



Internet Telephony Services Providers' Association

March 21st 2005

Review of the Universal Service Obligation

ITSPA agrees with Ofcom's view that current mechanisms for the provision and funding of Universal Services need not be altered at present. We believe the situation should, however, be kept under review by Ofcom as the communications environment is fast-paced and dynamic. Changes to USO may be necessary in the future when services, such as broadband, become much more widely adopted by consumers.

Broadband coverage in the UK is indeed improving rapidly, and ITSPA welcomes Ofcom's efforts to accelerate the take-up of broadband services. However, until there is a fully competitive broadband market offering affordable services to consumers and, as a result, higher broadband penetration across the UK, ITSPA does not believe USO should be extended to high-speed Internet access. When broadband is sufficiently pervasive, USO will need to be adapted to reflect the changes in the level of basic service expected by consumers. We must stress that a fully competitive broadband market should be a prerequisite for any extension of USO to cover this technology, otherwise anticompetitive elements risk being cemented into the market.

What should be the arrangements for funding the USO in future?

At present, there is no compelling problem that requires the adaptation of the current USO framework. Indeed, as highlighted in Ofcom's consultation document, BT continues to draw significant benefit from providing Universal Service (e.g. through an increased user base and brand awareness), which balances out the cost to BT of complying with USO.

Only once competition is fully enabled and dominant market players can no longer be expected to fund Universal Service through the higher margins they earn, would it be fair to reassess Universal Service funding mechanisms. However, given the current lack of real equality of access and BT's continued dominance, we believe that it would be premature to re-evaluate the way Universal Service is currently funded.

ITSPA would like to stress that as VoIP providers do not gain any benefit from USO, it would clearly be disproportionate to require VoIP providers to contribute to a USO levy.

Should mobile technologies be used to help address the existing USO?

ITSPA does not see any reason for mobile technologies to be excluded from USO. In a technology neutral environment, and given the rapid pace of development of the industry, it seems sensible that USO be service-specific rather than technology specific.

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Conclusion

Current funding and delivery arrangements for Universal Service appear to be functioning satisfactorily at present, and in view of the current market, ITSPA sees no justification for changes to be made to the way USO are applied. Whilst there may be valid reasons in the long-term to include broadband in Universal Service, we do not believe that this is appropriate at present. Furthermore, ITSPA would like to highlight that it does not believe that VoIP providers should be included in any VoIP levy, as our members do not gain any benefits from USO.

ITSPA believes the situation should be regularly reviewed to ensure that no consumer is left behind in an increasingly networked world.

About ITSPA

The Internet Telephony Services Providers' Association was established in 2004 to represent the VoIP sector. ITSPA aims not only to encourage the innovation and development of the VoIP industry through the promotion of self-regulation and competition, but also to promote the benefits of the technology to consumers. ITSPA has the objective of ensuring consumers receive a first-class service and to reassure them that any product or service bought from a company displaying the ITSPA logo comes with a high standard of consumer protection, which is properly policed and includes a dispute resolution procedure. Further information on ITSPA and its members, can be found on our website here: <http://www.itspa.org.uk>.

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