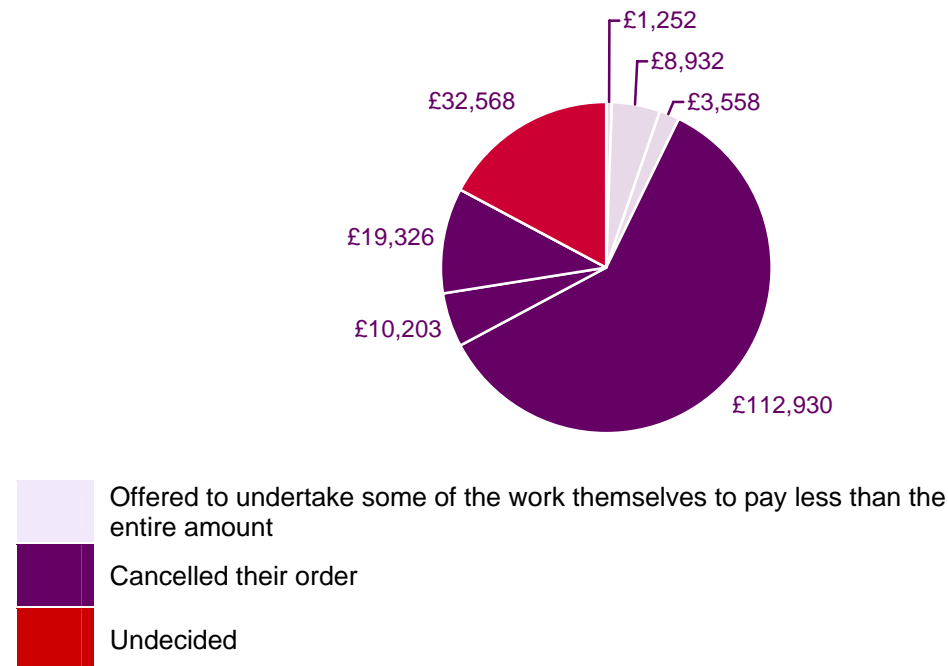
possible cost increase for BT.

7.21 Ofcom realised that lack of data on suppressed demand made it difficult to estimate the effect that revising the threshold would have on the number of requests falling above the threshold and on the costs for BT. Therefore, for the purposes of the review, Ofcom required BT to keep records of all requests over a 3 month period (13 August to 12 November 2004) including those that exceeded £3,400 and where the customer decided not to proceed.

7.22 Data from the three month review period shows only a small number of customers were quoted excess charges but that the extent of the charges quoted varied significantly:

- There were eight instances where excess construction charges would have been applicable. Of these six were residential customers and two were business customers;
- None of the customers agreed to pay the entire amount: three offered to undertake some of the work themselves to pay less than the estimated cost and four cancelled their order. One customer is yet to respond;
- During the same period, BT provided a total of 473,924 new retail connections, including 291,219 residential lines and 182,705 business lines (USO and non-USO lines);
- The size of these excess charges ranged from £1,252 to £112,930; and
- With the £3,400 allowance per customer included, the cost BT would have incurred to provide all customers with a connection at the standard connection charge during the three month review period is £240,000.

Total cost to each customer of all excess construction charges (assuming £3,400 allowance, exc. VAT)



Responses to the consultation

Level of the threshold

- 7.23 BT argued that the threshold was already generous. Based on the (ex VAT) connection charge of £64, annual rental of £107 and average call spend of £108pa for a residential customer (based on BT Option 1 between October and December 2004), BT said it takes over 15 years for the revenues ever to repay the £3,400 (ex VAT). There is no requirement for a customer who benefits from the standard charge to remain with BT for any extended period of time. Customers can keep the line but make their calls with another provider via, for example, carrier pre-selection. BT might therefore receive no call revenue to offset the costs of provision, significantly extending the payback period.
- 7.24 BT therefore thinks a threshold of £2,000 is a more appropriate level and would reduce payback to about 9 years. BT has undertaken further work to estimate the impact of reducing the threshold to £2,000, using data collected during a six month period from July to December 2004 on the costs to it of providing connections. On this basis, BT estimates that over 6,000 requests for connections involving network build with excess construction costs of between £2,000 and 3,400 would be made over the period of one year, of which 11% (around 683) would be universal service requests, attracting excess construction charges of between £1 and £1400 if the work continued to go ahead.
- 7.25 In contrast, the majority of respondents did not identify a pressing need for a radical revision to the threshold level. However, there was some concern about how the right level could be identified given the lack of information on the likely level of demand for new lines if the threshold was raised or abolished (ie 'suppressed demand').

Guidance

- 7.26 The majority of respondents agreed that guidance would be an effective way of clarifying the factors Ofcom would take into account in deciding whether BT had complied with its US obligation. Some respondents requested clarification of how BT's obligation applies to new property developments.
- 7.27 In particular, there was general consensus across all stakeholder groups that a threshold figure should be accompanied by a mechanism to offer further support to customers who are genuinely unable to meet the costs of connection for reasons of vulnerability or disadvantage.

Ofcom's conclusions

Level of Threshold

- 7.28 The affordability of the telephone service is a key concept of universal service,

enshrined in the USD and the Universal Service Order. Ofcom must however balance achieving affordability for consumers with proportionate measures, for example in accordance with its duties under section 3 of the Act. This means it must consider the possible cost increase for BT.

- 7.29 The data supplied by BT is useful in providing an estimate of the costs BT would face if the threshold was revised and the potential number of consumers that would be affected by excess charges.
- 7.30 Based on BT's analysis, nearly 700 additional customers would be subject to excess construction charges every year if the threshold was reduced to £2,000.
- 7.31 At the same time, Ofcom believes that any notional increase in the level of the threshold is likely to offer few consumer benefits. Data from the three month review period suggests very few customers face excess charges under the current arrangements - supported by the fact that Ofcom has not to date received complaints from consumers on this issue. In addition, the level of excess charges the eight customers were quoted during the review period indicates only a significant increase in the threshold would have any real impact. The range of the excess charges quoted (£1,252 up to £112, 930) suggests that to ensure more of these customers pay only a standard charge, the threshold would need to be increased significantly.
- 7.32 On balance therefore, Ofcom believes the current threshold of £3,400 is clearly justifiable by striking the right balance between protecting customers and ensuring that BT does not face significantly increased costs.
- 7.33 A further option for Ofcom would be to increase the threshold annually in line with normal construction cost inflation rates (the £3,400 level was set in 2001). However, Ofcom believes the administration costs of implementing such a scheme and the potential for inconsistency and consumer confusion (for example where applications are made during the end or beginning of a financial year) would outweigh the benefits: data from the 3 month review period shows the small number of customers quoted excess charges are quoted figures way above the £3,400 threshold and would therefore not be affected by notional increases based on cost inflation rates.
- 7.34 Ofcom is therefore proposing in Annex J to consent to non-uniform charges above a threshold of £3,400. Ofcom believes that this is clearly justified for the reasons set out in paragraphs 7.29 and 7.33 above.

Guidance

- 7.35 In addition to the consent, Ofcom proposes to issue guidance on BT's obligation to provide an example of objective criteria to test for the reasonableness of a request, thereby helping BT and consumers understand the matters Ofcom would take into consideration should it receive a complaint as to whether BT has met its obligation.
- 7.36 Ofcom agrees with respondents, including the Ofcom Consumer Panel, that it is

- appropriate to provide additional flexibility for vulnerable groups. The scope of the proposed guidelines should therefore include the protection of vulnerable groups such as older and disabled users and those eligible for special tariff schemes targeted at low income customers.
- 7.37 However, Ofcom considers that whether or not a consumer has access to mobile phone services is not a factor on which it would solely base a consideration of whether a request is reasonable. To do so would undermine BT's universal service obligation to provide a defined minimum set of services to all end users at an affordable price.
- 7.38 Ofcom also agrees with various stakeholders' views that the guidance should make clear that BT should ensure that the most efficient means of connection are considered when calculating costs of connection and this may include customers carrying out part of the works themselves if they wish to do so.
- 7.39 Ofcom is consulting on draft guidelines as set out in Annex K.
- 7.40 In the course of the Universal Service review, it became evident that there is some confusion regarding how BT's obligation to provide connections at a fixed location upon reasonable request applies in the context of new property developments. Respondents were unsure whether BT had to roll out its copper network to the properties that had been newly built on the basis of its USO. Ofcom's detailed analysis is set out in Annex L. In summary:
- BT cannot refuse a request as unreasonable solely on the basis that the customer lives/works within an area already provided with fibre;
 - Customers eligible for special tariffs who live within a fibre-provided area can reasonably request such services from BT;
 - Ofcom encourages developers to consider using providers other than BT but advises that they must be aware that other providers (e.g. BT) may seek to roll out their networks alongside to compete using powers under the Communications Code;
 - Given BT's universal service obligation to provide, it is likely that BT might be one of these providers but BT does not have a right to require developers to build out copper as part of new housing projects in order to fulfil its own universal service requirements.
 - BT could deliver its universal service obligation across alternate infrastructure subject to commercial agreement.

Functional internet access

Background

- 7.41 As Universal Service providers, BT and Kingston are required to provide any end-user upon reasonable request with basic telephony services at data rates that are sufficient to permit functional internet access. Before July 2003, BT and

Kingston were only required to provide facsimile or voice band data up to 2400 bit/s (2.4 kbit/s).

- 7.42 The term 'Functional internet access' and the data rates that are sufficient to permit such access, have not been defined at a European level. The Universal Service Order requires the provision of functional internet access but as with the Universal Service Directive does not define FIA. 'Guidelines on functional internet access' ('the Guidelines') were consulted upon and published in 2003. The Guidelines were intended to ensure a balance between consumer expectations and the resulting burden upon BT and Kingston.

Approaches to functional internet access

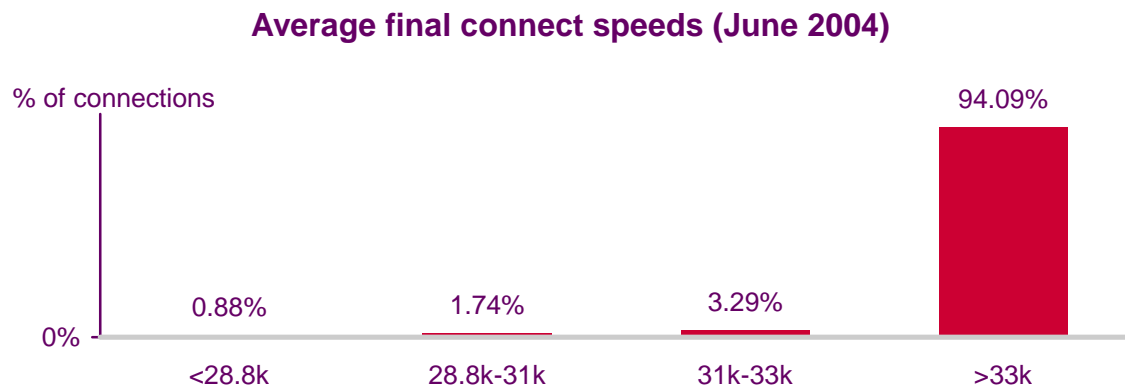
- 7.43 In the consultation, Ofcom put forward four options:

- **Option 1: No Change.** The Guidelines would remain unchanged.
- **Option 2: Amendments to the Guidelines by way of clarification.** The substance of the Guidelines would be retained, including the benchmark minimum of 28.8 kbit/s, but there would be an amendment to emphasise that FIA involves the provision of optimal speeds and that 28.8 kbit/s is a benchmark minimum speed. There would also be a clarification of the information to be provided by BT.
- **Option 3: Benchmark minimum speed of 33.6 kbit/s.** The benchmark minimum speed would be raised to 33.6 kbit/s. This speed was considered in Oftel's consultation on the guidelines in 2003. It is the next highest standard speed at which modems operate and is above the speeds available over a line fitted with DACS (Digital Access Carrier System - a device used to share a pair of copper wires between two phone lines).
- **Option 4: Removal of the Guidelines.** The Guidelines would be removed altogether and Ofcom would not provide any other clarification or interpretation of the requirement to ensure FIA.

- 7.44 In the consultation Ofcom supported Option 2. Ofcom acknowledged that although FIA is a new addition to the USO regime and the Guidelines have therefore only been in place for a relatively short period of time, BT has undertaken a number of positive measures to comply with the Guidelines. The Guidelines have already had both direct and indirect benefits for end-users, in particular BT's approach to DACS.

- 7.45 In 2003, BT said that about 3 per cent of its narrowband connections could not achieve 28.8 kbit/s. BT carried out a further study in June 2004, this showed:
- Over 99% of lines achieved an average rate of 28.8 kbit/s or higher
 - Over 94% of lines provided average data rates above 33.6 kbit/s

- 7.46 However, Ofcom recognised that the Guidelines could be revised to help monitor the obligation and increase consumer awareness of their existence. Ofcom asked for views on this proposal.



Responses to the consultation

- 7.47 The majority of respondents supported retention of the FIA minimum speed at 28.8 kbit/s. Ofcom's Consumer Panel argued that there does not seem to be a reason to place a financial burden on BT to meet the requirements of an increased minimum speed when the cost will only be passed on to the consumer.
- 7.48 The majority of stakeholders also supported amending the existing Guidelines to emphasise that FIA involves the provision of optimal speeds and to clarify the information to be provided by BT on the level of complaints and BT's use of DACS. It was generally believed that this would encourage BT to make improvements to its narrowband network and to deal positively with complaints about internet access speeds.
- 7.49 However, some user representatives argued that the benchmark speed should be increased to 33.6 kbit/s, which would result in the removal of DACS. One suggestion made was for Ofcom to set a graduated timetable for compliance for example, 95% of connections to achieve 33.6 kbit/s in year 1, 96% in year 2, and so on.

Ofcom's conclusions

- 7.50 Ofcom has considered the arguments made in favour of increasing the threshold but on balance does not believe that placing greater requirements on BT is justified. Evidence suggests that the vast majority of customers already receive data rates in excess of 33.6 kbit/s and a very small (and decreasing) proportion of lines have DACS fitted.

- 7.51 This approach also seems to provide the right balance between the interests of consumers and the impact upon the providers. Increasing the minimum benchmark speed could create a disproportionate financial burden on BT. It is Ofcom's view that for limited gain in line speed, a greater burden of this kind could have the negative effect of diverting BT's attention and investment from important areas such as broadband and next generation networks.
- 7.52 Ofcom will retain the existing Guidelines on FIA, including the benchmark minimum of 28.8 kbit/s. To improve clarity and understanding of the Guidelines, Ofcom is consulting in Annex M on amendments:
- to emphasise that providers must show they are making every reasonable effort to ensure lines can achieve optimal performance and that 28.8 kbit/s is a benchmark minimum speed; and
 - to clarify the information to be provided by BT.
- 7.53 With the amendments proposed, Ofcom would expect BT to voluntarily provide regular information on the following key areas to help monitor BT's compliance:
- average final connect speeds of customers
 - the number of complaints from end-users on connection speeds for internet access and BT's assessment of the underlying causes for each case
 - BT's use of pair-gain systems within the network, the proportion of lines affected and any reduction or increase in their use
 - the number of substantiated complaints regarding D-side and E-side cables (as described in the Guidelines)
- 7.54 Finally, Ofcom agrees with some stakeholders' concerns that reissuing the Guidelines will not automatically impact on consumer awareness. As such, Ofcom will seek to offer better signposting to the Guidelines via its website, through the Ofcom Contact Centre and other appropriate channels.

