



BT Public Call Boxes

Consent to be given to BT under
Universal Service Condition 3

Statement

Publication date: 9 November 2006

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Section 1

Summary

- 1.1 The Universal Service Obligation (USO) ensures that basic fixed line services are available to all citizen and customers across the UK. Services provided under the USO include reasonable geographic access to call box services from Public Call Boxes (PCBs).
- 1.2 PCBs are still important to people who do not have access to a landline and cannot, for whatever reason, use a mobile but Ofcom's research report *Communications Market 2006*¹ shows that virtually no consumers now rely on PCBs as their primary means of making calls.

BT's request for consent

- 1.3 Under the specific Universal Service Condition 3.5 BT has to provide services from PCBs on the basis of uniform prices throughout the UK (excluding the Hull area) unless Ofcom consents otherwise.
- 1.4 BT requested consent from Ofcom to provide these services at non-uniform prices until 30 November 2008 to the extent necessary to implement two sets of price changes. BT argued that it is not practical to introduce the changes simultaneously across all its PCBs. BT's request is set out in Annex 4.
- 1.5 The first price change relates to the withdrawal of a facility called 'meter pulsing', being carried out as part of wider changes in BT's network. Meter pulsing currently enables PCBs to calculate the call charges. With its withdrawal, the calculation of call charges will have to be made in individual PCBs rather than centrally in the network. However the software in PCBs is not able to hold as much data about tariffs as that held currently by the network under meter pulsing.
- 1.6 BT is therefore reducing the range of tariffs for calls from PCBs to certain non-geographic numbers. For example in the case of 0844 there are currently 34 bands using meter pulsing ranging from 2ppm to 14ppm. Under the new tariffs these will be reduced to a single band of 14ppm. In all, around 200 tariff bands will be reduced to 8. Calls affected by this change account for less than 1% of BT's total call traffic from PCBs. The rationalisation of tariffs does not affect tariffs for calls to fixed or mobile numbers.
- 1.7 Under the second change, BT is increasing the minimum fee for calls from a PCB from 30p to 40p and increasing the number of call minutes. For calls to 01 and 02 numbers, the 30p charge currently allows a call of up to 15 minutes; under the new tariff, 40p will allow a call of up to 20 minutes.
- 1.8 Eight per cent of BT's PCBs (just over 5100 boxes) – BT refers to them as 'legacy PCBs' - need to be modified or replaced to allow the implementation of these changes. BT estimates that the roll-out of the programme of modification and replacement would take up to two years to complete as each of these boxes needs to be visited by engineers. BT points out that the boxes affected tend to be lightly used, are mostly in rural areas and represent only 3.4% of chargeable call volume from PCBs. During the period of the consent, those boxes would charge at generally lower

¹ <http://www.ofcom.org.uk/research/cm/cm06/telec.pdf> p158

tariffs - that is, at the current tariff rates for non-geographic codes and at the current minimum fee of 30p for 15 minutes.

- 1.9 As charges from PCBs would differ slightly during this period depending on whether the consumer was using the boxes operating the new tariff or one of the unmodified legacy boxes, BT has requested that Ofcom consents to non-uniform charging for calls from PCBs to the extent necessary to carry out the planned up-dating of the legacy PCBs until the modification and replacement is completed.

