What does universal service mean and are there links with equality and human rights concepts?

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1. Introduction

One of the main drivers behind the formation of the new Centre for Essential Services and Consumers is the need to investigate common issues that are emerging across a range of sectors that provide essential services. One of the most significant questions is how universal affordable access to essential services can be achieved, especially for people in vulnerable or disadvantaged circumstances – this is often described as universal service.

Although universal service has increasingly been recognised as a vital objective in the provision and regulation of essential services – both at UK and EU levels – a critical question from the consumer standpoint is whether current arrangements are effective, especially for consumers in vulnerable circumstances. As this paper outlines, affordability is now generally accepted as a fundamental feature of universal service. But there is ample evidence in a number of sectors that existing approaches are failing in this crucial respect, as demonstrated for instance by the growing numbers of households in fuel poverty.

Moreover, what is meant by universal service in the first place is often unclear and definitions of the concept vary between different sectors. At the same time, universal service needs to be sufficiently dynamic and flexible to take account of the changing nature of society and of people’s expectations about rights to essential services, as well as changes in service configuration and delivery. These considerations also give rise to questions about what is meant by ‘essential services’, as there does not appear to be a coherent concept in the UK of what the term should cover.

An underlying and critical issue is how universal service can be effectively implemented. This raises questions about who should be responsible for decisions, what forms of help should be provided and how the costs should be financed, particularly in sectors where the costs are borne by consumers. The parameters of ‘help schemes’ are frequently shaped by financial considerations rather than by consumers’ needs, which can undermine the achievement of universal service and result in ‘poor schemes for poor people’.

As a result there is an urgent need to examine how the concept of universal service can be reframed to help ensure that all consumers, especially those in vulnerable circumstances, have full and affordable access to essential services and are treated in a fair and non-discriminatory way. In particular, links between the notion of universal service and equality and human rights concepts need to be explored, especially as increasing attention is being paid to their applicability for service providers and regulators.

Our aim is to explore these and other key issues in the seminar on 23 October. This working paper is intended to act as a stimulus to debate by setting out some themes and preliminary ideas which could form the basis for further exploration in
order to help take the discussion forward. Section 2 begins to examine the notion of what constitute essential services and discusses some of the developments that have taken place in some of these sectors. In section 3, the paper briefly outlines current approaches to the concept of universal service in the UK and at EU level, and discusses some of the main problems and challenges. Section 4 seeks to set out some preliminary thoughts and ideas about how the concept of universal service could be re-framed, in particular so that it is better grounded in the reality of consumers’ needs and also takes account of equality and human rights aims and considerations. The Appendix gives a brief overview of current approaches to universal service in a number of sectors as background, without seeking to be definitive or comprehensive. References are listed at the end of the paper.
2. Essential services

2.1 Assumptions and expectations

What many people today regard as essential services were not regarded in this way in the past. For example, current debates about digital inclusion and exclusion veer towards the assumption that a reasonably fast broadband Internet service is becoming essential for everyday life. Prior to this the essential element of an electronic communications service was - and still is for many - an affordable telephone service in the home.

What is, or may be, regarded by consumers as a universal, or universal right to a service, has obviously changed over time and continues to change. But it could be argued that there is not, as yet, a fully comprehensive and coherent research-based narrative about this important subject. One approach is offered by various ‘poverty’-linked enquiries, such as findings on what constitutes an ‘acceptable’ minimum level of household expenditure. Probably the most well-known of these is the Minimum Income Standard for Britain (Hirsch, et al, 2009). The standard is based on research into what members of the public, informed where relevant by expert knowledge, think should go into a budget in order to achieve a minimum socially acceptable standard of living.

This provides a fairly textured picture of what services and product types are regarded as essential by many. These were identified as: enough affordable food and clothing; water, gas and electricity; Council Tax; household insurances; household goods and services (including communications); ‘personal’ goods and services (including dental and optical care); travel; social and cultural participation (including meals out, hobbies, birthday celebrations), and of course rents/mortgages. However, the researchers accept that their work cannot be comprehensive, for example, it did not specifically include people with a disability, who may have additional needs and possibly different priorities to those of non-disabled people.