Q7 *Ofcom is inviting views on the consent to non-uniform charging proposed in Annex J*

Q8 *Ofcom is inviting views on guidance on reasonable requests proposed in Annex K*

Q9 *Ofcom is inviting views on amendments to guidelines on FIA proposed in Annex M*

Section 8

The costs and benefits of providing Universal Service

Summary

- Universal Service is currently funded by BT and Kingston.
- Under the Act, Ofcom may put in place alternative methods of provision or funding if there is a net cost – that is, the costs once the benefits have been taken into account – that imposes an unfair burden on the provider(s) with the obligations.
- In order to consider whether a full scale review under Section 70 of the Act was required Ofcom updated estimates of costs and benefits in the consultation by considering how the net cost to BT of providing USO might have changed in recent years.
- Ofcom set out indicative estimates for the 2003/04 costs to BT at £52-74m and at £59-64m for the 2003/04 benefits and its view that these were unlikely to represent an undue financial burden for BT that would justify carrying out a full scale review.
- Ofcom invited views on its updated estimates and asked whether a more detailed assessment of the costs and benefits should be undertaken once the new USO regime is in place.
- Most respondents considered Ofcom’s estimates to be reasonable whereas BT considered that the costs of uneconomic PCBs were understated, and the benefits overstated, and challenged the evidence for the benefits resulting from brand enhancement and corporate reputation.
- All respondents supported a more detailed assessment of the costs and benefits of universal services but there was no consensus on when it should take place and what it should cover.
- Ofcom concludes that the indicative estimates set out in the June document were reasonable and suggest that no unfair burden on BT which would justify a full review. However Ofcom considers that there should be a cost and benefit assessment beginning in 2006. This will inform the next review of USO and a decision on whether a full review under section 70 is required.
- As part of this future work Ofcom will endeavour to address issues raised by the respondents, in particular, those concerning PCBs, brand enhancement benefit, and costs of the relay service.

The issues discussed in the consultation document

- 8.1 Under Section 70 of the Act, Ofcom may from time to time review the extent, if any, of the financial burden for a particular USP in complying with USO. This burden is assessed at the present time by consideration of the cost of compliance less the

market benefits accruing from designation and application to the USP of the Universal Service Conditions.

- 8.2 In the consultation document Ofcom considered whether a review under Section 70 was required by assessing the extent to which the costs and benefits to BT of universal service might have changed since the last estimates of costs and benefits to BT in 2001.
- 8.3 Ofcom approached this by first evaluating whether customers and services were 'uneconomic' for the USP to serve and second, by evaluating the benefits which required an estimate of how the financial performance would be affected if the provider lost its USO status. Finally, the benefits were subtracted from costs to result in a net cost figure.
- 8.4 In the consultation document Ofcom explained that it believed that, since the last review, the costs of uneconomic areas are likely to have remained stable while the costs of uneconomic customers are likely to have significantly decreased because the number of customers on special tariff schemes has diminished by about 50%. Ofcom estimated that the costs of USO payphones would have increased because of the sharp decrease in the number of calls made from PCBs.
- 8.5 In terms of benefits Ofcom focused on ubiquity, life-cycle effect, brand enhancement, corporate reputation and advertising on PCBs. Ofcom considered the benefits to have remained largely unchanged since the last estimates with the main benefit coming from brand enhancement.
- 8.6 Overall Ofcom's indicative estimates for 2003/4 range between £52-74M for the universal costs and between £59-64M for the benefits. These are summarised below:

Table 9.1: Costs and benefits of universal service obligations incurred by BT, annual, (£M)

Costs	Indicative estimate of costs (£M) for 2003/04	Benefits	Indicative estimate of benefits (£M) for 2003/04
Uneconomic areas	5 – 10	Life cycle	0-1
Uneconomic customers	24 – 31	Ubiquity	Insignificant
Uneconomic payphones	23 – 33	Brand enhancement and corporate reputation	50-52
		Advertising on PCBs	9-11
Total	52 – 74	Total	59-64

Source: Ofcom calculations

- 8.7 Given the available evidence on costs and benefits, Ofcom's view was that it was unlikely that there was currently an undue financial burden on BT that would justify conducting a full scale review under Section 70. However, Ofcom suggested that a more thorough costing exercise might be needed once the new arrangements are in place following this review.

- 8.8 Ofcom invited views on the indicative estimates and on whether an updated costs benefit analysis should be carried following the implementation of the current review.

Consultation responses

- 8.9 Most respondents considered Ofcom's updated analysis and conclusions to be reasonable, given that there had been no significant change in the economics of USO.
- 8.10 BT was concerned that the costing of uneconomic areas and uneconomic customers was based on an outdated model. In addition, BT noted with disappointment that Ofcom's analysis of PCBs costs had not been carried out in detail and rejected the suggestion that PCBs costs might be over-estimated. On benefits BT argued that there was no evidence for the assumption that brand enhancement was worth 20 per cent of BT's marketing and advertising expenditure and pointed to BT research which it claimed showed that there is not a brand enhancement effect from USO. In relation to benefit arising from PCBs, BT rejected Ofcom's comparison with advertising on bus shelters, considered that the estimated benefits should be lower and added that vandalised PCBs damage reputation. Kingston expressed disappointment that Ofcom did not estimate its USO costs and benefits.
- 8.11 Two aspects of the costs and benefits analysis attracted specific attention from other stakeholders: text relay and special tariff schemes. Some respondents including the Consumer Panel asked for greater details on the costs to BT and other providers of providing the text relay service. On special tariff schemes, some stakeholders argued that the falling costs represented BT's failure to promote and develop effective schemes targeted to these customers while others argued that any future analysis should assess the contribution of mobile operators in meeting the needs of vulnerable through the provision of pre-pay services.
- 8.12 Most respondents on the USO costing issue supported a more detailed assessment of the costs and benefits of universal services but there was no consensus on when it should take place and what it should cover. BT indicated that it was time to revisit the analysis and suggested in particular that the costs of PCBs should be re-investigated in the light of recent developments. Most other providers considered that a detailed assessment should only be undertaken when there is a significant change either in the scope of USO or in the market such as that arising from Next Generation Networks or increased competition and that in a study:
- all benefits should be considered;
 - the focus should be on vulnerable consumers and on those obligations that could not be provided commercially; and
 - the assessment should cost the most efficient delivery of USO.
- 8.13 Several consumer stakeholders argued that Ofcom should study the costs and benefits of providing universal services to all vulnerable people. Some

stakeholders called for the early creation of a fund to which all telecoms service providers would contribute to be used to finance the tendering out of USO services.

Ofcom's conclusions

- 8.14 Ofcom considers that the approach to costing USO set out in the consultation document remains appropriate and the indicative estimates are reasonable because the overall costs and benefits and the technology used to provide USO have not changed significantly since the original analysis in the mid-1990s. On PCB's, even if BT's views on which boxes are included in the costing were accepted, the indicative estimates for PCBs would be unchanged as it is already based on BT's unprofitable PCBs.
- 8.15 However Ofcom acknowledges that the original economic analysis is now quite old. Ofcom therefore believes that it is appropriate to carry out a reassessment of costs and benefits taking account of the changes from the current review when it is implemented from next year. Ofcom will therefore commission a consultancy study into the costs and benefits of USO, beginning in 2006. This study will inform Ofcom's next review of USO and any decision on whether to carry out a full cost benefit analysis under section 70 of the Act.
- 8.16 Should the cost benefit analysis suggest that the provision of USO is likely to represent an unfair burden on BT and/or Kingston in the near to medium term, and prior to any s70 review, Ofcom will begin work with stakeholders on developing proposals on how USO could be jointly funded and provided, as discussed in the STR (see section 3).
- 8.17 This analysis will take account of comments made by stakeholders in responses including:
- estimating the costs of unprofitable PCBs on the basis of more detailed and disaggregated information to be submitted by BT taking into account BT's comment regarding the number of unprofitable PCBs to be included in the costing exercise;
 - revisiting the issue of benefits derived from universal service obligation during its next detailed costs and benefits analysis;
 - considering the appropriate costs and benefits relating to the provision of the text relay service;
 - examining the impact of the new targeted social tariff scheme and the changes in the regime for PCB removal; and
 - assessing separately the costs and benefits to Kingston.
- 8.18 Further details of the issues to be included in the study are set out in Annex N.

Section 9

Responding to this consultation

How to respond

- 9.1 Ofcom invites written views and comments on the issues raised in this document, to be made by 28 September 2005.
- 9.2 Ofcom strongly prefers to receive responses as e-mail attachments, in Microsoft Word format, as this helps us to process the responses quickly and efficiently. We would also be grateful if you could assist us by completing a response cover sheet to indicate whether or not there are confidentiality issues. The cover sheet is attached or can be downloaded from the 'Consultations' section of our website.
- 9.3 Please can you send your response to alan.pridmore@ofcom.org.uk.
- 9.4 Responses may alternatively be posted or faxed to the address below, marked with the title of the consultation.

Alan Pridmore
Competition & Markets
Ofcom
Riverside House
2a Southwark Bridge Road
London SE1 9HA
Fax: 020 7981 3333

- 9.5 Note that we do not need a hard copy in addition to an electronic version. Also note that Ofcom will not routinely acknowledge receipt of responses.
- 9.6 It would be helpful if you can explain why you hold your views, and how Ofcom's proposals would impact on you.

Further information

- 9.7 If you have any questions about the issues raised in this consultation, or need advice on the appropriate form of response, please contact Alan Pridmore on 020 7981 3861.

Confidentiality

- 9.8 Ofcom thinks it is important for everyone interested in an issue to see the views expressed by consultation respondents. We will therefore usually publish all responses on our website; www.ofcom.org.uk as soon as possible after the consultation period has ended.

- 9.9 All comments will be treated as non-confidential unless respondents specify that part or all of the response is confidential and should not be disclosed. Please place any confidential parts of a response in a separate annex, so that non-confidential parts may be published along with the respondent's identity.
- 9.10 Ofcom reserves its power to disclose certain confidential information where this is necessary to fulfil its functions, although in practice it would do so only in limited circumstances.
- 9.11 Please also note that copyright in responses will be assumed to be assigned to Ofcom unless specifically retained.

Next steps

- 9.12 Following the end of the consultation period, Ofcom intends to publish a Statement and consult on any proposed amendments to the Universal Service Conditions in 2005.
- 9.13 Please note that you can register to get automatic notifications of when Ofcom documents are published, at http://www.ofcom.org.uk/static/subscribe/select_list.htm

Ofcom's consultation processes

- 9.14 Ofcom is keen to make responding to consultations easy, and has published some consultation principles (see below) which it seeks to follow, including on the length of consultations.
- 9.15 If you have any comments or suggestions on how Ofcom conducts its consultations, please call our consultation helpdesk on 020 7981 3003 or e-mail us at consult@ofcom.org.uk. We would particularly welcome thoughts on how Ofcom could more effectively seek the views of those groups or individuals, such as small businesses or particular types of residential consumers, whose views are less likely to be obtained in a formal consultation.
- 9.16 If you would like to discuss these issues, or Ofcom's consultation processes more generally, you can alternatively contact Tony Stoller, Director of External Relations who is Ofcom's consultation champion:

Tony Stoller
Ofcom
Riverside House
2A Southwark Bridge Road
London SE1 9HA
Tel: 020 7981 3550
Fax: 020 7981 3630
tony.stoller@ofcom.org.uk

Annex A

Ofcom's consultation principles

Ofcom has published the following seven principles that it will follow for each public written consultation:

Before the consultation

1. Where possible, we will hold informal talks with people and organisations before announcing a big consultation to find out whether we are thinking in the right direction. If we do not have enough time to do this, we will hold an open meeting to explain our proposals shortly after announcing the consultation.

During the consultation

2. We will be clear about who we are consulting, why, on what questions and for how long.
3. We will make the consultation document as short and simple as possible with a summary of no more than two pages. We will try to make it as easy as possible to give us a written response. If the consultation is complicated, we may provide a shortened version for smaller organisations or individuals who would otherwise not be able to spare the time to share their views.
4. We will normally allow ten weeks for responses, other than on dispute resolution.
5. There will be a person within Ofcom who will be in charge of making sure we follow our own guidelines and reach out to the largest number of people and organisations interested in the outcome of our decisions. This individual (who we call the consultation champion) will also be the main person to contact with views on the way we run our consultations.
6. If we are not able to follow one of these principles, we will explain why. This may be because a particular issue is urgent. If we need to reduce the amount of time we have set aside for a consultation, we will let those concerned know beforehand that this is a 'red flag consultation' which needs their urgent attention.

After the consultation

7. We will look at each response carefully and with an open mind. We will give reasons for our decisions and will give an account of how the views of those concerned helped shape those decisions.

Annex B

Consultation response cover sheet

- 2.1 In the interests of transparency, we will publish all consultation responses in full on our website, www.ofcom.org.uk, unless a respondent specifies that all or part of their response is confidential. We will also refer to the contents of a response when explaining our decision, unless we are asked not to.
- 2.2 We have produced a cover sheet for responses (see below) and would be very grateful if you could send one with your response. This will speed up our processing of responses, and help to maintain confidentiality by allowing you to state very clearly what you don't want to be published. We will keep your completed cover sheets confidential.
- 2.3 The quality of consultation can be enhanced by publishing responses before the consultation period closes. In particular, this can help those individuals and organisations with limited resources or familiarity with the issues to respond in a more informed way. Therefore Ofcom would encourage respondents to confirm on the response cover sheet that Ofcom can publish their responses upon receipt.
- 2.4 We strongly prefer to receive responses in the form of a Microsoft Word attachment to an email. Our website therefore includes an electronic copy of this cover sheet, which you can download from the 'Consultations' section of our website.
- 2.5 Please put any confidential parts of your response in a separate annex to your response, so that they are clearly identified. This can include information such as your personal background and experience. If you want your name, contact details, or job title to remain confidential, please provide them in your cover sheet only so that we don't have to edit your response.

Cover sheet for response to an Ofcom consultation

BASIC DETAILS

Consultation title:

To (Ofcom contact):

Name of respondent:

Representing (self or organisation/s):

Address (if not received by email):

CONFIDENTIALITY

What do you want Ofcom to keep confidential?

Nothing

Name/contact details/
job title

Whole response

Organisation

Part of the response

If there is no separate annex, which parts?

If you want part of your response, your name or your organisation to be confidential, can Ofcom still publish a reference to the contents of your response (including, for any confidential parts, a general summary that does not disclose the specific information or enable you to be identified)?

Yes

No

DECLARATION

I confirm that the correspondence supplied with this cover sheet is a formal consultation response. It can be published in full on Ofcom's website, unless otherwise specified on this cover sheet, and all intellectual property rights in the response vest with Ofcom. If I have sent my response by email, Ofcom can disregard any standard email text about not disclosing email contents and attachments.

Review of the Universal Service Obligation: Statement

Ofcom can publish my response: on receipt once the consultation ends	
Name	Signed (if hard copy)

Annex C

Consultation issues

Ofcom is inviting comments on the following issues:

No	Section/Annex	Question/draft text
1	Section 4.29	Ofcom is seeking views on the proposal that BT should proceed with the revised targeted scheme and on Ofcom's proposed measures to ensure take-up.
2	Para 5.51 Annex E	Ofcom is inviting views on amendments proposed in Annex E to the USO designation to implement the changes to the definition of Site.
3	Para 5.51 Annex G	Ofcom is inviting views on amendments proposed in Annex G to the Direction on PCBs to implement the changes to: <ul style="list-style-type: none"> ▪ the definition of Site ▪ the public bodies with the local veto ▪ the extended consultation period ▪ the rules on cashless PCBs
4	Para 5.51 Annex H	Ofcom is inviting views on guidance proposed in Annex H
5	Para 6.58 Annex F	Ofcom is inviting views on amendments proposed in Annex F to General Condition 6 to implement the changes relating to the accessibility of PCBs
6	Para 6.58 Annex I	Ofcom is inviting views on amendments proposed in Annex I to General Condition 15 to implement the changes relating to the obligation to provide: <ul style="list-style-type: none"> ▪ bills and contracts in acceptable formats ▪ short code number access
7	Para 7.54 Annex J	Ofcom is inviting views on the consent to non-uniform charging proposed in Annex J
8	Para 7.54 Annex K	Ofcom is inviting views on guidance on reasonable requests proposed in Annex K
9	Para 7.54 Annex M	Ofcom is inviting views on amendments to guidelines on FIA proposed in Annex M

Annex D

BT Schemes

BT Pay & Call

D.1 The pre-pay product Pay & Call is referred to in Section 4. BT introduced the Pay&Call product to target mainly customers who have difficulty controlling their spending or who are paying off an outstanding debt to BT. Pay & Call is a commercial product, ie not required as part of the USO. It can be used with BT's main commercial residential tariff packages. The following are unavailable:

- | | |
|--|--|
| <ul style="list-style-type: none">• BT Working Together• Broadband• Business Lines• Call Forwarding• Friends & Family Gold | <ul style="list-style-type: none">• Home Highway• ISDN and ISDN2• Light User Scheme• Ring Back When Free• Surftalk |
|--|--|

D.2 Customers have their own BT Pay&Call “moneybox” into which they can pay money at any time. When they make a call, the cost of the call is automatically deducted from the moneybox. The rental is also paid through the moneybox at the intervals agreed when joining Pay&Call – weekly, fortnightly, monthly or quarterly. So the amount of money in the moneybox will periodically go down, even if the customer is not making any calls.