Proposed Consent

- 1.10 On 21 September 2006, Ofcom published the consultation document *BT Phone Call Boxes* in which we proposed to consent to non-uniform charging in the circumstances set out in BT's request.
- 1.11 In making this proposal we took account of the technical constraints of BT's network and the importance of having an effectively managed implementation of the changes that minimises costs and disruption to consumers and to BT. We made clear that the consultation related to the implementation of the price changes in a phased way, not to the price changes themselves.
- 1.12 The consultation document set out the Explanatory Memorandum and the draft consent and included an Impact Assessment. We invited views from stakeholders on the proposal to consent to non-uniform charging.
- 1.13 We have now considered all of the responses received to the consultation. Two responses - from national government organisations - broadly agreed with the proposal to consent. Three responses – from consumers opposed the proposal to consent on the grounds that the subsequent minimum price increase for calls in those PCBs affected was unfair, although this was not the subject of the consultation.
- 1.14 Taking account of the responses received and for the reasons set out in the consultation and summarised at paragraph 1.11 above, we have decided to consent to the provision by BT of non-uniform prices for call box services until 30 November 2008 as requested in letter set out in Annex 4.
- 1.15 We recognise the concerns set out in responses about the price changes generally. Although the changes are BT's commercial decision and not the subject of this consultation, we intend to monitor the impact of the changes on users of PCBs and on the affordability of the service.

Section 2

Introduction

Universal Service Obligation

- 2.1 Universal Service ensures that basic fixed line services are available at an affordable price to all citizen and customers across the UK.
- 2.2 The scope of the Universal Service Obligations ('USO') is set out by the European Community's Universal Services Directive² ('USD'). The Secretary of State for Trade and Industry specifies the services which must be provided throughout the UK in the Universal Service Order³ ('the Order'). The Order has been implemented by Ofcom through specific conditions on the Universal Service Providers ('USPs'), BT and Kingston Communications⁴, and general conditions on all providers.
- 2.3 Services provided in accordance with the Order include reasonable geographic access to call box services from Public Call Boxes⁵ (PCBs). PCBs are important to people who do not have access to a landline and cannot, for whatever reason, use a mobile but Ofcom's research report *Communications Market 2006* showed that virtually no consumers now rely on PCBs as their primary means of making calls. This represents a significant change from previous years: in 2004 2% of consumers indicated that they used PCBs as their main method of making calls.
- 2.4 Under the Order, prices for services provided in accordance with the Order have to be offered at prices that are uniform throughout the UK, unless Ofcom determines that there is clear justification for not doing so.
- 2.5 Under the specific Universal Service Condition 3.5 BT has to provide call box services on the basis of uniform prices throughout the UK (excluding the Hull area) unless Ofcom consents otherwise.

Request for consent

- 2.6 BT has requested consent from Ofcom under section 49 of the Communications Act 2003 (the Act) and Universal Service Condition 3.5 to provide call box services in the UK (outside of Hull) at non-uniform prices until 30 November 2008 to the extent necessary to implement certain price changes.
- 2.7 BT's request explains that the changes – set out in more detail in section 3 and in BT's letter in Annex 4 - cannot be made simultaneously across it networks of PCBs because around eight per cent of PCBs (which BT refers to as 'legacy PCBs') will need to be modified or replaced. These modifications and replacements will take up to 30 November 2008 to complete.
- 2.8 Ofcom considered BT's request and, in the consultation *BT Public Call Boxes* published on 21st September 2006, proposed to consent to non-uniform charging for call boxes services until 30 November 2008 as requested by BT.

² Directive 2002/22/EC

http://europa.eu.int/eur-lex/pri/en/oj/dat/2002/l_108/l_10820020424en00510077.pdf

³ SI 2003 No 1904 <http://www.opsi.gov.uk/si/si2003/20031904.htm>

⁴ http://www.ofcom.org.uk/static/archive/oftel/publications/eu_directives/2003/uso0703.pdf

⁵ A PCB is a public pay telephone located on a public highway

- 2.9 In making this proposal Ofcom took into account the following factors:
- The nature of the PCB network meant that it was not practical for BT to implement these price changes simultaneously across all its PCBs;
 - The phased implementation would enable BT to implement the changes effectively and in a way that minimised costs and disruption to consumers and to BT;
 - The extent of differential charging would be progressively reduced as PCBs were modified or replaced; and
 - The legacy PCBs that would be modified or replaced were distributed across the UK so that non-uniform pricing will not apply only to one region or nation.
- 2.10 The consultation included an Explanatory Memorandum, a draft consent, an Impact Assessment and a copy of the notification to the Secretary of State in accordance with section 50(1) of the Act.
- 2.11 Ofcom invited views from stakeholders on the proposal that Ofcom should grant consent under the circumstances set out in BT's request.

