

**From:** [REDACTED]  
**Sent:** 27 June 2005 11:39 AM  
**To:** [REDACTED]  
**Cc:** Dominic Ridley  
**Subject:** USO Statement

[REDACTED]

We agreed that I would let you have sight of the draft USO statement ahead of publication on Thursday.

I explained that there are two points on which we have not taken the Panel's advice, or at least not fully. These are on the targeted schemes and on PCB site definition. We have made clear in the document where we disagree and explain why.

**Schemes:** we have decided to proceed with a targeted scheme whereas the Panel favoured retaining the existing schemes. We believe we have to try to develop a more targeted scheme. However, we have taken on board the Panel's advice by setting BT a target for the take-up of the new scheme before they can withdraw LUS and In Contact. This should provide reassurance that we will test the new scheme and give BT an incentive to deliver effective marketing while protecting the existing scheme members. I also hope the Panel will be pleased to see that the income related qualification is being dropped, the Inclusive Call Allowance is being increased and an Early Payment Discount introduced. BT has also moved on its original proposal for a blanket bar on mobile users: only contract mobile users will now be formally excluded and this exclusion will not apply to disabled or chronically sick customers. We consider this as an acceptable compromise recognising that if mobile customers are prepared to make relatively high monthly rental, standard fixed line telephony should not create affordability difficulties. We are still in consultative mode on the details of scheme and we look forward to working with Panel on the implementation to develop and deliver an effective and valuable scheme for low-income customers.

**PCBs:** we are proposing the extension of the definition of site from 100 to 400 metres whereas the Panel favoured retaining the 100m definition. We believe a change in the definition is supported by Ofcom's research and is essential to provide a robust and sustainable framework for PCBs for the future. A change was endorsed by most stakeholders responding on this issue and provides what we consider to be an appropriate balance between ensuring an adequate PCB network for consumers and providing BT and Kingston with flexibility to respond to changing market conditions.

We are grateful for the Panel's advice which we have taken in all others areas and look forward to your response to this second-stage consultation.

Thanks

[REDACTED]