D.3 The moneybox can be topped up to a maximum of £500 using three payment methods: BT Pay&Call Payment Card, Debit Card and Direct Debit. BT's Pay&Call Payment Card can be used at any of the 10k PayPoint outlets to pay cash into the moneybox.

D.4 BT Pay&Call automatically warns the customer when the amount of money in the moneybox has fallen to £2 or less by playing a message when a chargeable call is made. Customers can also set the service to tell them how much is left in the account every time they make a call.

D.5 When the moneybox is empty the customer cannot make outgoing calls (except to 0800 numbers, 999 and 112) but will still be able to receive incoming calls. However, if the customer does not top up the moneybox and a periodic rental payment or debt repayment is due, this then pushes the moneybox into the red. The customer then has 21 days to top up the moneybox (to at least £0.00). If the customer does not top up the moneybox within 21 days, they will no longer be able to receive incoming calls and BT will add an Administration Fee to the debt.

D.6 As of May 2005, BT had 96,714 customers registered on Pay & Call of which 85,247 are actively using the service. BT has recently increased promotion of BT Pay&Call to customers facing disconnection or with a propensity to rung up bad debt, as a result customer numbers have increased by around 3000 per week.

Light User Scheme (LUS)

D.7 Section 4 refers to the LUS. The current tariffs are:

Rental: For quarterly call bills at or below £10.90, the rebate is 11.56 pence for every 10 pence that call charges fall below £16.75. Where the quarterly call bill is above £10.90, but at or below £15.07, the rebate is be £6.77. Where the quarterly call bill is above £15.07 there will be no rebate for that quarter. (Figures exclude VAT)

Calls
National daytime - 7.9p per min
National evening - 3.95p per min
National weekend - 1.95p per min
Local daytime - 3.95p per min
Local evening and weekend - 1p per min.

InContact (also know as InContact Plus)

- D.8 Customers joining *InContact* pay a joining fee of £9.99. For a quarterly line rental of £9.25, customers of *InContact* are able to receive all incoming calls. The following outgoing calls can be made as normal; emergency services (999, 112), BT operator services (150, 151) and BT's Ring MeFree service (12822), Textphone access for 150/151 (0800 243 123), 999 (0800 112 999), freephone numbers (excluding indirect access).
- D.9 In addition, calls can be made using a prepaid card, BT In Contact Cards are available from PayPoint outlets (there are over nine thousand nationally in newsagents, convenience stores and petrol stations). Once purchased the In Contact Card can be kept and topped up as required with a minimum value of £5 to a maximum value of £25 per transaction. The card value (including any top-ups) must be used within six months or it will be forfeited. Calls are charged at 10p per unit.
- D.10 To make a call using Phonecard Plus from an *InContact* line, the code 14257 must first be dialled. The service then asks for the account number on the back of the card, and then the full telephone number required.
- D.11 *InContact* is available only on single residential exchange lines and not on lines connected to payphones or those used exclusively in connection with a burglar alarm or other monitoring service. It cannot be used as an additional line in households with telephone service from another source, including mobile. Itemised statements and bills are not available.

Annex E

PCBs: Explanatory Memorandum and Notification of changes to USO designation

Explanatory Memorandum

- E.1 Ofcom is consulting on a change to the definition of “Site” under Paragraph 1 of Part 1 of the Schedule to the Notification designating BT and Kingston as USO providers to a walking distance of 400 metres from a PCB.
- E.2 As explained in paragraphs 5.16 to 5.21, the proposal to change the definition of “Site” from 100 to 400 metres reflects changing market conditions and responses received to the consultation document.
- E.3 Ofcom has sent a copy of the notification set out in this Annex E to the Secretary of State in accordance with section 50(1) of the Act. Ofcom also considers it appropriate to send a copy of the notification to the European Commission under section 50(6) of the Act, given that the Commission is currently consulting on its review of the scope of universal service as further described at section 3 of the main statement.

Section 3 and section 4 analysis

- E.4 Ofcom has considered its duties under section 3 of the Act and all the Community requirements set out in section 4. The proposal, together with the additional proposals set out in paragraph G.1, further the interests of citizens in relation to communication matters and of consumers in relevant markets because, as long as there remains a PCB within a Site, the PCB cannot be removed without BT or Kingston complying with their obligations to consult with relevant public bodies. The proposed modification promotes the interests of all persons who are citizens of the European Union by ensuring that the reasonable needs of end users are met in terms of geographical coverage, the number of PCBs and the quality of call box services.

Section 47 analysis

- E.5 Under section 47 of the Act, Ofcom must not modify a universal service condition unless it is objectively justifiable in relation to the networks, services, facilities, apparatus or directories to which it relates, not such as to discriminate unduly against particular persons or against a particular description of persons, proportionate to what the modification is intended to achieve and in relation to what it is intended to achieve, transparent.

- E.6 Ofcom considers that the proposal is objectively justifiable because it will ensure the adequate provision of PCBs throughout the UK in order to meet the reasonable needs of end users in terms of geographic coverage, the number of PCBs and the quality of call box services.
- E.7 The proposal does not discriminate unduly against particular persons because it applies equally to BT and Kingston as USO providers.
- E.8 The proposal is proportionate in that it does not place an undue burden on BT and Kingston, while ensuring that end-users' interests are taken into account.
- E.9 The proposal is transparent because the new definition of "Site" is publicised by means of this consultation.

Consultation

- E.10 Ofcom is inviting written views and comments by **5pm on 28 September 2005** on the notification and the proposal to modify the definition of "Site" as set out in this Annex E.
- E.11 Details on how to respond are set out in section 9.

Notification of a proposed modification under section 48(2) of the Communications Act 2003

Proposal to modify the definition of “Site” under Paragraph 1 of Part 1 of the Schedule to the Notification designating British Telecommunications plc and Kingston Communications (Hull) plc as universal service providers and setting conditions, published by the Director General of Telecommunications on 21 July 2003 pursuant to the Electronic Communications (Universal Service) Regulations 2003 (‘the Universal Service Notification’).

1. Ofcom, in accordance with section 48(2) of the Communications Act 2003 (‘the Act’), hereby make the following proposal to modify the definition of “Site” under Paragraph 1 of Part 1 of the Schedule to the Universal Service Notification.
2. The draft modification of the Universal Service Notification is set out in the Schedule to this Notification.
3. The effect of, and Ofcom’s reasons for making, the proposed modification of the Universal Service Notification is set out in the accompanying explanatory memorandum.
4. Ofcom considers that the proposed modification of the Universal Service Notification complies with the requirements of sections 45 to 50 of the Act, as appropriate and relevant to the proposal.
5. In making the proposed modification of the Universal Service Notification, Ofcom has considered and acted in accordance with their general duties in section 3 of the Act and the six community requirements in section 4 of the Act.
6. Representations may be made to Ofcom about the proposed modification of the Universal Service Notification by **5pm** on 28 September 2005.
7. Copies of this Notification and the accompanying explanatory memorandum have been sent to the Secretary of State in accordance with section 50(1)(a) of the Act and to the European Commission in accordance with section 50(6) of the Act.
8. The Schedule to this Notification shall form part of this Notification.

[person]

A person authorised by Ofcom under paragraph 18 of the Schedule to the Office of Communications Act 2002

[date]

Schedule

Proposal for modification to the definition of “Site” under Paragraph 1 of Part 1 of the Schedule to the Notification designating British Telecommunications plc and Kingston Communications (Hull) plc as universal service providers and setting conditions, published by the Director General of Telecommunications on 21 July 2003 pursuant to the Electronic Communications (Universal Service) Regulations 2003 (‘the Universal Service Notification’).

A. The definition of “Site” under Paragraph 1 of Part 1 of the Universal Service Notification shall be deleted and replaced by:

“Site”, in relation to a Public Call Box, means any area within a walking distance of 400 metres from that Public Call Box.

Annex F

PCBs: Explanatory Memorandum and Notification of changes to General Condition 6

Explanatory Memorandum

- F.1 Ofcom is consulting on change to General Condition 6 that increase the percentage of Public Call Boxes (“PCBs”) that are accessible by reasonable means to End-Users in wheelchairs and incorporate additional receiving amplification so that the speaker’s volume can be increased. In addition, a change is proposed that requires Communications Providers to take all reasonable steps to incorporate apparatus that will enable hearing aids users to use such aids in conjunction with the telephones installed in the Public Call Boxes provided.
- F.2 As explained in paragraphs 6.31 to 6.41, the proposal to raise the wheelchair accessibility and additional receiving amplification requirements for PCBs from 75 to 80 per cent reflects changing market conditions and responses received to the consultation document. The proposal to restore the requirement for PCBs to have inductive coupling is to improve the accessibility of PCBs for customers with hearing aids.
- F.3 Ofcom has sent a copy of the notification set out in this Annex F to the Secretary of State in accordance with section 50(1) of the Act. Ofcom also considers it appropriate to send a copy of the notification to the European Commission under section 50(6) of the Act, given that the Commission is currently consulting on its review of the scope of universal service as further described at section 3 of the main statement.

Section 3 and section 4 analysis

- F.4 Ofcom has considered its duties under section 3 of the Act and all the Community requirements set out in section 4. The proposal furthers the interests of citizens in relation to communication matters and of consumers in relevant markets because the proposed modifications help improve the accessibility of PCBs, having regard to the needs of persons with disabilities. The proposed modifications also promote the interests of all persons who are citizens of the European Union because it promotes accessibility of PCBs in an appropriate manner.

Section 47 analysis

- F.5 Under section 47 of the Act, Ofcom must not modify a general condition unless it is objectively justifiable in relation to the networks, services, facilities, apparatus or directories to which it relates, not such as to discriminate unduly against particular persons or against a particular description of persons, proportionate to what the modification is intended to achieve and in relation to what it is intended to achieve, transparent.
- F.6 Ofcom considers that the proposal to raise the accessibility targets is objectively justifiable because it will increase the accessibility of PCBs by end-users with a disability. .
- F.7 It does not discriminate unduly against particular persons because it applies to all communication providers having regard to their particular circumstances. The wheelchair accessibility target for the Hull area is lower because there are proportionally more PCBs in that area relative to the rest of the United Kingdom.
- F.8 It is proportionate, in that does not place an undue burden on providers because the increased targets are realistically achievable by providers while ensuring that end-users' interests are taken into account.
- F.9 It is transparent because the new accessibility proposals are publicised by means of this consultation.

Consultation

- F.10 Ofcom is inviting written views and comments by **5pm on 28 September 2005** on the notification and the proposal to modify General Condition 6 as set out in this Annex F.
- F.11 Details on how to respond are set out at section 9.

Notification of a proposed modification under section 48(2) of the Communications Act 2003

Proposal for modification of General Condition 6 regarding public pay telephones, which is set out in the schedule to the notification under section 48(1) of the Communications Act 2003 published by the Director General of Telecommunications on 22 July 2003

1. OFCOM in accordance with section 48(2) of the Act hereby make the following proposal for the modification of General Condition 6 regarding public pay telephones.
2. The draft modification is set out in the Schedule to this Notification.
3. The effect of, and OFCOM's reasons for making, the proposal referred to in paragraph 1 above is set out in the accompanying explanatory memorandum.
4. OFCOM consider that the proposed modification referred to in paragraph 1 above complies with the requirements of sections 45 to 50 of the Act, as appropriate and relevant to the proposal.
5. In making the proposal set out in this Notification, OFCOM has considered and acted in accordance with their general duties in section 3 of the Act and the six Community requirements in section 4 of the Act.
6. Representations may be made to OFCOM about the proposal set out in this Notification by **5 pm on 28 September 2005**.
7. Copies of this Notification and the accompanying explanatory memorandum have been sent to the Secretary of State in accordance with section 50(1)(a) of the Act and to the European Commission in accordance with section 50(6) of the Act.
8. In this Notification:
 - (i) "the Act" means the Communications Act 2003;
 - (ii) "General Conditions" means as set out in the schedule to the notification under section 48(1) of the Communications Act 2003 published by the Director General of Telecommunications on 22 July 2003; and
 - (iii) "OFCOM" means the Office of Communications.
9. Except insofar as the context otherwise requires, words or expressions shall have the meaning assigned to them in this Notification and otherwise any word or expression shall have the same meaning as it has in the General Conditions and otherwise any word or expression shall have the same meaning as it has in the Act.
10. For the purpose of interpreting this Notification:
 - (i) headings and titles shall be disregarded; and
 - (ii) the Interpretation Act 1978 shall apply as if this Notification were an Act of Parliament.

11. The Schedule to this Notification shall form part of this Notification

[person]

A person authorised by Ofcom under paragraph 18 of the Schedule to the Office of Communications Act 2002

[date]

Schedule

Proposal for modification to General Condition 6 regarding public pay telephones, which is set out in the schedule to the notification under section 48(1) of the Communications Act 2003 published by the Director General of Telecommunications on 22 July 2003

General Condition 6 shall be modified as set out below (the deleted text has been struck through and the added text underlined, both are highlighted in yellow for ease of reference):

6. PUBLIC PAY TELEPHONES

6.1 The Communications Provider shall ensure that any End-User can access:

- (a) operator assistance services; and
- (b) a Directory Enquiry Facility;

from the Public Pay Telephone, except where:

- (i) the Public Pay Telephone in question is not a Public Call Box; and
- (ii) such services or facilities have been rendered inaccessible by the Communications Provider for the purposes of debt management.

6.2 The Communications Provider shall display and take all reasonable steps to keep displayed prominently on or around the Public Pay Telephone a notice specifying:

- (a) the minimum charge payable for connection of a call;
- (b) the means by which the charge may be paid;
- (c) the location of the Public Pay Telephone sufficient to enable it to be located as swiftly as possible by the Emergency Organisations;
- (d) that calls to Emergency Organisations using the numbers “112” and “999” may be made from the Public Pay Telephone free of charge and without having to use coins or cards; and
- (e) whether or not the Public Pay Telephone is available to receive a call, and if so, the Telephone Number of the Public Pay Telephone.

6.3 Where the Communications Provider provides Public Call Boxes, the Communications Provider shall also:

- (a) ensure that:
 - (i) where it provides Public Call Boxes anywhere in the United Kingdom except the Hull Area, at least 75% 80% of those Public

Call Boxes are accessible by reasonable means to End-Users in wheelchairs;

- (ii) where it provides Public Call Boxes in the Hull Area, at least 50% of those Public Call Boxes are accessible by reasonable means to End-Users in wheelchairs; and
 - (iii) at least ~~75%~~ **80%** of its Public Call Boxes incorporate additional receiving amplification;
 - (iv) **it takes all reasonable steps to incorporate in its Public Call Boxes apparatus enabling persons using hearing aids designed for use in conjunction with telephones of the kind installed in Public Call Boxes to use such hearing aids.**
- (b) consult the Director from time to time on all future material changes to the design of its Public Call Boxes where the interests of disabled persons are likely to be affected to ensure that the needs and interests of disabled persons are fully taken into account in the development and provision of such telephones;
- (c) consult the Director from time to time and in any event as the Director may request to ensure adequate provision, in terms of numbers and locations, of its Public Call Boxes incorporating textphone facilities. Where the Director is satisfied, following due investigation and discussions with the Communications Provider, that such provision is inadequate, he may direct a Communications Provider to provide Public Call Box textphone facilities as he deems appropriate in terms of numbers and location; and
- (d) only be entitled to cease to provide or to cease to secure the provision of Publicly Available Telephone Services to and from a Public Call Box if it has installed prominently on or around that Public Call Box (and has taken all reasonable steps to keep so displayed for the period mentioned below) a notice specifying:
- (i) that the Communications Provider is proposing that such services shall cease to be provided at such Public Call Box on the expiration of the period set out in the notice (being not being less than 42 days, commencing with the day on which the notice is first displayed), and
 - (ii) the name and address of the Communications Provider, and such period has expired.

6.4 For the purposes of this Condition,

- (a) "Communications Provider" means a person who provides a Public Pay Telephone;
- (b) "Hull Area" means the area defined as the 'Licensed Area' in the

licence granted on 30 November 1987 by the Secretary of State under section 7 of the Telecommunications Act 1984 to Kingston upon Hull City Council and Kingston Communications (Hull) plc;

- (c) “Public Call Box” means a Public Pay Telephone which is permanently installed on public land and to which the public has access at all times.