The Statement

- 2.12 This statement summarises the comments received and sets out our conclusions on BT's request to consent to temporary non-uniform charging for calls from BT Public Call Boxes.

Section 3

Decision on BT's request for consent

3.1 BT has requested consent from Ofcom under section 49 of the Communications Act 2003 (the Act) and Universal Service Condition 3.5 to provide call box services in the UK (outside of Hull) at non-uniform prices until 30 November 2008 to the extent necessary to implement certain price changes set out below.

Price changes

3.2 BT is making two sets of price changes.

Withdrawal of the Meter Pulsing Facility

3.3 As part of implementation of changes to its network being rolled out geographically from November 2006 BT is withdrawing the meter pulse facility (MPF). MPF is to be withdrawn in phases over two years.

3.4 With the withdrawal of MPF, charging will be calculated on the basis of tariff tables in the PCB. More than 90% of PCBs will be able to calculate tariffs on this basis without needing manual upgrade. However, the tariff tables in these PCBs will not be sufficiently large for BT to be able to retain the same number of tariff bands as currently available in the network with MPF. BT is therefore rationalising its tariff structure in PCBs by reducing the number of price bands for calls from PCBs for the following ranges:

- 0844 (special tariff services)
- 0871 (special tariff services)
- 070 (personal numbering services)
- 076 (paging services)
- 090 (premium-rate services)
- 091 (premium-rate services)
- 118 (directory enquiry services)

3.5 For example in the case of 0844 there are currently 34 bands using MPF ranging from 2ppm to 14ppm. Under the new tariffs these will be reduced to one band of 14ppm.

3.6 BT explains it has selected these non-geographic ranges because they have the broadest range of tariff bands but attract relatively few calls – less than 1% of its total call volume from PCBs. Taking all these number ranges together, around 200 tariff bands will be reduced to 8. BT is not rationalising its tariff bands for fixed or mobile calls.

- 3.7 Eight per cent of BT's PCBs (5,145) will not be able to calculate tariffs independently of the network and would need to be replaced in order to work without MPF. BT plans to replace them over two years as MPF was withdrawn. During this time the old, legacy boxes will charge at the current tariff rates for these 07, 08, 09 and 118 ranges. BT points out that these tend to be lightly used boxes, representing only 3.4% of chargeable PCB call volume.

Minimum Fee

- 3.8 The second tariff change relates to the minimum fee.
- 3.9 BT plans to increase the minimum fee for calls from a PCB from 30p to 40p and to increase the number of call minutes. For calls to 01 and 02 numbers, the 30p charge currently allows a call of 15 minutes; under the new tariff, 40p will allow a call of 20 minutes.
- 3.10 The eight percent of PCBs referred to in paragraph 3.7 above need to be modified manually to implement this new tariff. BT estimates it will take up to nine months to complete these modifications. During that period the old boxes would charge at the current minimum charge.

Consultation

- 3.11 Ofcom considered BT's request and, in the consultation *BT Public Call Boxes* published on 21st September 2006, proposed to consent to non-uniform charging for call boxes services until 30 November 2008 to the extent necessary to implement the price changes described in BT's request.
- 3.12 In making this proposal Ofcom took into account the following factors:
- The nature of the PCB network meant that it was not practical for BT to implement these price changes simultaneously across all its PCBs;
 - The phased implementation would enable BT to implement the changes effectively and in a way that minimised costs and disruption to consumers and to BT;
 - The extent of differential charging would be progressively reduced as PCBs were modified or replaced; and
 - The legacy PCBs that would be modified or replaced were distributed across the UK so that non-uniform pricing will not apply only to one region or nation.
- 3.13 The consultation opened on 21 September 2006 and the closing date for responses was 25 October 2006.