What people in some countries today regard as an essential service is not necessarily the same elsewhere. For example Van de Walle’s review of survey findings across 15 EU countries showed that, while water and electricity supply topped the list of services that respondents felt should be guaranteed to everyone (even those who do not have the means to pay for them), collection of household rubbish was ranked next and came above gas supply. (Van de Walle, 2008). But there were sharp variations between countries: 79% of Dutch respondents felt that rubbish collection should be guaranteed (whether people can pay for it or not), less than 48% of Greek respondents felt the same.

Historically-determined precedents and public expectations clearly play an important role in shaping what are considered to be essential services. For instance in Britain in the 19th Century, there were very public and intensely
political discussions about the need to guarantee everyone access to clean water and safe sewerage services, for reasons largely associated with public health.

Then there is the public dimension of services, those which are not necessarily used by everyone but which are nevertheless held by most people to be a public good. For example, there is a palpably strong and widespread view that services such as `public transport' and post offices are essential (regardless of whether everyone makes use of them), and their existence or otherwise affects not only individuals but also the broader social and economic life of communities. Similar considerations apply to health and social care services.

2.2 EU approaches to essential services

The essential nature of universal and affordable access to certain services has been recognised at EU level with the adoption of the concept of `services of general interest', and its subsequent inclusion in a Protocol to the Treaty of Lisbon. The European Commission (EC) has underlined that these services are “… essential for increasing quality of life for all citizens and for overcoming social exclusion and isolation.” (European Commission Green Paper, 2004), and that they constitute one of the pillars of the European model of society (European Commission White Paper 2004).

However, there are no specific EU definitions of services of general interest as the concept is seen as complex and constantly evolving. Overall the Commission has described the term as covering both market and non-market services which public authorities class as being of general interest and subject to specific public service obligations. (EC Green Paper, 2004).

The EU has also developed a concept of `services of general economic interest': which comprise services of an economic nature that are subject to specific public service obligations because of the existence of a general interest criterion. Defining such services is largely left to Member States within certain parameters (see Sauter, 2007). However, according to the EC, the term covers in particular certain services provided by network industries such as transport, postal services, energy and communications as well as any other economic activity that is subject to public service obligations (that may allow some derogation from the requirements of competition law).

2.3 Implications of changes in essential services

Clearly there are many services and products that are essential for life, health and well-being, such as access to affordable and nutritious food, affordable housing and so on. However, in certain sectors that provide essential services, various changes have taken place in their structure and provision which have given rise to fundamental questions about how we ensure they meet consumers’ needs particularly in terms of affordable access. And in some sectors such as
communications and financial services, such questions are further complicated by the rapid changes that are taking place in the nature of what is essential for social and economic inclusion.

For instance, before they were privatised, the enterprises that provided utility and electronic communications sectors in Britain had what could be termed public service obligations. When privatisations took place, a number of obligations were placed on monopoly or dominant companies in these sectors through legislative and regulatory frameworks and licence conditions. There were inevitably conflicts of interest between those of the companies and their shareholders and those of consumers, which have been manifest in debates not only about price levels and company returns but also about the responsibilities that should be borne by private companies providing essential services such as energy or water.

The obligations placed on these companies have been subject to change over the years, particularly as a result of the introduction of competition in a number of these sectors. The opening up of markets such as energy and telephone services, and the emergence of new entrants and new technologies especially in the communications sector, has complicated the picture further. It is clear that tensions have emerged in reconciling the public service obligations that underpin the provision of essential services with beliefs in reliance on competitive markets, as explored recently in a detailed cross-sectoral study (ed. Thomas S Professor, 2008).