Annex G

PCBs: Explanatory Memorandum and Notification of changes to Direction

Explanatory Memorandum

- G.1 Ofcom is consulting on changes to the procedures for the complete removal of PCBs from a Site that amend the list of local public bodies that can object to the proposed removal to county, unitary authority or equivalent level, amend the definition of "Site" to a walking distance of 400 metres from a PCB, extend the consultation period from 42 to 90 days and introduce a new requirement that at least 70 per cent of PCBs that provide call box services shall offer cash payment facilities. As explained in paragraphs 5.1 to 5.51, the proposals reflect changing market conditions and responses received to the consultation document.
- G.2 Ofcom has sent a copy of the notification set out in this Annex G to the Secretary of State in accordance with section 50(1) of the Act. Ofcom also considers it appropriate to send a copy of the notification to the European Commission under section 50(6) of the Act, given that the Commission is currently consulting on its review of the scope of universal service as further described at section 3 of the main statement.

Section 3 and section 4 analysis

- G.3 Ofcom has considered its duties under section 3 of the Act and all the Community requirements set out in section 4. The proposals further the interests of citizens in relation to communication matters and of consumers in relevant markets because, as long as there remains a PCB within a Site, the PCB cannot be removed without BT or Kingston complying with their obligations to consult with relevant public bodies. The proposed modifications promote the interests of all persons who are citizens of the European Union by ensuring that the reasonable needs of end users are met in terms of geographical coverage, the number of PCBs and the quality of call box services.

Section 49 analysis

- G.4 Under section 49 of the Act, Ofcom must not modify a direction unless it is objectively justifiable in relation to the networks, services, facilities, apparatus or directories to which it relates, not such as to discriminate unduly against particular persons or against a particular description of persons, proportionate to what the modification is intended to achieve and in relation to what it is intended to achieve, transparent.
- G.5 Ofcom considers that the proposals are objectively justifiable because they will ensure the adequate provision of PCBs throughout the UK in order to meet the

reasonable needs of end users in terms of geographic coverage, the number of PCBs and the quality of call box services.

- G.6 The proposals do not discriminate unduly against particular persons because they apply equally to BT and Kingston as USO providers.
- G.7 The proposals are proportionate because public bodies are under a statutory obligation to comply with the consultation and notification requirements in section 49 of the Act before they object to the removal of the last PCB from a Site and to provide reasons. BT and Kingston have a statutory right of appeal under section 192 of the Act against the decision of a public body.
- G.8 The proposals are transparent because the new procedures for the complete removal of PCBs from a Site are publicised by means of this consultation.

Consultation

- G.9 Ofcom is inviting written views and comments by **5pm on 28 September 2005** on the notification and the proposal to modify a direction as set out in this Annex G.
- G.10 Details on how to respond are set out in section 9.

Notification under section 49(4) of the Communications Act 2003

Proposals for modifying a Direction imposed on British Telecommunications plc and Kingston Communications (Hull) plc under Condition 3 in Parts 2 and 3 of the Schedule to a Notification published by the Director General of Telecommunications on 21 July 2003 pursuant to the Electronic Communications (Universal Service) Regulations 2003 ('the 2003 Direction').

1. Ofcom, in accordance with section 49(4) of the Communications Act 2003 ('the Act'), hereby make the following proposals to modify the 2003 Direction.
2. The draft modification of the 2003 Direction is set out in the Schedule to this Notification.
3. The effect of, and Ofcom's reasons for making, the proposed modification of the 2003 Direction is set out in the accompanying explanatory memorandum.
4. Ofcom consider that the proposed modification of the 2003 Direction complies with the requirements of sections 45 to 50 of the Act, as appropriate and relevant to the proposals.
5. In making the proposed modification of the 2003 Direction, Ofcom has considered and acted in accordance with their general duties in section 3 of the Act and the six community requirements in section 4 of the Act.
6. Representations may be made to Ofcom about the proposed modification of the 2003 Direction by **5pm** on 28 September 2005.
7. Copies of this Notification and the accompanying explanatory memorandum have been sent to the Secretary of State in accordance with section 50(1)(b) of the Act and to the European Commission in accordance with section 50(6) of the Act.
8. The Schedule to this Notification shall form part of this Notification.

[person]

A person authorised by Ofcom under paragraph 18 of the Schedule to the Office of Communications Act 2002

[date]

Schedule

Proposal for modification of a Direction imposed on British Telecommunications plc and Kingston Communications (Hull) plc under Condition 3 in Parts 2 and 3 of a Notification published by the Director General of Telecommunications on 21 July 2003 pursuant to the Electronic Communications (Universal Service) Regulations 2003 ('the 2003 Direction').

Proposed deletions to the 2003 Direction appear in strikethrough in the draft modification. Proposed additions appear in underline in the draft modification. Both are highlighted in yellow for ease of reference.

Part 1: Definitions and Interpretation

1.1 For the purpose of interpreting this Direction the following definitions shall apply:

"Relevant Public Body" means:

- a) In relation to England, the relevant local County Council, London Borough Council, Metropolitan Council, Unitary Council, the Corporation of London or the Council of the Isles of Scilly;
- b) In relation to Northern Ireland, the Unitary District;
- c) In relation to Scotland, the Unitary Council;
- d) In relation to Wales, the Unitary County; or

any successor bodies or organisations from time to time.

"Site", in relation to a Public Call Box, means any area within a walking distance of 100 metres from that Public Call Box; and

"The Universal Service Notification" means a Notification published by the Director General of Telecommunications on 21 July 2003 pursuant to the Electronic Communications (Universal Service) Regulations 2003 designating British Telecommunications plc and Kingston Communications (Hull) plc as universal service providers and confirming the universal service conditions;

"Universal Service Provider" means British Telecommunications plc and Kingston Communications (Hull) plc";

1.2 Except insofar as the context otherwise requires, words or expressions shall have the meaning assigned to them in this Notification (including in the Parts) and otherwise any word or expression shall have the same meaning it has in the Act or the Universal Service Notification (including in the Annexes), the Universal Service Regulations or the Condition as appropriate.

1.3 For the purpose of interpreting this modified Direction:

- (a) Headings and titles shall be disregarded; and
- (b) The Interpretation Act 1978 shall apply as if this Direction were an Act of Parliament.

1.4 This Direction shall take effect on the day it is published.

Part 2: The Direction

Complete removal of Public Call Boxes and/or Call Box Services from a Site

2.1 The Universal Service Provider shall not remove or re-site any of its Public Call Boxes and/or cease to provide Call Box Services where such removal re-siting or cessation of provision would result in the complete removal of Public Call Boxes and/or Call Box Services from a Site unless the requirements set out in paragraphs 2.2 to 2.5 of this Direction have been satisfied.

2.2 The Universal Service Provider shall display a notice in a prominent place on the Public Call Box which it proposes to remove or re-site and/or to which it intends to cease to provide Call Box Services informing the public of the proposed change and setting out:

- a) The nature and effect of the proposal;
- b) The period within which members of the public may make representations about the proposal, which shall be 42 days after the day on which the notice is first displayed;
- c) The address of the nearest alternative Public Call Box providing Call Box Services; and
- d) The Relevant Public Body to whom representations may be made about the proposal ('the payphone notice').

~~(c) the bodies to whom representations may be made about the proposal which shall be any of the following—~~

- ~~(i) the local planning authority;~~
- ~~(ii) in the case of England, the local parish council;~~
- ~~(iii) in the case of Scotland and Wales, the local community council;~~
- ~~(iv) in the case of Northern Ireland, the local council and any appropriate local community groups;~~

~~and the Universal Service Provider shall not bring its proposals into effect unless it has considered all representations made to it in relation to the proposal within the period specified in sub-paragraph (b).~~

2.3 The Universal Service Provider shall give written notice of its proposed removal or re-siting of a Public Call Box and/or the cessation of the provision of Call Box Services to the Relevant Public Body setting out:

- a) The nature and effect of the proposal;
- b) Any information in support of the proposal;
- c) The consultation and notification procedures;
- d) The date on which the payphone notice was first displayed on the Public Call Box (and provide a copy);
- e) The address of the nearest alternative Public Call Box providing Call Box Services; and

- f) That objection may be made to the Universal Service Provider by the Relevant Public Body ('the written notice').

2.3 The Universal Service Provider shall give notice of its proposed removal, re-siting or cessation of provision to the local planning authority and –

- a) in the case of England, the local parish council,
- b) in the case of Scotland and Wales, the local community council,
- c) in the case of Northern Ireland, the local council and any appropriate local community groups,

setting out the nature and effect of the proposal and that objections may be made by the bodies to whom the notice has been given.

2.4 On receipt of the written notice given by the Universal Service Provider under paragraph 2.3 the Relevant Public Body shall comply with the consultation and notification procedures in the Act.

2.4 Where, having made all reasonable efforts to do so, the Universal Service Provider is unable to contact any of the bodies listed in sub-paragraphs a), b) or c) of paragraph 2.3, the Universal Service Provider may ask the local planning authority to forward the notice of its proposal to the relevant body or bodies.

2.5 The Universal Service Provider shall not bring its proposal into effect if it has received any written objection to the proposal by the Relevant Public Body within the period ending 90 days after the day on which notice was given under paragraph 2.3.

2.5 The Universal Service Provider shall not bring its proposal into effect if it has received any written objection to the proposal by any of the public bodies listed in paragraph 2.3 within the period ending 42 days after the day on which notice was given. Any written objection given must state that it is an objection to the proposal and must provide reasons for the objection.

Cash payment

2.6 The Universal Service Provider shall ensure that at least 70 per cent of one Public Call Boxes providing Call Box Services shall offer cash payment facilities. , except in the case of existing Sites consisting of a Public Call Box which, for historical crime-related reasons, has already had the cash payment option removed.

Request for new Public Call Boxes

2.7 In considering a request for the provision of a new Public Call Box and related Call Box Services in order to meet the reasonable needs of a local community the Universal Service Provider shall take into account:

2.7 The matters that the Universal Service Provider should take into account in considering a request received under paragraph 3.3 of the Condition are as follows –

- a) The size of the local community which is said to require the provision of a new Public Call Box and related Call Box Services;

- b) The quality of housing which exists in the said local community; and
- c) The distance from an existing Public Call Box to the proposed new Public Call Box.

2.8 In relation to each of the factors matters specified in paragraph 2.7 The Universal Service Provider shall allocate a score to the proposal as appropriate by reference to each of the three factors matters set out in paragraph 422.7 and shall decide whether or not to grant the request on the basis of the total score. The available scores are as follows:

Size of community	Score	Housing type	Score	Access to existing Public Call Box	Score
<100	1	Quality private	0	Within 5-10 minutes walk	1
100-200	2	General private	2	Within 10-15 minutes walk	3
200-500	3	Private rented or multi-occupancy	4	No provision within one mile	4
500+	4	Good social housing	4	No provision within three miles	5
		Poor social housing	6	No provision within six miles	6

2.9 Where the total score is 10 or more the Universal Service Provider shall grant the request for a new Public Call Box and related Call Box Services. Except in exceptional circumstances, where the total score is eight or less the Universal Service Provider shall not grant the request. Where the total score is nine the Universal Service Provider shall give due consideration to the request and shall grant the request if appropriate.

Annex H

Guidance on procedures for the complete removal of public call boxes and/or call box services from a site

1. Introduction and overview

1.1 Ofcom published on [date] 2005 a Direction setting out:

- Procedures for the complete removal of Public Call Boxes and Call Box Services from a Site;
- Procedures for requests for new Public Call Boxes and related Call Box Services; and
- The requirement that at least 70 per cent of Public Call Boxes offer cash payment facilities.

[enter link]

1.2 This guidance is intended to assist Relevant Public Bodies in carrying out their duties under paragraph 2.4 of the Direction. It is intended also to promote consistency of decisions between Relevant Public Bodies. It also provides examples of circumstances in which the Universal Service Provider might reasonably remove the cash payment facility from a Public Call Box.

2. Status of this guidance

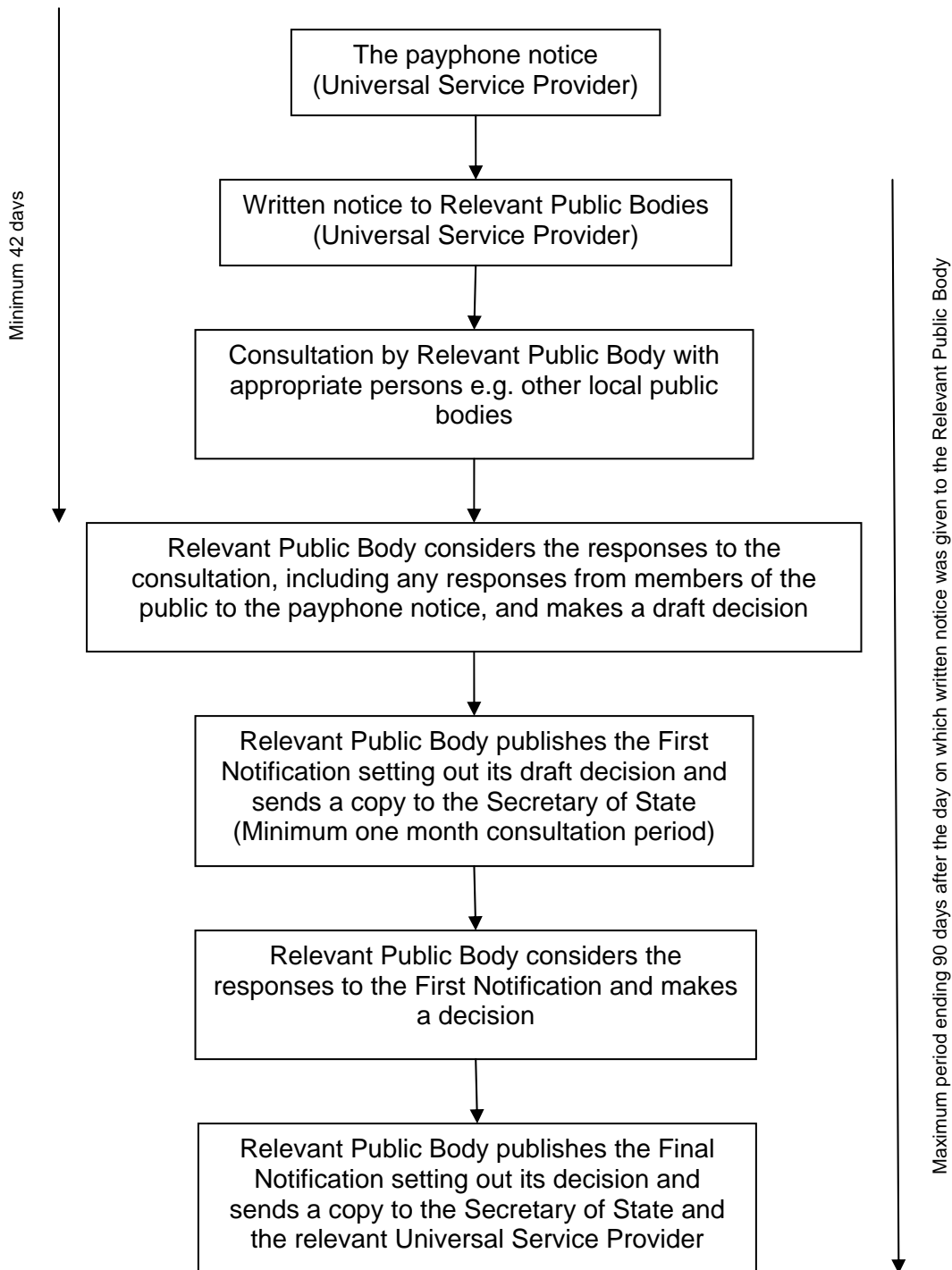
2.1 Compliance with this guidance does not guarantee compliance with any legal requirement.

2.2 Except insofar as the context otherwise requires, words or expressions shall have the same meaning it has in the Direction.

3. Overview

3.1 The following diagram shows the various stages in the procedures for the complete removal of Public Call Boxes and/or Call Box Services from a Site. Each stage is described in more detail in this guidance.

Diagram: Procedure for the complete removal of Public Call Boxes and/or Call Box Services from a Site



4. The payphone notice

- 4.1 The Universal Service Provider must display a notice in a prominent place on the Public Call Box which it proposes to remove or re-site and/or to which it intends to cease to provide Call Box Services informing the public of the proposed change and setting out:
- The nature and effect of the proposal;
 - The period within which members of the public may make representations about the proposal, which shall be 42 days after the day on which the notice is first displayed;
 - The address of the nearest alternative Public Call Box providing Call Box Services; and
 - The Relevant Public Body to whom representations may be made about the proposal ('the payphone notice').