Consultation responses

- 3.14 In all five responses were received. A list of respondents can be found in Annex 1. One respondent requested that their response remain confidential and another two respondents requested that their contact details remain confidential. All non-confidential responses can be found in full on Ofcom's website at: <http://www.ofcom.org.uk/consult/condocs/callboxes/responses/>.

- 3.15 The consultation document set out both BT's request and the justification for Ofcom's subsequent proposal for consent to temporary non-uniform charging of BT PCBs throughout a two year period.
- 3.16 Three responses from general members of the public argued that we should not allow BT to increase call charges from PCBs. Although Ofcom recognises concerns over this matter and have carefully considered their comments in full, this was not the issue being consulted on and the consultation made clear that BT's PCB prices are not subject to regulatory price controls. However, Ofcom intends to continue to monitor BT's compliance with its Universal Service Obligations when providing PCB services.
- 3.17 Two national government organisations, the Welsh Assembly Government and the Scottish Executive, said they agreed with Ofcom's proposal to consent to temporary non uniform charging in BT PCBs, but sought assurances that BT would inform PCB users about the new charges and would not discriminate against rural areas during roll out.
- 3.18 We note the points made about the effect of the roll-out of the changes on rural areas and about the information provided to users of PCBs. We do not consider that these materially affect the proposal to consent. The new minimum fee will be displayed in the user notices of those PCBs affected. Although the legacy PCBs are more likely to be in rural than urban areas, we believe that there will be no inherent detriment to rural customers. The PCBs affected are low use and spread throughout the UK. Moreover users of the PCBs with old, 'non-uniform' charges will pay less than users of the other boxes where the charges will be introduced simultaneously.
- 3.19 No comments were received on the Impact Assessment which is set out for information in Annex 2.

Conclusions

- 3.20 Having taken into account the responses to the consultation, and for the reasons set out in the consultation and repeated at paragraph 3.12 above, Ofcom believes that there is justifications for BT not to price its PCB services uniformly to the extent set out in its request of 15 September 2006 in Annex 4. Ofcom, therefore, intends to consent to non-uniform charging for call boxes services until 30 November 2008 to the extent necessary to implement the price changes described therein.
- 3.21 The notification and consent to non-uniform charging is set out in Annex 3.
- 3.22 We recognise the concern expressed in some responses about the increases in call charges. Although not the subject of this consultation, it is important that PCB services remain affordable. Ofcom intends to monitor through research the impact of charge increases on the users of PCBs, in particular those customers on low-incomes, and on the affordability of the service and also BT's compliance with its Universal Service Obligations when providing PCB services.

Annex 1

List of Respondents

A1.1 Ofcom received five responses to the consultation. Of these one was submitted on confidential basis and two respondents requested that their contact details remain confidential. Non-confidential responses were received from:

- The Welsh Assembly Government
- The Scottish Executive

Annex 2

Impact Assessment

Introduction

- A2.1 The analysis presented in this annex represents an impact assessment, as defined in section 7 of the Communications Act 2003 (the Act).
- A2.2 Impact assessments provide a valuable way of assessing different options for regulation and showing why the preferred option was chosen. They form part of best practice policy-making. This is reflected in section 7 of the Act, which means that generally we have to carry out impact assessments where our proposals would be likely to have a significant effect on businesses or the general public, or when there is a major change in Ofcom's activities. However, as a matter of policy Ofcom is committed to carrying out and publishing impact assessments in relation to the great majority of our policy decisions. For further information about our approach to impact assessments, see the guidelines, Better policy-making: Ofcom's approach to impact assessment, which are on our website:
http://www.ofcom.org.uk/consult/policy_making/guidelines.pdf