The financial services sector was part of the above study, and similar questions are being raised in this sector as well about how universal affordable access to such services can be secured. For instance earlier this year, the European Commission consulted on ensuring access to basic bank accounts, reflecting how these basic financial services have become a necessary precondition for social and economic participation. (European Commission, 2009) The Financial Inclusion Centre in its response highlighted the need for access to and use of transactional banking facilities beyond simply the availability of basic bank accounts, and called for statutory obligations to protect the most vulnerable consumers (Financial Inclusion Centre, 2009). In addition, there are some similar issues that are emerging in the health and social care sectors, particularly with regard to the implications of `marketisation' of some aspects of these services and the notion of consumer choice. Important as these are, it has not been possible to cover these issues in this short paper.

Overall it appears that, in the UK, there is no coherent concept of essential services. In some respects the notion of universal service has been developed to try to provide a common approach but again without there being a coherent understanding of what it means. The following section explores the adequacy and appropriateness of current approaches and argues that there is a need to reframe them.
3. **Universal service: approaches and challenges**

3.1 **Current approaches to universal service**

Specific definitions of ‘universal service’ vary between sectors and across UK and EU official policies and regulatory frameworks. However, some fundamental elements are apparent and it is clear that they go beyond the basic availability of physical access to a network and service/s. In general the term embraces broader objectives that seek to ensure that consumers can, in reality, afford and use the services.

From the consumer standpoint, the essential elements of universal service should include:

- the range of services consumers that have a right to expect;
- the availability of these services at an affordable price;
- the quality of the connection, services and service delivery;
- adequate protection for consumers, particularly those in vulnerable circumstances, including rights to redress.

The objective of ensuring some form of universal service has developed because of a range of economic and political developments. For instance, when Theodore N. Vail promoted universal service in the US telephone sector in the early 20thC, the ostensible aim was to ensure interconnection between competing companies across the country (and protection for the dominant supplier). The passing of the Railway Act in 1844 and the subsequent nationalisation of the telegraph introduced the concept of universal service in the UK. Although it was about the supply of a service of a minimal quality at an affordable price, the underlying focus was supply to business users rather than domestic consumers. (Simon, 2008)

More recently the concept of universal service provision has perhaps been most explicitly recognised in sectors such as the communications and utility services both in the UK and at EU level. This has been driven in particular by the need to sort out what should happen when monopolies were privatised which had formerly been subject to what could be termed public service obligations, where in effect the State assumed these responsibilities. Subsequently, for example, at EU level, policies to open up the market for the provision of fixed line telephony were accompanied by measures to comply with overall EU objectives, such as the attainment of the Single Market, adherence to competition policies, and social and economic cohesion. The measures included a Directive specifically on universal service (Directive on Universal Service and Users’ Rights).

More generally the EU has recognised that certain essential services, described as services of general interest, need to be universally accessible and affordable. Most recently for example, the Protocol to the Treaty of Lisbon describes the
shared values of the EU regarding services of general economic interest as including: “a high level of quality, safety and affordability, equal treatment and the promotion of universal access and of user rights”.

Although the term `universal service` may not itself be employed in the UK as such in some sectors, it can be argued that this objective is implicit in official policies and legislation. For instance, although the term `universal service` is not apparent in domestic legislation covering the energy sector in Britain, certain obligations were placed on the energy companies with the privatisation of the energy market. Whilst some of the drivers for this derived from economic and competition factors such as the need to guard against anti-competitive practices, other reasons included the essential nature of energy services and social and public policy aims, notably the government’s targets to eradicate fuel poverty. The ban on water disconnections for domestic occupied properties is another illustration.

### 3.2 Problems and challenges

Current approaches to achieving universal service have been criticised for their apparent inability to secure affordable access for consumers, and for the lack of clarity about who is responsible for ensuring this happens and financing the costs (see for example *Poor Choices*, 2008, and many other studies). For example, decisions as to which consumers should be helped in coping with the charges for services are often arbitrarily made and based on stereotypical assumptions. For instance, winter fuel payments (the main direct State-based financial help that is available for fuel bills) are only available to people of pension age, excluding others who may also be experiencing problems, such as many disabled people who are likely to have high additional fuel needs.