5. Written notice to relevant public bodies

- 5.1 The Universal Service Provider must also give written notice of its proposed removal or re-siting of a Public Call Box and/or the cessation of the provision of Call Box Services to the Relevant Public Body setting out:
- The nature and effect of the proposal;
 - Any information in support of the proposal;
 - The consultation and notification procedures;
 - The date on which the payphone notice was first displayed on the Public Call Box (and provide a copy);
 - The address of the nearest alternative Public Call Box providing Call Box Services; and
 - That objection may be made to the Universal Service Provider by the Relevant Public Body ('the written notice').

6. Consultation

- 6.1 The Relevant Public Body should bring the contents of the payphone notice and the written notice to the attention of such persons as it considers appropriate, asking for comments on the proposal to be made to the Relevant Public Body within a stipulated period.
- 6.2 Such persons might include other local public bodies, e.g. the district, parish or community council. In Northern Ireland, the Relevant Public Body should also consider which local community groups, if any, to consult with.
- 6.3 It is likely that Relevant Public Bodies will already have in place various consultation mechanisms and procedures which allow local issues to be discussed with local communities, e.g. local strategic partnerships and neighbourhood-based systems of local meetings.

7. Responses to consultation

- 7.1 The Relevant Public Body should consider the responses to the consultation, if any, received within the stipulated period, and including responses from members of the public received by them within the 42 days period after the payphone notice was first displayed on the Public Call Box.
- 7.2 In deciding whether to consent or object to the proposal, the Relevant Public Body must be satisfied that its decision is:
- Objectively justifiable in relation to the networks, services, facilities, apparatus or directories to which it relates;
 - Not such as to discriminate unduly against particular persons or against a particular description of persons;
 - Proportionate to what it is intended to achieve; and
 - In relation to what it is intended to achieve, transparent.
- 7.3 The Relevant Public Body must also be satisfied that it acted in accordance with the six Community requirements set out in section 4 of the Act:
- To promote competition in the provision of electronic communications networks and services, associated services and facilities and the supply of directories capable of being used in connection with the use of such networks or services;
 - To contribute to the development of the European internal market;
 - To promote the interests of all persons who are citizens of the European Union;
 - Not to favour one form of electronic communications network, service or facility or one means of providing or making available such a network, service or facility over another;
 - To encourage network access and service interoperability for the purpose of securing efficiency and sustainable competition in the markets for electronic communication networks, services and associated facilities and the maximum benefit for customers of communications providers and of persons who make such facilities available; and
 - To encourage compliance with standards as is necessary for facilitating service interoperability and securing freedom of choice for the customers of communications providers.
- 7.4 Where it appears to a Relevant Public Body that any of the Community requirements conflict with each other they must secure that the conflict is resolved in a manner they think best in the circumstances.
- 7.5 To assist Relevant Public Bodies to consider the responses and to make a decision to consent or object to the proposal, Ofcom has included in Annex AA of this guidance factors which it considers relevant to the decision. Relevant Public Bodies should refer to these factors.

8. First notification

- 8.1 Having considered the responses to the consultation, if any, the Relevant Public Body must publish its draft decision in the form of a notification ('the First Notification'). To assist Relevant Public Bodies, Ofcom has included in Annex BB of this guidance a specimen notification. The First Notification must:
- State that there is a proposal for the complete removal of Public Call Boxes and/or Call Box Services from a Site;
 - Identify the Universal Service Provider whose proposal it is;
 - Set out the draft decision to consent or object to the proposal;
 - Set out the effect of the draft decision to consent or object to the proposal;
 - Give reasons for the draft decision to consent or object to the proposal;
 - Specify the period within which representations may be made about the proposal to the Relevant Public Body;
 - Confirm that the draft decision complies with the requirements of sections 45 to 50 of the Act, as appropriate and relevant to the proposal;
 - Confirm that in making the draft decision, the Relevant Public Body have considered and acted in accordance with the six Community requirements in section 4 of the Act;
 - Confirm that a copy of the First Notification has been sent to the Secretary of State.
- 8.2 Except in exceptional circumstances justifying the use of a shorter period, the period mentioned in paragraph 8.1 for representations must be one ending not less than one month after the day of the publication of the First Notification.
- 8.3 The publication of the First Notification must be in such a manner as appears to the Relevant Public Body to be appropriate for bringing the contents of the notification to the attention of such persons as it considers appropriate.
- 8.4 Such persons might include other local public bodies, e.g. the district, parish or community council. In Northern Ireland, it might include local community groups. Ofcom would expect the Relevant Public Body to send a copy of the First Notification to the relevant Universal Service Provider.
- 8.5 The Relevant Public Body must send a copy of the First Notification to the Secretary of State. Ofcom has included in Annex CC of this guidance a specimen letter for this purpose.
- 8.6 Under section 50(6) of the Act the Relevant Public Body may if appropriate also send a copy of the First Notification to the European Commission. Ofcom does not believe there will normally be a need to notify the Commission in the case of proposed Public Call Box removals.

9. Final Notification

- 9.1 The Relevant Public Body may consent or object to a proposal only if it has considered every representation about the proposal that is made to it within the period specified in the First Notification and has had regard to every international obligation of the UK (if any) which has been notified to Ofcom for the purposes of this requirement (none to date).
- 9.2 Having considered the responses to the First Notification, if any, the Relevant Public Body must publish its decision in the form of a notification ('the Final Notification'). To assist Relevant Public Bodies, Ofcom has included in Annex DD of this guidance a specimen notification. The Final Notification must:
- State that there is a proposal for the complete removal of Public Call Boxes and/or Call Box Services from a Site;
 - Identify the Universal Service Provider whose proposal it is;
 - Set out the decision to consent or object to the proposal;
 - Set out the effect of the decision to consent or object to the proposal;
 - Give reasons for the decision to consent or object to the proposal;
 - Confirm that the decision complies with the requirements of sections 45 to 50 of the Act, as appropriate and relevant to the proposal;
 - Confirm that in making the decision set out in the Final Notification, the Relevant Public Body have considered and acted in accordance with the six Community requirements in section 4 of the Act;
 - Confirm that a copy of the First Notification was sent to the Secretary of State; and
 - Confirm that a copy of the Final Notification has been sent to the Secretary of State.
- 9.3 The publication of the Final Notification must be in such a manner as appears to the Relevant Public Body to be appropriate for bringing the contents of the notification to the attention of such persons as it considers appropriate.
- 9.4 Such persons might include other local public bodies, e.g. the district, parish or community council. In Northern Ireland, it might include local community groups.
- 9.5 The Relevant Public Body must send a copy of the Final Notification to the relevant Universal Service Provider.
- 9.6 The Relevant Public Body must also send a copy of the Final Notification to the Secretary of State. Ofcom has included in Annex EE of this guidance a specimen letter for this purpose.
- 9.7 Under section 50(6) of the Act the Relevant Public Body may if appropriate also send a copy of the Final Notification to the European Commission. Ofcom does not believe there will normally be a need to notify the Commission in the case of proposed Public Call Box removals.

10. The local veto

- 10.1 The Universal Service Provider must not bring its proposal into effect if it has received any written objection to the proposal by the Relevant Public Body within the period ending 90 days after the day on which written notice was given by the Universal Service Provider to the Relevant Public Body ('the local veto'). It is for this reason that the Relevant Public Body must send a copy of the Final Notification to the relevant Universal Service Provider – see paragraph 9.5 above.

11. Cash payment facility

- 11.1 The requirement is for the Universal Service Provider to ensure that at least 70 per cent of Public Call Boxes providing Call Box Services offer cash payment facilities. However, Ofcom's view is that the cash payment facility might reasonably be removed by the Universal Service Provider (this list is not exhaustive):
- Where a Public Call Box is subject to constant vandalism and crime;
 - Where cash-related maintenance costs exceed cash revenue for a Public Call Box;
 - Where consultation about the removal of a Public Call Box has resulted in an objection by the Relevant Public Body on the grounds of safety i.e. access to the emergency services; and
 - In very remote locations e.g. National Parks where usage is extremely low.
- 11.2 In removing the cash payment facility in a Public Call Box, Ofcom would expect the Universal Service Provider to ensure, save in exceptional circumstances, that the means of payment in the Public Call Box include credit/debit cards and pre-payment cards. The Universal Service Provider should consult with the Relevant Public Body on an informal basis before the cash payment facility is removed.

Guidance Annex AA

Factors

- AA.1 The factors listed below (in alphabetical order) are intended to assist a Relevant Public Body to make a decision to consent or object to a proposal for the complete removal of Public Call Boxes and/or Call Box Services from a Site. They are intended also to promote consistency of decisions between Relevant Public Bodies.
- AA.2 It is a non-exhaustive list of factors which may be referred to by a Relevant Public Body when making its decision. Relevant Public Bodies may refer to other factors. However, any decision of a Relevant Public Body must comply with the requirements in paragraphs 7.2 and 7.3 of this guidance.
- AA.3 It is likely that Relevant Public Bodies will already have access to information against which they can make an assessment. While the following is not an exhaustive list of sources of information, Relevant Public Bodies might consider:
- ACORN is a demographic tool used to identify and understand the UK population – www.caci.co.uk;
 - PRiZM is a commercial product built from lifestyle and demographic data at postcode level - www.claritas.co.uk;
 - The National Statistics Service offers access to a range of social and economic aggregate data relating to small geographic areas - www.neighbourhood.statistics.gov.uk; and
 - UpMyStreet let you search and compare detailed information about a specific postcode, city, town, district or region – www.upmystreet.com.

Emergency calls

- AA.4 Many people place great value on having the option to use a Public Call Box in an ‘emergency’. However, not all calls considered as emergency calls by the public are calls to the emergency services, e.g. police, fire, ambulance and coastguard services.
- AA.5 People often cite the ability to call the roadside breakdown, calls to parents by stranded children or calls to their employer if late to an important meeting as being emergency calls. People usually make these types of calls from a Public Call Box when they are not carrying their mobile phone or their mobile phone battery is flat.
- AA.6 Vulnerable people also rely on Public Call Boxes to contact support services in private e.g. for calling Childline or the Samaritans.
- AA.7 According to BT, it does not collect data on the number of calls made to the emergency services from Public Call Boxes. The importance of retaining a PCB for emergency calls e.g. calls to the emergency services should therefore be assessed on a case-by-case basis.

Housing type in the area

AA.8 A Relevant Public Body may decide to consider whether the area within the same postcode as a Public Call Box is predominately owner-occupied, privately rented or council housing. The more owner-occupied housing in the area the more likely it is that people living in that area would have access to mobile and fixed telephones. If there is predominantly private rented or council housing in the area, this may suggest people on a lower income without access to mobile and fixed telephones and support the view that a Public Call Box should be retained.

No mobile phone coverage

AA.9 While three-quarters of adults now personally use a mobile phone, people often cite poor, sporadic or the lack of mobile network coverage at a location as being an important factor for retaining a Public Call Box.

AA.10 The main mobile networks, including 3, O2, Orange, T-Mobile and Vodafone allow you to check the network coverage in any given postcode area on their websites. While this might not be conclusive, it should help to assess network coverage within the same postcode as a Public Call Box. Lack of mobile network coverage within the same postcode as a Public Call Box could also be assessed on a case-by-case basis.

Number of households in the area

AA.11 There may be concerns about alternative access to telephone services for low population densities. A Relevant Public Body may determine the number of households within the same postcode as a Public Call Box. The number of households within 400 metres of a Public Call Box could be seen as the catchment area for that Public Call Box. It could also be seen as a measure of how rural the area is - the fewer households, the more rural the area and the more likely a Public Call Box should be retained.

AA.12 The number of households in the area would not however include any passing traffic or reflect that a Public Call Box might be situated on a main road or busy terminus. Such detail should be assessed on a case-by-case basis.

Public call box revenue

AA.13 BT may be willing to provide information about the revenue generated by a particular Public Call Box. This should help measure Public Call Box usage and could be an indicator of its value to the community. The lower the annual revenue that a Public Call Box generates, there could be grounds for its removal.

AA.14 Consideration can be given by a Relevant Public Body to the other factors listed above before it relies on annual revenue alone to support a decision to consent or object to the complete removal of Public Call Boxes and/or Call Box Services

from a Site. The annual revenue of a Public Call Box should be assessed on a case-by-case basis.

PCB Guidance: Annex BB

First Notification

Notification under section 49(4) of the Communications Act 2003

Draft decision by [public body] in response to a proposal by [British Telecommunications plc/Kingston Communications (Hull) plc] for the removal of public call boxes pursuant to Part 2 of the Schedule to a Direction published by Ofcom on [date] 2005 ('the Direction').

1. [Public body], in accordance with section 49(4) of the Communications Act 2003 ('the Act'), hereby make the following draft decision in response to a proposal by [British Telecommunications plc/Kingston Communications (Hull) plc] for the removal of public call boxes pursuant to Part 2 of the Direction.
2. The draft decision is set out in the Schedule to this Notification.
3. The effect of, and [public body] reasons for making, the draft decision is set out in the Schedule to this Notification.
4. [Public body] consider that the draft decision complies with the requirements of sections 45 to 50 of the Act, as appropriate and relevant to the proposal.
5. In making the draft decision, [public body] has considered and acted in accordance with the six community requirements in section 4 of the Act.
6. Representations may be made to [public body] about the draft decision by [time] on [date] 2005.
7. A copy of this Notification has been sent to the Secretary of State in accordance with section 50(1)(b) of the Act.
8. The Schedule to this Notification shall form part of this Notification.

[Name]

A person authorised by [public body] to sign this Notification

[Date]

Schedule

[Draft] decision by [public body] in response to a proposal by [British Telecommunications plc/Kingston Communications (Hull) plc] for the removal of public call boxes pursuant to Part 2 of the Schedule to a Direction published by Ofcom on [date] 2005 ('the Direction').

	Telephone number	Location	Decision (Object/Consent)	Reason(s)
1.				
2.				
3.				
4.				

PCB Guidance: Annex CC

Letter to the Secretary of State – First Notification

Telecoms Regulatory Policy
Department of Trade and Industry
207 Red
151 Buckingham Palace Road
London
SW1W 9SS

For the attention of Stephen Booth, Policy Advisor

Dear Sir

Draft decision by [public body] in response to proposals by [British Telecommunications plc/Kingston Communications (Hull) plc] for the removal of public call boxes pursuant to Part 2 of the Schedule to a Notification published by Ofcom on [date] 2005 ('the Direction').

[Public body], in accordance with section 49(4) of the Communications Act 2003 ('the Act'), hereby make a draft decision in response to a proposal by [British Telecommunications plc/Kingston Communications (Hull) plc] for the removal of public call boxes pursuant to Part 2 of the Direction.

Section 50(1)(b) of the Act requires [public body] to send to the Secretary of State a copy of every notification published under section 49(4) of the Act. A copy of the First Notification is enclosed herewith.

Yours faithfully

PCB Guidance: Annex DD

Final Notification

Notification under section 49 of the Communications Act 2003

Decision by [public body] in response to a proposal by [British Telecommunications plc/Kingston Communications (Hull) plc] for the removal of public call boxes pursuant to Part 2 of the Schedule to a Direction published by Ofcom on [date] 2005 ('the Direction').

1. On [date], [public body], in accordance with section 49(4) of the Communications Act 2003 ('the Act'), issued a notification setting out its draft decision in response to a proposal by [British Telecommunications plc/Kingston Communications (Hull) plc] for the removal of public call boxes pursuant to Part 2 of the Direction ('the First Notification').
2. A copy of the First Notification was sent to the Secretary of State in accordance with section 50(1)(b) of the Act.
3. In the First Notification, [public body] invited representations about the draft decision by [time] on [date] 2005.
4. [Public body] has considered every representation about the draft decision duly made to it and Ofcom has not notified [public body] of any international obligation of the United Kingdom for this purpose.
5. The decision is set out in the Schedule to this Notification.
6. The effect of, and [public body] reasons for making, the decision is set out in the Schedule to this Notification.
7. [Public body] consider that the decision complies with the requirements of sections 45 to 50 of the Act, as appropriate and relevant to the proposals.
8. In making the decision, [public body] has considered and acted in accordance with the six community requirements in section 4 of the Act.
8. A copy of this Notification has been sent to the Secretary of State in accordance with section 50(1)(b) of the Act.
10. The Schedule to this Notification shall form part of this Notification.