The citizen and/or consumer interest

- A2.3 BT has requested consent from Ofcom under section 49 of the Communications Act 2003 (the Act) and Universal Service Condition 3.5 to provide call box services in the UK (outside of Hull) at non-uniform prices until 30 November 2008 to the extent necessary to implement certain price changes.
- A2.4 BT's request explains that the price changes – set out in more detail in section 3 and in BT's letter in Annex 4 - cannot be made simultaneously across its networks of PCBs because around eight per cent of PCBs (which BT refers to as 'legacy PCBs') will need to be modified or replaced. These modifications and replacements will take up to 30 November 2008 to complete.
- A2.5 There are approximately 67,000 PCBs in the UK, of which around 64,000 are provided by BT. Ofcom research in 2004 showed that over a third of adults use PCBs at least occasionally and 7 per cent use them at least once a month. Ofcom research in 2006 showed that virtually no consumers use PCBs as their primary means of telephony, compared with 2% in 2004. 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. However Ofcom's research report *Communications Market 2006* shows that virtually no consumers now rely on PCBs as their primary means of making calls
- A2.6 The requirement that prices for services provided under the Universal Service Obligation USO are uniformly priced assists in particular those areas—generally rural parts of the UK - in which services are more expensive to provide.
- A2.7 BT's request that Ofcom consent to non-uniform prices in BT Call Boxes until 30 November 2008 to the extent necessary to implement certain price

changes and modifications means that, as a result, some consumers will therefore face an increase in prices for a call from certain BT Call Boxes during this period depending on whether the consumer is using the boxes operating the new tariff or one of the unmodified legacy boxes.

Ofcom's policy objective

- A2.8 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.

Options considered

- A2.9 Ofcom considered two options:
- To consent to non-uniform charging
 - Not to consent to non-uniform charging

Analysis of the different options

To consent to non-uniform charging

A2.10 By consenting to BT's request, PCBs will charge on a non-uniform basis for up to two years to the extent necessary to implement the new price regimes. Consumers using PCBs will pay slightly different amounts for certain calls depending on whether they are using a PCB upgraded with the new tariffs or one of the legacy PCBs. However arguments in support of non-uniform charging are:

- the nature of the PCB base means that it is not practical for BT to implement BT's price changes simultaneously across its network;
- the phased implementation will enable BT to implement the changes effectively and in a way that minimises costs and disruption to BT and to its consumers;
- the extent of differential charging will be progressively reduced as PCBs are modified or replaced; and
- the legacy PCBs that will be modified or replaced are distributed across the UK so that non-uniform pricing will not apply to only one region or nation.

Not to consent to non-uniform charging

A2.11 By not consenting to BT's request, PCBs will have to charge on a uniform basis. However BT will still need to withdraw MPF (as part of its scheduled network changes) and want to change its minimum fee (for commercial reasons). The options available to it in these circumstances while complying with the uniform pricing requirement are not desirable, practical or cost effective:

- make modifications or upgrades simultaneously across 8% of its PCB base requiring engineers to be deployed to around 5,100 sites at the same time; or
- restrict call box services from the legacy PCBs in a way that ensures compliance with the uniform pricing condition until modifications or replacements could be

made (which might conflict with other aspects of the USO requirement to provide call box services and might have a detrimental effect for consumers).

The preferred option

A2.12 Ofcom's conclusion is to consent to non-uniform charging in the circumstances set out in BT's request taking account of the:

- The practical constraints;
- The desirability of minimising cost and disruption;
- The decreasing extent of differential charging; and
- The distribution of the differential charging uniformly across the UK.

Annex 3

Public Call Boxes: Explanatory Memorandum and Consent to non-uniform charging

Explanatory memorandum

- A3.1 Set out below is the justification for the consent, the effect of the consent, the reasons for consenting and an explanation of how Ofcom is meeting its duties under relevant sections of the Act in making this decision.
- A3.2 Ofcom has sent a copy of the notification set out in this Annex to the Secretary of State in accordance with section 50(1) of the Act.