Even this limited kind of State scheme is not available to help people in England and Wales with water and sewerage bills. Decisions about which consumers should be eligible for what have been termed `social tariffs` are largely left to private providers to decide (apart from the highly restricted `vulnerable groups` scheme that the government introduced in the water sector). Latterly the Government has agreed to introduce some form of statutory social tariff for the energy sector, due to take effect in 2011, but present indications are that it will be restricted to people of pension age who are on low incomes.

There is also the issue about the scope and coverage of universal service so that it is dynamic and reflects changes in what is essential for full participation in society. For instance, Ofcom has described how the balance between the rationales for universal service in telecommunications has changed: whereas in the 1980s the focus was on increasing the size of the network, more recently the emphasis has been about benefits for consumers who might otherwise lose out or be excluded, such as people on low incomes, people with disabilities, and consumers in rural areas. (Ofcom, 2006) A major focus of current debate about
the scope of universal service in the communications sector is whether it should include rights to high speed broadband and/or mobile telephony because of the changing nature of what is essential for social inclusion.

In sectors where the State or local authorities do not have responsibility for the ensuring universal access to essential services, there is the underlying problem of where such responsibilities should lie. One of the most obvious outcomes has been a lack of clarity, coherence and comprehensiveness in relevant policies and in policy-making itself. For example, it is fairly typical that there is a mixture of responsibilities spread across private companies, regulators and government departments particularly with respect to the affordability of essential services such as energy or water. Too frequently debates have been dominated by a ‘pass the parcel’ approach to assuming responsibility, by a reliance on the ability of markets to meet consumers’ needs in essential services, and by cost considerations.

The question is how these problems can be satisfactorily resolved on a long-term basis and in sustainable ways. Many attempts have been made to do so but with limited success. In order to progress, it is necessary to find ways of re-framing approaches to universal service and related obligations. It is argued that an important part of this process has to include the equality and human rights agenda.
4. Re-framing universal service

In practice current notions of universal service obligations and peoples’ rights to access essential services can be partial, historically determined, conditional, and even illogical or discriminatory. There is therefore a strong case for some kind of unifying principle or framework through which to re-work these notions, which is based on fairness, transparency, and perhaps above all on securing equal and universal social and economic rights.

4.1 The equality and human rights agenda

The most obvious framework is represented by the Human Rights Act, the equality duties required of public authorities with respect to race, gender and disability (and in a more limited way, to age), and the current Equality Bill (the effect of which is intended to reduce socio-economic inequalities, and to reform and harmonise equality law). The Bill is expected to be enacted well before the next General Election.

The Human Rights Act 1998 is intended to secure for all people key elements of the European Convention on Human Rights, particularly the following (which are generally conceived as civil and political rights):

- the right to life, to liberty and security, to have a fair trial, the right to respect for private and family life, for freedom of thought, conscience and religion and freedom of expression, to education, to assembly and association, the right to protect your property, and to take part in free elections, and

- the prohibition of torture, slavery and forced labour, of punishment without law, of discrimination.

All public authorities must comply, as must the courts. However, not all rights are absolute, some can be limited in defined circumstances, some may be qualified – by the rights of others or the needs of society (e.g. matters of national security, public safety, the economic well being of the country). In addition, as pointed out below, some argue that no clear distinction exists between civil and political rights, and rights that are seen as social, economic and cultural.

Existing statutory equality duties placed on public authorities with respect to race, gender and disability, will be extended and incorporated in the Equality Bill. Assuming its enactment, this will impose a single equality duty on public authorities - which will include gender reassignment, age, sexual orientation, religion and belief.

So much for the theory. The Parliamentary Joint Committee on Human Rights, in its 2007/8 Report on its work, stated that the Government had not done enough to use the Act as a lever to improve the delivery of services. It noted that some
improvements had been made during 2008, but felt obliged to add that: “We want to see all public authorities focus on the promotion of the human rights of service users, rather than simply comply with the minimum requirements of the Human Rights Act.” (Joint Committee on Human Rights, 2009)

The Committee has continued to seek to clarify the meaning of ‘public authorities’, and has been particularly exercised by what it regards as overly restrictive definitions (for example, its work helped to ensure that publicly funded residents in private care homes were not excluded).