Schedule

Decision by [public body] in response to a proposal by [British Telecommunications plc/Kingston Communications (Hull) plc] for the removal of public call boxes pursuant to Part 2 of the Schedule to a Direction published by Ofcom on [date] 2005 ('the Direction').

	Telephone number	Location	Decision (Object/Consent)	Reason(s)
1.				
2.				
3.				
4.				

[Name]

A person authorised by [public body] to sign this Notification

[Date]

PCB Guidance: Annex E: Letter to the Secretary of State – Final Notification

Telecoms Regulatory Policy
Department of Trade and Industry
207 Red
151 Buckingham Palace Road
London
SW1W 9SS

For the attention of Stephen Booth, Policy Advisor

Dear Sir

Decision by [public body] in response to a proposal by [British Telecommunications plc/Kingston Communications (Hull) plc] for the removal of public call boxes pursuant to Part 2 of the Schedule to a Direction published by Ofcom on [date] 2005 ('the Direction').

[Public body], in accordance with section 49 of the Communications Act 2003 ('the Act'), hereby make a decision in response to a proposal by [British Telecommunications plc/Kingston Communications (Hull) plc] for the removal of public call boxes pursuant to Part 2 of the Direction.

Section 50(1)(b) of the Act requires [public body] to send to the Secretary of State a copy of every notification published under section 49 of the Act. A copy of the Final Notification is enclosed herewith.

Yours faithfully

Annex I

Services for Disabled Customers: Explanatory Memorandum and Notification of proposed modifications to General Condition 15

Explanatory Memorandum

- I.1 Ofcom is consulting on proposed modifications to General Condition 15 amending paragraphs 15.1, 15.4, 15.7 and 15.10. It is proposed that:
- General Condition 15.1** is amended to the extent that the body with which Communications Providers are required to consult to ensure that the requirements and interests of disabled end-users are fully taken into account is Ofcom rather than the Consumer Panel.
- General Condition 15.4** is amended to remove the obligation that end-users who need to make calls to which the relay service applies have access to a directory enquiry facility using a short code number.
- General Condition 15.7** extends the obligation on communications providers to provide contracts and bills in a reasonably acceptable format to any subscriber who is unable to read due to a disability rather than limiting the requirement to those subscribers who are blind or whose vision is impaired.
- I.2 Set out below is the effect of these proposed modifications, the reasons for making the proposal and an explanation of how Ofcom considers it is meeting its duties under relevant sections of the Act in making the proposal.
- I.3 Ofcom has sent a copy of the notification set out in this Annex I to the Secretary of State in accordance with section 50(1) of the Act. Ofcom also considers it appropriate to send a copy of the notification to the European Commission under section 50(6) of the Act, given that the Commission is currently consulting on its review of the scope of universal service as further described at section 3 of the main statement.

General Condition 15.1

- I.4 This condition requires communications providers to consult with the Consumer Panel “from time to time ... to ensure that the requirements and interests of disabled end-users are fully taken into account in the development and provision of its services”. Ofcom strongly believes in the value of dialogue between communications providers and their customers, including those with disabilities. Hence the requirement for consultation is vital and needs to be maintained.
- I.5 The requirement was drafted at a time when the role of the Consumer Panel had not been fully determined. Its principal role is “ to understand consumer issues and concerns related to the communications sector ... and helps inform Ofcom's decision-making by raising specific issues of consumer interest” .As this is essentially a strategic remit we now believe it would be more appropriate for consultation to take place with Ofcom itself rather than with the Panel. The Consumer Panel agrees with this proposal and, as explained in paragraphs 6.45 to 6.47 of the main statement, the proposal was widely supported in responses.

Section 3 and section 4 analysis

- I.6 Ofcom has considered its duties under section 3 of the Act and all the Community requirements set out in section 4. The proposal to modify General Condition 15.1 furthers the interests of citizens in relation to communication matters and of consumers in relevant markets by ensuring that providers consult with the most appropriate body on the requirements and interests of disabled end-users in the development and provision of its services. It also promotes the interests of all persons who are citizens of the European Union because it promotes the development of services for customers with disabilities in an appropriate manner.

Section 47(2) analysis

- I.7 Under section 47(2) of the Act, Ofcom must not modify a general condition unless it is objectively justifiable in relation to the networks, services, facilities, apparatus or directories to which it relates, not such as to discriminate unduly against particular persons or against a particular description of persons, proportionate to what the modification is intended to achieve and in relation to what it is intended to achieve, transparent.
- I.8 Ofcom considers that the proposal is objectively justifiable in that it identifies Ofcom as the appropriate body with which providers should consult, rather than the Consumer Panel whose focus is on high-level strategic issues. It does not discriminate unduly against particular persons because it is a General Condition that applies to all communication providers. It is a proportionate to what the modification is intended to achieve, in that does not place a significant burden on providers and ensures that end-users interests are taken into account. It is transparent because the proposals are set out as part of this consultation.

General Condition 15.4

- I.9 As explained in paragraph 6.56 of the main statement, Ofcom proposes this amendment so as to remove the obligation on providers to provide a short code number access to a directory enquiry facility for users of the relay service. The proposal reflects the withdrawal of the 192 short code and the introduction of numbers in a 118 xxx format.

Section 3 and section 4 analysis

- I.10 Ofcom has considered its duties under section 3 of the Act and all the Community requirements set out in section 4. The proposal furthers the interests of citizens in relation to communications matters and of consumers in relevant markets by ensuring that disabled end-users are able to continue to use short code numbers to access relevant services where practicable but reflects the development that the three-digit access code for accessing a directory enquiry facility is no longer available. It also promotes the interests of all persons who are citizens of the European Union because disabled end-users are able to continue to use short code numbers to access relevant services where practicable but reflects the development that the three-digit access code for accessing a directory enquiry facility is no longer available

Section 47(2) analysis

- I.11 Ofcom considers that the proposal to remove the requirement that end-users who need to make calls to which a relay service applies have access to a directory enquiry facility using a short code number is objectively justifiable as directory enquiry facilities are no longer accessible using such numbers. It does not discriminate unduly against particular persons because it applies to all communication providers because it is a General Condition. It is a proportionate, in that it removes an impracticable obligation from providers and transparent because this proposal is set out as part of this consultation.

General Condition 15.7

- I.12 As explained paragraphs 6.41 to 6.44 of the main statement, General Condition 15 requires providers to supply contracts and bills in reasonably acceptable formats to blind or visually-impaired subscribers on request and free of charge. Because it is not only blind or visually impaired subscribers who might experience difficulties in reading standard formats, Ofcom is proposing that the obligation be revised to require the provision of bills and contracts in an alternative format to any subscriber whose disability prevents their reading bills or contracts in conventional formats. In responses to the consultation document, consumer stakeholders were uniformly in favour of this proposal.

Section 3 and section 4 analysis

- I.13 Ofcom has considered its duties under section 3 of the Act and all the Community requirements set out in section 4. The proposal furthers the interests of citizens in relation to communication matters and of consumers in relevant markets because it takes account of customers with disabilities and encourages providers to take transparent and proportionate measures, taking account of the diversity of users, and to ensure that customers with disabilities are able to receive bills and contracts in an appropriate format. It also promotes the interests of all persons who are citizens of the European Union because it promotes the comprehensibility of bills and contract information in an appropriate manner.

Section 47(2) analysis

- I.14 Ofcom considers that the proposal to require the delivery of bills and contracts in acceptable formats for all customers whose disability prevents their reading conventional print is objectively justifiable because it is not in the interests of disabled users that this facility should not be tied to a specific disability. It does not discriminate unduly against particular persons because it applies to all communication providers because it is a General Condition. It is proportionate, in that it does not place a significant burden on providers but ensures that end-users interests are taken into account. It is transparent because this proposal is set out as part of this consultation.

Consultation

- I.15 Ofcom is inviting written views and comments by **5pm on 28 September 2005** on the notification and the proposal to modify General Condition 15 as set out in this Annex I.
- I.16 Details on how to respond are set out at section 9.

Notification of a proposed modification under section 48(2) of the Communications Act 2003

Proposal for modification of General Condition 15 regarding special measures for end-users with disabilities, which is set out in the schedule to the notification under section 48(1) of the Communications Act 2003 published by the Director General of Telecommunications on 22 July 2003

1. OFCOM in accordance with section 48(2) of the Act hereby make the following proposal for the modification of General Condition 15 regarding special measures for end-users with disabilities.
2. The draft modification is set out in the Schedule to this Notification.
3. The effect of, and OFCOM's reasons for making, the proposal referred to in paragraph 1 above are set out in the accompanying explanatory memorandum.
4. OFCOM consider that the proposed modification referred to in paragraph 1 above complies with the requirements of sections 45 to 50 of the Act, as appropriate and relevant to the proposal.
5. In making the proposal set out in this Notification, OFCOM has considered and acted in accordance with their general duties in section 3 of the Act and the six Community requirements in section 4 of the Act.
6. Representations may be made to OFCOM about the proposals set out in this Notification by **5pm on 28 September 2005**.
7. Copies of this Notification and the accompanying explanatory memorandum have been sent to the Secretary of State in accordance with section 50(1)(a) of the Act and to the European Commission in accordance with section 50(6) of the Act.
8. In this Notification:
 - (i) "the Act" means the Communications Act 2003;
 - (ii) "General Conditions" means as set out in the schedule to the notification under section 48(1) of the Communications Act 2003 published by the Director General of Telecommunications on 22 July 2003; and
 - (iii) "OFCOM" means the Office of Communications.
9. Except insofar as the context otherwise requires, words or expressions shall have the meaning assigned to them in this Notification and otherwise any word or expression shall have the same meaning as it has in the General Conditions and otherwise any word or expression shall have the same meaning as it has in the Act.
10. For the purpose of interpreting this Notification:
 - (i) headings and titles shall be disregarded; and
 - (ii) the Interpretation Act 1978 shall apply as if this Notification were an Act of Parliament.
11. The Schedule to this Notification shall form part of this Notification

[person]

A person authorised by Ofcom under paragraph 18 of the Schedule to the Office of Communications Act 2002

[Date]

Schedule

Proposal for modification to General Condition 15 regarding special measures for end-users with disabilities, which is set out in the schedule to the notification under section 48(1) of the Communications Act 2003 published by the Director General of Telecommunications on 22 July 2003

General Condition 15 shall be modified as set out below (the deleted text has been struck through and the added text underlined, both highlighted are in yellow for ease of reference):

15. SPECIAL MEASURES FOR END-USERS WITH DISABILITIES

- 15.1 The Communications Provider shall from time to time consult ~~the Consumer Panel~~ with OFCOM to ensure that the requirements and interests of disabled End-Users are fully taken into account in the development and provision of its services.
- 15.2 Subject to paragraph 15.9, the Communications Provider shall ensure that any End-User of its services who is so visually impaired or otherwise disabled as to be unable to use a printed Directory, can access, free of charge, Directory Information and Directory Enquiry Facilities in a form which is appropriate to meet their needs. The Communications Provider shall ensure that such a Directory Enquiry Facility is capable of connecting such an End-User to a requested Telephone Number at the request of that End-User.
- 15.3 Subject to paragraph 15.9, the Communications Provider shall ensure that such of its Subscribers who, because of their disabilities, need to make calls in which some or all of the call is made or received in text format, are able to access a Relay Service. Such Subscribers shall be charged for the conveyance of messages to which a Relay Service applies at no more than the equivalent price as if that conveyance had been made directly between the caller and the called person without use of a Relay Service:
- (a) except that the calling person may be charged standard local prices for the call made to a Relay Service provider in order to make a call irrespective of whether the call is successful; and
 - (b) applying a special tariff scheme designed to compensate Subscribers who need to make calls to which a Relay Service applies for the additional time to make telephone calls using a Relay Service.
- 15.4 Subject to paragraph 15.9, the Communications Provider shall ensure that any End-Users of its services who need to make calls to which a Relay Service applies:
- (a) have access to Emergency Organisations and operator assistance services ~~and a Directory Enquiry Facility~~ using short code numbers; and
 - (b) are able to receive call progress voice announcements in a suitable form.

- 15.5 Subject to paragraph 15.9, the Communications Provider shall provide a priority Fault Repair Service as swiftly as practicable to any Subscriber with disabilities who has a genuine need for an urgent repair. Charges for a priority Fault Repair Service shall not exceed the Communications Provider's standard charge for a Fault Repair Service.
- 15.6 Subject to paragraph 15.9, the Communications Provider shall ensure that such of its Subscribers who are so disabled such that they are dependent on the telephone are able to participate in a scheme to safeguard telephone services to such Subscribers. The scheme shall:
- (a) enable such Subscribers to give prior notification to the Communications Provider of a nominee to whom-
 - (i) that Subscriber's telephone bill shall initially be sent; or
 - (ii) any enquiry to establish why a telephone bill has not been paid shall be made;
 - (b) permit the nominee to pay that Subscriber's bill on their behalf;
 - (c) require the nominee to give prior consent to the Communications Provider to act in such capacity;
 - (d) not require the nominee to accept liability to pay the telephone bills of that Subscriber; and
 - (e) be provided at no cost to such a Subscriber.
- 15.7 Subject to paragraph 15.9, the Communications Provider shall make available, free of charge, and in a format reasonably acceptable to any Subscriber who is blind or whose vision is impaired unable to read due to a Disability, upon their request:
- (a) any contract (or any subsequent variation) with that Subscriber for the provision of Publicly Available Telephone Services, including any publicly available terms and conditions referred to in that contract or variation;
 - (b) any bill rendered in respect of those services.

An acceptable format would, for these purposes, consist of print large enough for such Subscriber to read, Braille or electronic format appropriate to the reasonable needs of the Subscriber.

- 15.8 Subject to paragraph 15.9, the Communications Provider shall take all reasonable steps to ensure that the services which it provides in order to comply with the obligations contained in paragraphs 15.1 to 15.7 above are widely publicised, taking into consideration the need to disseminate information in appropriate formats through appropriate channels for disabled End-Users.
- 15.9 Where, prior to the entry into force of this Condition, the

Communications Provider was not required, by virtue of any condition to a licence granted under section 7 of the Telecommunications Act 1984, to provide equivalent services and facilities to those required by paragraphs 15.2 to 15.8 above, that Communications Provider shall comply with those paragraphs no later than 31 December 2003.

15.10 For the purposes of this Condition:

(a) "Communications Provider" means a person who provides Publicly Available Telephone Services;

(b) "Disability" has the meaning set out in section 1 of the Disability Discrimination Act 1995;

(c) "Fault Repair Service" means a service consisting of such repair, maintenance, adjustment or replacement of any part of the Communications Provider's Electronic Communications Network, or such repair or adjustment of any connected or connectable network, or such repair or replacement for any Apparatus for which the Communication Provider has undertaken the responsibility for repair and maintenance, as is necessary to restore and maintain a sufficient service;

(d) "OFCOM" means the Office of Communications;

(e) "Relay Service" means any service which:

- (i) provides facilities for the receipt and translation of voice messages into text and the conveyance of that text to the terminal of customers of any provider of Publicly Available Telephone Services and vice versa, and
- (ii) has been approved by the Director to be a text relay service for the purposes of this Condition;

(f) "Subscriber" means an End-User who is party to a contract with the Communications Provider for the provision of Publicly Available Telephone Services.

Annex J

Reasonable Requests: Explanatory Memorandum and Consent to non-uniform charging

Explanatory memorandum

- J.1 Ofcom is consulting on the following changes relating to the obligation to provide access to basic telephone services upon reasonable request and at uniform prices, irrespective of location and at data rates that are sufficient to permit functional internet access:
- Consent to non-uniform charging (Annex J)
 - Guidance on BT's obligation to provide a connection to the fixed network upon reasonable request (Annex K)
 - Amendments to Guidelines on Functional Internet Access (Annex M)
- J.2 Set out below is the justification for the proposed consent, the effect of the proposed consent, the reasons for making the proposal and an explanation of how Ofcom is meeting its duties under relevant sections of the Act in making these changes.
- J.3 Ofcom has sent a copy of the notification set out in this Annex I to the Secretary of State in accordance with section 50(1) of the Act. Ofcom also considers it appropriate to send a copy of the notification to the European Commission under section 50(6) of the Act, given that the Commission is currently consulting on its review of the scope of universal service as further described at section 3 of the main statement.