Clear justification

- A3.3 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.
- A3.4 Universal Service Condition 3.5 requires BT to provide call box services on the basis of uniform prices throughout the UK except for the Hull Area unless Ofcom consent otherwise.
- A3.5 BT has requested consent from Ofcom under section 49 of the Communications Act 2003 (the Act) and Universal Service Condition 3.5 to provide call box services in the UK (outside of Hull) at non-uniform prices until 30 November 2008 to the extent necessary to implement certain price changes to calls to non-geographic numbers and to the minimum fee from PCBs.
- A3.6 Ofcom considers that there is clear justification for consenting to the provision by BT of non uniform prices in respect the services referred to in Universal Service Condition 3.5 in the UK (except for the Hull Area) to the extent set out in BT's letter of 15 September. Ofcom believes this clear justification for non-uniform prices in the circumstances referred to in BT's request is based on the fact that it will allow the implementation of price changes in an effective manner and in a way that minimises costs and disruption to consumers and to BT. The nature of the PCB network means that it is not practical for BT to implement these price changes simultaneously across all its PCBs. The extent of differential charging will be progressively reduced as PCBs are modified or replaced. The legacy PCBs that will be modified or replaced are distributed across the UK so that non-uniform pricing will not apply only to one region or nation.

Section 3 and section 4 analysis

- A3.7 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 enables the implementation of price changes in an effective manner and in a way that minimises costs and disruption to consumers and to BT. Consent to non-uniform charging also promotes the interest of all persons who are citizens of the European Union because it enables the implementation of price changes in an effective manner and in a way that minimises costs and disruption to consumers and to BT.

Section 49 analysis

- A3.8 In addition, Ofcom is satisfied that, in accordance with section 49 (2) of the Act, the consent is objectively justifiable because it enables the implementation of price changes in an effective manner and in a way that minimises costs and disruption to consumers and to BT. Providing consent does not discriminate unduly against particular persons in that the differential charging would apply to all persons using public call box services. It is proportionate because it reflects that it is not practical for BT to implement these price changes simultaneously across all its PCBs and that the extent of differential charging will be progressively reduced as PCBs are modified or replaced. Through the process of consultation, Ofcom is ensuring that its proposals, and the reasoning behind them, are transparent in relation to what Ofcom intends to achieve.

Notification of consent under section 49 of the Communications Act 2003

Consent to BT under Universal Service Condition 3.5, which is set out in the schedule to the notification published by the Director General dated 21 July 2003 pursuant to regulation 4(10) of the Electronic Communications (Universal Service) Regulations 2003

WHEREAS:

- 1 Ofcom hereby, in accordance with section 49 of the Act, gives consent to BT under Universal Service Condition 3.5, which is set out in the schedule to the notification by the Director General dated 21 July 2003 pursuant to regulation 4(10) of the Electronic Communications (Universal Service) Regulations 2003.
- 2 The Consent is set out in the Schedule to this Notification.
- 3 The effect of the Consent and the reasons for making the proposal are set out in the accompanying explanatory memorandum.
- 4 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..
- 5 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”.
- 6 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.
- 7 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.

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

Schedule

Pursuant to Universal Service Condition 3.5 and section 49 of the Act Ofcom gives the following consent:

1. The obligation on BT in Universal Service Condition 3.5 to provide Call Box Services under Universal Service Condition 3 on the basis of uniform prices throughout the UK except for the Hull Area shall not apply for a maximum term of two years expiring 30 November 2008 to the extent necessary to implement two sets of price changes relating to (i) the withdrawal of the Meter Pulse Facility and (ii) the introduction of a new minimum fee regime, both as set out in BT's letter to Ofcom dated 15 September 2006.
2. For the purpose of interpreting this Consent, 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;

“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 by the Director General dated 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.

Claudio Pollack

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

9 November 2006

Annex 4

BT's request for consent

Alan Pridmore
Ofcom
Riverside House
2a Southwark Bridge Road
London
SE1 9HA

15th September 2006

Dear Alan,

BT Payphones – Consent request: Universal Service Condition 3.5

BT seeks consent from Ofcom under section 49 of the Communications Act 2003 (the Act) and Universal Service Condition 3.5 to provide call box services in the UK (outside of Hull) at non-uniform prices to the extent set out below and for the maximum term of 2 years expiring 30 November 2008 when replacement of all legacy BT Payphone products will be complete.