Clear justification

- J.4 The Order says that the matters set out in the schedule to the Order should be offered at prices that are affordable for all end-users and uniform throughout the United Kingdom unless Ofcom have determined that there is clear justification for not doing so.
- J.5 Universal Service Condition 1 requires BT to provide access to basic telephony services on the basis of uniform prices throughout the UK except for the Hull Area unless Ofcom consent otherwise.
- J.6 Ofcom considers that it has clear justification for consenting to the provision by BT of non uniform prices in respect the services referred to in Universal Service Condition 1.1 in the UK except for the Hull Area. As explained in paragraphs 7.5 to 7.16, Ofcom believes there is clear justification for non-uniform prices on the

basis that retaining the threshold is, and will continue to be, beneficial to consumers. The use of a threshold is simple for consumers to understand and straightforward for BT to implement. Without a threshold in place BT might be encouraged to refuse requests for more costly connections outright, on the basis they were not reasonable. This approach was supported by most respondents to the consultation document. As explained in paragraphs 7.17 to 7.34, Ofcom believes the threshold of £3,400 is justifiable by striking the right balance between protecting customers and ensuring that BT does not face significantly increased costs.

Section 3 and section 4 analysis

- J.7 Ofcom has considered its duties under section 3 of the Act and all the Community requirements set out in section 4. By consenting to non-uniform charging and issuing guidance, Ofcom is furthering the interests of citizens in relation to communication matters and of consumers in relevant markets because it provides certainty but also enables individual circumstances to be taken into account including the needs of customers with disabilities and the elderly. The proposals will help improve transparency and consistency and are proportionate in applying only to BT as a designated universal service provider. Consent to non-uniform charging and guidance also promotes the interest of all persons who are citizens of the European Union because it ensures requests for connection are met in an appropriate manner.

Section 49 analysis

- J.8 In addition, Ofcom is satisfied that, in accordance with section 49 (2) of the Act, the Consent is objectively justifiable because consenting to non-uniform prices strikes a balance between the interests of consumers and controlling BT's costs. Consumers are protected because excess charges will only be able to be charged above the threshold. BT's costs are controlled because it is not responsible for costs that it would be responsible for without the threshold. Providing consent does not discriminate unduly against particular persons in that it applies to all those who are entitled to basic telephony services under Universal Service Condition 1.1. It is proportionate because the consent to non-uniform prices by way of the threshold means that BT's costs are controlled whilst at the same time, protecting consumers from excess charges below the threshold. Through this process of consultation, Ofcom is ensuring that its proposals, and the reasoning behind them, are transparent.

Consultation

- J.9 Ofcom is inviting written views and comments by **5pm on 28 September 2005** on the notification and the proposal to consent to non-uniform charging as set out in this Annex J.
- J.10 Details on how to respond are set out at section 9.

Notification of proposals under section 49(4) of the Communications Act 2003

Proposals for giving Consent to BT under Universal Service Condition 1, which is set out in the schedule to the notification published by the Director General on 21 July 2003 pursuant to regulation 4(10) of the Electronic Communications (Universal Service) Regulations 2003

WHEREAS:

1. Ofcom hereby makes, in accordance with section 49 of the Act, the following proposal for Consent to be given to BT under Universal Service Condition 1, which is set out in the schedule to the notification published by the Director General on 21 July 2003 pursuant to regulation 4(10) of the Electronic Communications (Universal Service) Regulations 2003.
2. The draft Consent is set out in the Schedule to this Notification.
3. The effect of the draft Consent and the reasons for making the proposal are set out in the accompanying explanatory memorandum.
4. Representations may be made to Ofcom about the draft Consent by **5pm** on 28 September 2005.
5. Copies of this Notification and the accompanying explanatory memorandum have been sent to the Secretary of State in accordance with section 50(1)(a) of the Act and to the European Commission in accordance with section 50(6) of the Act.
6. For the purposes of this Notification:

“Act” means the Communications Act 2003;

“BT” means British Telecommunications plc, whose registered company number is 1800000, and any of its subsidiaries or holding companies, or any subsidiary of such holding companies, all as defined by section 736 of the Companies Act 1985, as amended by the Companies Act 1989;

“Director General” means the Director General of Telecommunications;

“Ofcom” means the Office of Communications; and

“Universal Service Conditions” means as set out in the Schedule to the notification published by the Director General on 21 July 2003 pursuant to regulation 4(10) of the Electronic Communications (Universal Service) Regulations 2003”..

7. Except insofar as the context otherwise requires, words or expressions shall have the meaning assigned to them in this Notification and otherwise any word or expression shall have the same meaning as it has in the Universal Service Conditions and otherwise any word or expression shall have the same meaning as it has in the Act.

8. For the purpose of interpreting this Notification:
 - (i) headings and titles shall be disregarded; and
 - (ii) the Interpretation Act 1978 shall apply as if this Notification were an Act of Parliament.
9. The Schedule to this Notification shall form part of this Notification

[person]

A person duly authorised in accordance with paragraph 18 of the Schedule to the Office of Communications

[date]

Schedule

[Draft] Consent to be given to BT under Universal Service Condition 1, which is set out in the Schedule to the notification published by the Director General on 21 July 2003 pursuant to regulation 4(10) of the Electronic Communications (Universal Service) Regulations 2003

WHEREAS:

- (A) On 21 July 2003, the Director General published a notification under regulation 4(10) of the Electronic Communications (Universal Service) Regulations 2003 setting out his proposals for the designation of universal service providers and the setting of Universal Service Conditions, including Universal Service Condition 1, that he intended to be given effect upon the coming in to force of any enactment which implemented the Universal Service Directive 2002/22/EC;
- (B) the proposals set out in the notification dated 21 July 2003 under regulation 4(10) of the Electronic Communications (Universal Service) Regulations 2003 automatically entered into force by virtue of the transitional provisions in the Act;
- (C) this Consent concerns matters to which Universal Service Condition 1 relates, in particular the requirement for BT to provide the service referred to in Universal Service Condition 1.1 on the basis of uniform prices in the UK except for the Hull Area (as defined in those conditions);
- (D) for the reasons set out in the explanatory memorandum accompanying this Consent, Ofcom is satisfied that, in accordance with section 49(2) of the Act, this Consent is:
 - a. objectively justifiable in relation to the networks, services, facilities, apparatus or directories to which it relates;
 - b. not such as to discriminate unduly against particular persons or against a particular description of persons;
 - c. proportionate to what it is intended to achieve; and
 - d. in relation to what it is intended to achieve, transparent;
- (E) for the reasons set out in the explanatory memorandum accompanying this Consent, Ofcom has considered and acted in accordance with its general duties in section 3 of the Act and the six Community requirements in section 4 of the Act;
- (F) on 30 June 2005, Ofcom published a notification of the proposed Consent in accordance with section 49(4) of the Act;
- (G) [Ofcom has considered every representation about the proposed Consent duly made to it]; and

NOW THEREFORE Ofcom gives the following consent:

1. The obligation on BT in Universal Service Condition 1.2 to provide the services in Universal Service Condition 1.1 on the basis of uniform prices throughout the UK except for the Hull Area shall not apply where the provision of those services costs BT more than £3400 excluding VAT.
2. For the purpose of interpreting this Consent (including the recitals above), the following definitions shall apply:

“Act” means the Communications Act 2003;

“BT” means British Telecommunications plc, whose registered company number is 1800000, and any of its subsidiaries or holding companies, or any subsidiary of such holding companies, all as defined by section 736 of the Companies Act 1985, as amended by the Companies Act 1989;

“Director General” means the Director General of Telecommunications;

“Hull Area” means as set out in the Universal Service Conditions;

“Ofcom” means the Office of Communications; and

“Universal Service Conditions” means as set out in the Schedule to the notification published by the Director General on 21 July 2003 pursuant to regulation 4(10) of the Electronic Communications (Universal Service) Regulations 2003”..

3. Except insofar as the context otherwise requires, words or expressions used in this Consent shall have the meaning ascribed to them in paragraph 2 above and otherwise any word or expression shall have the same meaning as it has in the Universal Service Conditions and otherwise any word or expression shall have the same meaning as it has in the Act.
4. For the purpose of interpreting this Consent:
 - a. headings and titles shall be disregarded; and
 - b. the Interpretation Act 1978 shall apply as if this Consent were an Act of Parliament.

[person]

A person duly authorised in accordance with paragraph 18 of the Schedule to the Office of Communications Act 2002

[date]

Annex K

Reasonable Requests: Guidance

- K.1 Ofcom is consulting on new Guidance on BT's obligation to provide a connection to the fixed network upon reasonable request.
- K.2 This Guidance offers objective criteria to test the reasonableness of a request thereby helping BT and consumers understand the matters Ofcom would take into consideration should it receive a complaint as to whether BT has met its obligation. This will include social factors such as whether the customer is able to meet the costs of connection for reasons of vulnerability or disadvantage.
- K.3 Ofcom is inviting written views and comments by **5pm on 28 September 2005** on the proposed guidance as set out in this Annex K.
- K.4 Details on how to respond are set out at section 9.

Guidance on BT's obligation to provide a connection to the fixed network upon reasonable request

The purpose of this Guidance is to clarify the factors Ofcom would take into account in deciding whether BT had complied with its US obligation to provide a connection to the fixed network upon reasonable request.

Ofcom cannot fetter its discretion as to any future decision. Accordingly, this Guidance will not be binding upon Ofcom in the future. However, Ofcom would normally expect to follow this Guidance in determining what a reasonable request is.

Should Ofcom choose to depart from this Guidance in respect of any future decision it would set out its reasons for doing so. This Guidance may be subject to revision from time to time.

The requirement to provide a connection to the fixed network upon reasonable request

1. A provider designated for the purposes of universal service ('the Provider') is required under the specific universal service conditions to provide a connection to the fixed network upon reasonable request.
2. This obligation relates to a single narrowband connection only. It does not extend to other types of connection such as broadband or ISDN.
3. These Guidelines clarify the factors Ofcom is likely to take into consideration should it receive a complaint as to whether the Provider has met its universal obligation to provide a connection upon reasonable request.
4. The importance of access to and use of the telephone network at a fixed location is such that it should be available to anyone reasonably requesting it. In forming a view on whether a request is reasonable, Ofcom will primarily look at:
 - The technical feasibility of providing a connection;
 - The cost of provision; and
 - Whether the customer is a member of a vulnerable group.

Technical feasibility

5. There should be no constraints on the technical means by which the Provider chooses to provide a connection to the fixed network. This includes use of wireless technologies.
6. However, the Provider cannot be required to provide types of access which are not within its powers to provide.

Cost of provision

7. It is important that universal service obligations are fulfilled in the most efficient fashion so that users generally pay prices that correspond to efficient cost provision.
8. Where the Provider considers the cost of providing a connection has the potential to make the request unreasonable:
 - the provider must be able to demonstrate that it has looked for the most cost effective solution to meet the needs of the customer; and
 - the Provider must offer customers the opportunity to carry out certain elements of the connection work themselves, on their own land and at their own expense.
9. Multiple customers who take service simultaneously should be able to share excess construction charges, provided that they organise this co-operation themselves.
10. However, the Provider does not need to take into account whether other customers in a geographical area may subsequently also want service, thereby benefiting from the construction work carried out. Nor does the Provider need to retrospectively pay back to the customer the sum already paid if another customer uses the same plant, or some part of it, at a later date.

Vulnerable groups

11. The provision of connections to the fixed network is particularly important to citizen-consumers more likely to suffer serious social isolation without adequate means of access to communications services. Providers should therefore given special consideration to request for connections made by vulnerable customers.
12. Ofcom has consented to non-uniform charging where the cost of providing a connection exceeds £3,400 (excluding VAT). However, Ofcom would expect a Provider to use its discretion when the cost of providing a connection exceeds £3,400, to provide such vulnerable customers with a connection at the standard charge.
13. Examples of such customers for whom Ofcom would expect the Provider to apply this discretion include:
 - Residential customers eligible for special tariff schemes targeted at low income customers; and
 - Residential customers who are unable to meet the costs of connection and have an acute need for connection for reasons of vulnerability or disability.
14. Ofcom considers that applying this discretion is particularly important where the customer's location means they do not have access to mobile services.

Annex L

Reasonable requests: New property developments

- L.1 In the course of the Universal Service review, it has become evident that there is some confusion regarding how BT's obligation to provide connections at a fixed location upon reasonable request applies in the context of new property developments. Respondents were unsure whether BT had to roll out its copper network to the properties that had been newly built on the basis of its USO.
- L.2 Many of the organisations expressing concern about BT's obligation are considering investing in Next Generation Access (NGA) - specifically fibre - and confusion has been presented to Ofcom as undermining the case for investment.
- L.3 A central part of Ofcom's NGA Review, due to commence later this year, will be to identify possible sources of, and barriers to, investment in NGA. In the meantime, Ofcom is keen to clarify the rules surrounding BT's universal service obligation to help reduce confusion and ease the regulatory risk faced by developers and providers.
- L.4 BT has an obligation under its universal service condition 1 to provide access to telephony services on reasonable request. The concept of universal service is to provide *"a defined minimum set of services to all end users at an affordable price"* (Recital 4 of the USD). Ofcom's view is this concept would be undermined the universal service provider need not fulfil his universal service obligations because someone else is or could provide the same services.

Clarification of the rules surrounding BT's obligation to provide connections upon reasonable request, to new property developers:

- BT cannot refuse a request as unreasonable solely on the basis that the customer lives/works within a fibre-provided area;
- Customers eligible for special tariffs who live within a fibre-provided area can reasonably request such services from BT;
- Ofcom encourages developers to consider using providers other than BT but advises that they must be aware that other providers (e.g. BT) may seek to roll out their networks alongside to compete. This will be done using powers under the Communications Code;
- Given BT's universal service obligation to provide, it is likely that BT might be one of these providers. However, BT does not have a right to require developers to build out copper as part of new housing projects in order to fulfil its own universal service requirements; and
- BT could deliver its universal service obligation across alternate infrastructure subject to commercial agreement.

- L.5 As part of the NGA Review, Ofcom will develop its position with regard to the regulation of NGA networks as set out in the Telecoms Review, reflecting the position outlined above.
- L.6 Furthermore, Ofcom will seek to publicise its position and - as part of ongoing contacts with the Department of Trade and Industry and Office of the Deputy Prime Minister - ensure that confusion is minimised.
- L.7 Ofcom is inviting written views and comments by **5pm on 28 September 2005** on the proposed guidance as set out in this Annex L.
- L.8 Details on how to respond are set out at section 9.

Annex M

Guidelines on Functional Internet Access (amendment)

- M.1 Ofcom is consulting on minor amendments to the existing Guidelines on Functional Internet Access.
- M.2 Ofcom is retaining the existing Guidelines on FIA, including the benchmark minimum of 28.8 kbps. However, to improve clarity and understanding of the Guidelines, Ofcom is consulting on amendments:
- to emphasise that FIA involves the provision of optimal speeds and that 28.8 kbps is a benchmark minimum speed; and
 - to clarify the information to be provided by BT.
- M.3 Retaining the existing Guidelines on FIA, including the benchmark minimum of 28.8 kbps provides the right balance between the interests of consumers and the impact upon the Providers. It is Ofcom's view that for limited gain in line speed, a greater burden of this kind could have the negative effect of diverting BT's attention and investment from important areas such as broadband and next generation networks. Minor amendments to the Guidelines will help emphasise that FIA involves the provision of optimal speeds and clarify the information to be provided by BT.
- M.4 Ofcom is inviting written views and comments by **5pm on 28 September 2005** on the changes to the proposed guidance as set out in this Annex M.
- M.5 Details on how to respond are set out at section 9.

The Functional Internet Access Guidelines

(Amendments are highlighted in yellow; additions are underlined and deletions are marked with strike-out text)

Guidelines on functional internet access

The requirement to provide a connection which permits functional internet access

1. A provider designated for the purposes of universal service ('the Provider') is required under the specific universal service conditions to provide telephony services at data rates that are sufficient to permit functional Internet access.
2. This obligation relates to:
 - a single narrowband connection only: it does not extend to other types of connection, such as broadband or ISDN; and
 - the connection itself, not to other matters outside the control of the Provider, such as an end-user's computer or Internet service provider.
3. These Guidelines clarify the circumstances in which Ofcom is likely to consider that the Provider is offering functional internet access.
4. Ofcom will consider that the Provider is providing functional internet access where it is able to demonstrate that it is making every reasonable effort to ensure that lines achieve optimum performance, particularly where the end-user intends to use the line for internet access.
5. In forming a view on whether the Provider is making every such reasonable effort, Ofcom will look at:
 - the data rate achieved by the connection;
 - the measures taken by the provider in respect of pair-gain devices, such as DACS [Digital Access Carrier System];
 - the measures taken by the provider in response to complaints about unsatisfactory internet access, which are not related to pair-gain devices; and
 - the provider's general management and business processes.

Data speed achieved by the connection

6. Ofcom has considered the capabilities of networks, local line plant and terminal equipment currently available. It has concluded that end-users should be able to expect that single narrowband connections will support data transmission at a reasonable speed.
7. Providers must show they are making every reasonable effort to ensure lines can achieve optimal performance, not that they can meet minimum requirements. However, Ofcom ~~is not mandating a minimum speed,~~ it is of the view that ~~at the current time,~~ a connection speed of 28.8 kbps is a reasonable ~~an appropriate~~ benchmark minimum for functional internet access. Over time, this rate may need to

Guidelines on functional internet access

be revised to reflect advances in networks and equipment, and changing social and economic conditions.

Measures taken by the provider in respect of pair-gain systems

8. The following are an indication of the measures Ofcom expects the Provider to take in connection with pair-gain devices, such as DACS. There may be other scenarios not specifically addressed below; the following matters are nevertheless likely to be relevant.

Where an end-user requests a second line

9. The Provider should establish whether the second line is intended to be used for internet access.
10. If the line is intended to be used for internet access, the provider should take all reasonable steps to avoid fitting, or using existing, pair-gain systems. Reasonable steps include:
- providing an unused line without pair-gain devices fitted;
 - rearranging existing lines to provide a line without pair-gain devices fitted;
 - carrying out minor network infrastructure build to provide new lines without pair-gain devices fitted; and
 - carrying out any other reasonable measures to provide a new line in preference to the use of pair-gain devices.

Where an end-user complains about the performance of an existing line used to access the internet

11. Ofcom considers that where a line is fitted with a pair-gain device, such as DACS, the line is unlikely to achieve optimum performance.
12. Therefore, where an end-user complains about the performance of a line used to access the internet and the line is fitted with a pair-gain device, the Provider should take all reasonable steps to provide the end-user with a line without a pair-gain device fitted, for example by:
- removing the pair-gain system altogether;
 - providing an unused line without pair-gain devices fitted;
 - rearranging existing lines to provide a line without pair-gain devices fitted;
 - transferring the pair-gain system to a more suitable line;
 - carrying out minor network infrastructure build to provide new lines without pair-gain devices fitted;
 - deploying an alternative, less detrimental pair-gain system where possible; or
 - carrying out any other reasonable measures to provide a new line in preference to the use of pair-gain devices.

Guidelines on functional internet access

Where the Provider is carrying out modifications to its network

13. If, having exhausted other options, the Provider needs to fit existing lines with pair-gain systems or transfer a pair-gain system to another line, it should ensure that this will not adversely affect an existing user of narrowband access to the internet.
14. There are several methods open to the Provider to assess the use of other lines, one of which is to examine call data records. Whilst Ofcom suggests this as an example of a reasonable method for checking the use of the line, the provider should be aware of its responsibilities with respect to the use of call data records. The information gained from call data records must only be used for the purposes of establishing whether narrowband internet access is used on a particular line. As detailed in Oftel's *Statement on BT's marketing of internet services and use of joint billing (19 May 2002)*, it must not be used for any marketing purposes.

Measures taken by the provider in response to complaints about unsatisfactory internet access, which are not related to pair-gain devices

Investigation

15. Where the Provider receives a complaint from an end-user about unsatisfactory connection speed, the Provider should take the end-user through a series of self-tests, such as checking the data speed displayed on the end-user's computer, and removing all other terminal equipment eg fax machines, from the connection
16. Further investigation, such as the Provider conducting a site visit to test the connection itself, is required only where it is established that the end-user is experiencing connection speeds which are persistently lower than the benchmark of 28.8 kbit/s. The Provider is not required to investigate further where the problem clearly falls outside its control, eg there is a problem with the end-user's computer or internet service provider.

Minor problem with the network

17. Unsatisfactory internet access may be caused by a minor problem, eg interference, a problem with the final link (underground or overhead) from the distribution point to the end-user's premises, or some other easily repairable fault.
18. Where the Provider establishes that there is a minor problem, it should take action at the earliest opportunity to ensure that the end-user's connection provides functional internet access, in particular that it is capable of achieving the benchmark data speed of 28.8 kbit/s.

Guidelines on functional internet access

19. Ofcom recognises that there may be circumstances where there is a significant problem with the network and it is not reasonable and/or proportionate to expect the Provider to take action on the basis of a single complaint about unsatisfactory internet access.
20. The Guidelines address two examples of such a significant problem below. There may be other scenarios not specifically addressed below; the following examples are nevertheless likely to be relevant.

Distribution ('D-side') cables

21. These are the secondary cables that link a primary connection point (known as a 'cabinet') to the final distribution point serving an end-user. One D-side cable will probably serve tens of distribution points but a particular distribution point is normally only served by one D-side cable.
22. Where the Provider establishes that there is a problem with a D-side cable, it should log the complaint against that particular cable and, when the threshold indicated below is reached, take action at the earliest reasonable opportunity to ensure that functional internet access, in particular a benchmark connection speed of 28.8 kbit/s, is provided to the affected end-users.
23. *Threshold:* where the Provider logs substantiated complaints regarding 10 per cent or more of the working circuits terminated on a particular cable at a particular distribution point or at a particular cabinet.

Main ('E-side') cables

24. These are the cables that form the first stage of the route from the exchange building to the customer's premises. At the exchange end, they terminate on the main distribution frame. The remote end terminates in a cabinet. One E-side cable can serve several cabinets, and equally a particular cabinet can be served by more than one E-side cable.
25. Where the Provider establishes that there is a problem with an E-side cable, it should log the complaint against the particular cable and, when the threshold indicated below is reached, put in place a work programme to ensure that the problem is addressed at the earliest reasonable opportunity. As indicated under 'General management and business processes' below, the Provider should advise Ofcom of any such work programme.
26. *Threshold:* where the Provider logs substantiated complaints regarding 10 per cent or more of the working circuits terminated on a particular cable at a particular cabinet.

General management and business processes

Guidelines on functional internet access

27. Where it is not possible on any given line to remove pair-gain devices or otherwise achieve a connection speed of 28.8 kbit/s in the short term, the Provider should be able to demonstrate that it is in the process of making, or planning to make, improvements to its network (whether equipment, lines or other part) not capable of supporting 28.8 kbit/s.
28. The Provider should establish appropriate management and business processes to:
- monitor the level of complaints from end-users on connection speeds for internet access and assess the underlying causes;
 - monitor the use of pair-gain systems within the network;
 - ensure that the impact of pair-gain systems upon internet access decreases over time; **and**
 - monitor the number of substantiated complaints regarding D-side and E-side cables
29. The Provider should provide Ofcom with quarterly reports ~~concerning the above issues~~, including details of any work programmes regarding improvements to its network to deliver functional internet access. These reports should include the following information:
- average final connect speeds of customers
 - the number of complaints from end-users on connection speeds for internet access and BT's assessment of the underlying causes for each case
 - BT's use of pair-gain systems within the network, the proportion of lines affected and any reduction or increase in their use
 - the number of substantiated complaints regarding D-side and E-side cables, as set out in the Guidelines (21- 26)

Annex N

Cost Benefit Analysis

- N.1 In section 8 Ofcom explains that we will be commissioning a cost benefit study into the provision of USO beginning in 2006. This annex sets out some of the inputs that will be required and Ofcom's approach to that study.
- N.2 A detailed assessment of costs and benefits is a challenging task, both in developing a model that is logically correct and practical while obtaining enough data to populate it in a meaningful manner. At this stage, Ofcom is of the view that the scope of the next detailed cost and benefit assessment will include the costs and benefits of the different elements of the universal services: uneconomic areas, uneconomic customers, uneconomic PCBs, and text relay. The methodology for deriving the costs (before benefits) of providing universal services will be based on calculating the costs that would be avoided and the revenues that would be foregone if the operators were not obliged to provide voice telephony (including basic internet) services to customers, or to entire areas, when it is uneconomic to do so. Then by subtracting the benefits from the costs Ofcom will derive the net cost of universal services.
- N.3 Ofcom is aware that the data requirements to carry out such a detailed cost and benefit assessment are significant. To identify economic areas, consumers and PCBs, and to estimate the financial burden they generate, data is needed about the distribution of the costs and revenues from fixed lines and calls (as well as their correlation) area per area, as well as per categories of customers. The reason is that it is the variation in avoidable costs and revenues foregone between different categories of customers and areas that determines which one(s) are economic and which one(s) are uneconomic to serve, and the financial costs of serving them. It is typically the 'tails' of these distribution of customer connections by revenues and costs that are of interest: the top-end of the avoidable cost distribution and the bottom-end of the forgone revenue distribution.
- N.4 Ofcom realises that such detailed disaggregated data represents a substantial data gathering exercise for the operators. Indeed requested data are usually under the form of national average costs and revenues per customer connection or per PCB. Ofcom intends to work with BT and Kingston on data requirements in order to minimise the data burden while ensuring meaningful estimation outcomes. This data work will represent a first stage of the assessment and would precede the modelling work.

Annex O

Non-confidential responses to the consultation document

O.1 The following organisations and individuals submitted non-confidential responses to the consultation document *Review of Universal Service Obligation* published on 10 January 2005. The responses are published on Ofcom's website:

<http://www.ofcom.org.uk/consult/condocs/uso/>

Association of Communication Services Providers

Age Concern

Alan Reid MP

Aldbrough and Thurgarton Parish Council

Andrew Davies AM & Edwina Hart AM

Association of Scottish Community Councils

Astley Abotts Parish Council

Aylmerton Parish Council

Baconsthorpe Parish Council

Badger Parish Council

Banknock Higgs & Longcroft Community Council

Basildon District Council

Basingstoke and Deane Borough Council

Beckbury Parish Council

Belhelvie Community Council

Billingsley Parish Council

Bishops Castle Town Council

Blakeney Parish Council

Bodham Parish Council

Braintree District Council

Breckland Council

Bridgnorth District Council

Bridgnorth District Council

BT

Cable and Wireless

Caerphilly County Borough Council

Cairngorms National Park

Camden Council

Centrica

Charis Ltd

Charmaine Morgan

Chelmarsh Parish Council

Chesterfield Citizens Advice Bureau

Chiltern District Council

Clee St Margaret Parish Council

Clunbury Parish Council

Clungunford Parish Council

Colin F Gibbons
Colin Mann Caerphilly Councillor
Communication Workers Union & Connect
Communications Management Association _CMA
Councillor Gwilym Tibbott
Craven Arms Town Council
Cygnor Sir Caerfyrddin Carmarthenshire County Council
Cyngor Cymuned Penybontfawr Community Council
Cyngor Sir Powys County Council
Diddlebury Parish Council
Disability Rights Commission
Dr Eric Morris
East Northamptonshire Council
East Ruston Parish Council
Edgefield Parish Council
Edinburgh Council
Edmund Collins
Emlyn Thomas Conway Councillor
Erpingham & Cowthorpe Parish Council
Errol Community Council
Felbrigg Parish Council
Fife Council
Garioch Area Community Council Forum
Gateshead
Grange/Howard Community Council
Great Snoring Parish Council
Great Yarmouth Borough Council
Greete Parish Meeting
Happisburgh and Walcott Parish Council
Hearing Concern
Hearing Concern - second response
Hempstead Parish Council
Highland Council
Hopesay Parish Council
Howgate Community Council
Hunter Associates
Hutchison 3G UK Ltd
ISPA UK
Internet Telephony Services Providers Association
Kelling Parish Council
Kelsallmedia.com
Kemnay Community Council
Kiltarlity Community Council
Kincardine Community Council
Kingston Communications
Knapton Parish Council
Lancaster City Council
Land Securities
Largo Area Community Council
Lembit Opik MP
Letheringsett with Glandford Parish Council

M W Wilson
Manchester City Council
Mike Tedd
Milton and Coaltown of Balgonie Community Council
Milton Keynes Council
Mobile Broadband Group
Montgomeryshire Community Council
Morville Parish Council
Mouswald Community Council
Much Wenlock Town Council
Myndtown Combined Parish Council
National Consumer Council
National Deaf Childrens Society
Neatishead Parish Council
Neen Savage Parish Council
North Norfolk Council
North Yorkshire County Council
NTL
Ofcom Advisory Committee For Older and Disabled People ACOD
Ofcom Advisory Committee For Northern Ireland (ACNI)
Ofcom Advisory Committee for Wales (ACW)
Ofcom Consumer Panel
OpenHub Limited
Orkney Islands Council
Osney Consulting
Otelo
Paul Tomlinson
Penworth DC
Penzance Town Council
Plumstead Parish Council
Portsoy and District Community Council
Postwatch
Potter Herigham Parish Council
Powys County Council
PUAF
Rathen Memsie District Community Council
Raynhams Parish Council
Renfrewshire Council
Ricability
RNIB
RNID
Roger Williams MP
Rother District Council
Royal Burgh of St Andrews Community Council
Ryburgh Parish Council
Salthouse Parish Council
Scottish & Southern Energy
Scottish Executive
Sennen Parish Council
Sense
Sidestard Parish Council

Smallburgh Parish Council
South Norfolk Council
Southrepps Parish Council
SPARSE
Sprint Consult Response
Stalham Town Council
Stibbard Parish Council
Stirling Council
Surrey Heath Borough Council
Sustead Parish Council
Swallow Parish Council
Symington Community Council
T-Mobile
TAG
Tattersett Parish Council
Truch Parish Council
Tynron Community Council
Upper Sheringham Parish Council
Wales Broadband SG
Warham Parish Council
Welsh Consumer Council
West Dunbarton Council
West Lindsey District Council
Wighton Parish Council
Wistanstow Parish Council
Wood Norton Parish Council
Worstead Parish Council
Worthen with Shelve Parish Council
Wyre Forest District Council

Glossary

Broadband	A service or connection generally defined as being 'always-on', and providing a bandwidth greater than 128kbit/s.
Communications Act	Communications Act 2003 which came into force in July 2003
CPS	Carrier Pre-Selection. The facility offered to customers which allows them to opt for certain defined classes of call to be carried by an operator selected in advance (and having a contract with the customer) without having to dial a routing prefix, use a dialler box, or follow any other different procedure to invoke such routing.
IA	Indirect Access. The facility offered to customers which allows them to opt to route their calls over alternative providers' networks. With IA you must dial a short code (or sometimes a freephone or other phone number) before you dial the number you want. Or, you can have an adaptor plugged in between the socket and your phone and the adaptor will dial the code for you, from calls from that socket.
In Contact (IC)	A BT special tariff scheme where the customer pays the rental charge by post-pay and calls by pre-pay. Also known as In Contact Plus.
Internet	A global network of networks, using a common set of standards (e.g. the Internet Protocol), accessed by users with a computer via a service provider.
IP	Internet Protocol. The packet data protocol used for routing and carriage of messages across the internet and similar networks.
Light User Scheme (LUS)	BT's special tariff scheme launched in 1993. Normal rental charge applies, but users receive a rebate if call charges are less than £15.07 per quarter.
Narrowband	A service or connection providing data speeds up to 128kbit/s, such as via an analogue telephone line, or via ISDN.
Ofcom	Office of Communications. The regulator for the communications industries, created by the Communications Act.
Oftel	Office of Telecommunications, whose functions transferred to Ofcom on 29 December 2003.
Pre-pay services	Method for paying for telecoms services where the customer pays for the calls before making them by adding money to an account or to a payment card

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Post-pay services	Method for paying for telecoms services where the customer is billed (quarterly or monthly) for the calls after they were made. This is the most common method of paying for fixed telecoms services.
RNID	The Royal National Institute for Deaf People.
Textphone	A device used by hearing and speech impaired people to communicate over networks in typed text rather than speech (the device is needed at both ends of the call, or a text relay service is needed).
Text relay service	A service enabling textphone users to communicate via the network with other customers by means of an on-line translation service.
USD	Universal Service Directive. Directive 2002/22/EC of the European Parliament and of the Council of 7 March 2002 on universal service and users' rights relating to electronic communications networks and services.