This requirement arises as a result of the significant changes BT is presently implementing to its network infrastructure in order to improve service to customers.

As a necessary part of these changes, BT Payphones will be undertaking a phased withdrawal of the Meter Pulse Facility (MPF). MPF currently allows individual public call boxes to charge for call duration on a unit basis. The vast majority of BT's public call boxes in the UK will accommodate MPF withdrawal by charging at rates based on tariffing tables accessed independently of the network. Although extensive, these replacement tariffing tables will not allow for the implementation of as many variant charges as currently exist on the network based system and for this reason a limited number of non-geographic area codes will be rationalised. This rationalisation will allow national, international and mobile charges to continue to operate at their current charges without any impact caused by the withdrawal of the Meter Pulse Facility. The new non-network based charging will take effect from November 2006 and the tariffs will be published in the BT Retail Price List.

A small number of BT's older legacy public call boxes however – accounting for 8% of the total base and only 3.4% of chargeable payphone calls – will be unable to charge without the network meter pulse and therefore will be unable to charge in the same manner a limited number of non-geographic call types, excluding those which apply to mobile telephones. From November 2006 these boxes will charge, for these non-geographic call types, at a marginally lower rate than the published tariffs. Over a period of 2 years, these older public call boxes will be replaced to ensure that future pricing is applied on a uniform basis.

Additionally, from November 2006 BT plans to change the minimum fee payable for a UK cash call from 30p for 15 minutes to 40p for 20 minutes. The 40p charge includes a 20p connection charge and unit charges of 10p for 10 minutes. As with the meter pulse facility change, this change cannot be implemented for the small number of older legacy public boxes that rely on MPF for pricing. There will be a manual programme of box updates which is anticipated for completion within 6-9 months. The User Notice displayed in all PCBs will be updated to reflect the published prices.

BT does not believe that consumers making calls in the legacy public call boxes will be disadvantaged by these proposals. It is unlikely that consumers will be aware of any differential charging between the two types of call boxes. Moreover, to the extent that these consumers are charged at different tariffs than if they made their calls in newer boxes, these consumers will be charged at marginally lower rates.

Consistent with section 49(2) of the Act, BT considers that granting consent for non-uniform prices in these circumstances would be proportionate, objectively justifiable and transparent since it would enable BT to manage the costs of installing replacement products with minimal disruption to consumers. Consent for non-uniform prices would also not be unduly discriminatory as the differential charging would apply to all persons using public call box services.

Yours sincerely



Sarah Jefferson
Consumer Regulation Specialist

Annex 5

Ofcom's response to BT

Dear Sarah,

BT Payphones – Consent request: Universal Service Condition 3.5

Thank you for your letter dated 15 September 2006 requesting Ofcom's consent to provide call box services in the UK (outside of Hull) at non-uniform prices to the extent set out in your letter.

Pursuant to section 49 of the Communications Act 2003 and Universal Service Condition 3.5 Ofcom in its statement of 9 November 2006 (a copy of which is enclosed in this letter) issued its consent to provide call box services in the UK (except for the Hull area) at non-uniform prices for the maximum term of two years expiring 30 November 2008 to the extent necessary to implement two sets of price changes relating to (i) the phased withdrawal of the Meter Pulse Facility and (ii) the introduction of a new minimum price regime.

Ofcom understands that BT does not believe that consumers making calls in the legacy public call boxes will be disadvantaged by these changes and that such price changes will be made sufficiently transparent to users of BT Payphones.

This letter will be published as an Annex to Ofcom's statement on our website.

Yours sincerely

Alan Pridmore

Annex 6

Glossary

PCB Public Call Boxes

USO Universal Service Obligation