In addition, the Committee noted in its report last year on a proposed Bill of Rights that the Government had indicated that it was contemplating the possibility of including provisions about social and economic rights in the form of “deliberative and interpretive principles”. Again the Committee has been pushing for greater inclusiveness, particularly for example for disabled people. Others have also made the point that citizens cannot exercise their civil and democratic rights and opportunities in practice without economic and social security (see for example, Democratic Audit, 2006).

This latter point is particularly germane to the subject of essential services and universal service obligations. For example the Committee has argued that there is no clear line of demarcation to be drawn between the substance of rights classified as civil and political, and those classified as economic, social and cultural (Joint Committee on Human Rights, 2008).

It added that some measure of protection for economic and social rights is afforded by the primarily civil and political rights guaranteed under the Human Rights Act. In supporting its case it cited, for example, the right to an adequate standard of living (Article 11 of the International Covenant on Economic, Social, and Cultural Rights); also the freedom from inhuman and degrading treatment set out in Article 3 of the European Convention on Human Rights (ECHR), which was intended to will guard against the worst forms of destitution. In addition the Committee referred to the rights to privacy, personal autonomy and physical integrity of the kind guaranteed by Article 8 ECHR, which are intended to afford the individual rights in relation to the adequacy and competence of healthcare, and in relation to their autonomy in choosing whether and how they are cared for.

The growing importance of people’s economic and social rights in the equality and human rights debate is exemplified by the current inquiry by the Joint Committee on Human Rights into Business and Human Rights. This underlines a growing recognition that people’s rights cannot simply be expressed in relation to public bodies or public authorities, as traditionally defined. Similarly it reflects long-running and ever more pressing arguments about the intellectual dishonesty of separating out, for example, the individual’s rights to receive public health advice about how to keep warm, from rising fuel prices which can lead to self-imposed rationing and the increased risk of hypothermia.
In its evidence to the Committee’s Inquiry into Business and Human Rights, Citizens Advice (2009) made the point that: “The link between economic and social rights on the one hand and civil and political rights on the other is especially important in the context of business transactions supplying goods and services to mass markets.”

Citizens Advice also argued that, for example: “Consumers often depend on the financial and legal services sectors for the realisation of many key rights such as security of the home and family, and access to the legal system. Regulation of these sectors therefore needs to incorporate a human rights strand.”

It added: “Many key “public goods” (eg utilities and other essential services) which go with human rights are only accessible through consumer markets rather than the state. We therefore question the presumption that only the state should have obligations under human right law; it is now widely accepted that business should be covered by equality legislation enforceable by the Equality and Human Rights Commission.”

Among other things Citizens Advice called for an enhancement of: “sectoral regulation and licensing regimes with a human strand to inform customer standards, and a co-regulation approach with respect to the interaction between human rights institutions, trade bodies, regulators and inspectorates.”

Obviously the Committee’s work is just one locus for discussion, but it does help to reflect how opinion is being formed in this country.

Note: Currently available written evidence to JCHR’s Inquiry is at http://www.parliament.uk/documents/upload/BHRevidence210509.pdf

4.2 An outcomes-based approach

One way of re-framing approaches to universal service may be offered by what could be called an outcomes-based approach: namely that it should be shaped by consumer needs, in particular the consequences for a significant number of consumers of not having affordable access to a service, or only having very conditional access. This outcomes-based approach may offer useful insights and also has the distinctive advantage of integrating with equality and human rights frameworks and policies.

For example consumers who are unable to access or use the Internet are likely to forego a certain amount of choice, and/or not have access to the many cheaper deals which are only offered and available online. The outcomes for people who are denied services like electricity supply range from social exclusion to risks to their health and well-being. Lack of access to a usable and affordable ‘public’ transport service could lead to social isolation, difficulties in obtaining
food and household goods, etc. Lack of universal affordable access to a dental service could lead to serious health problems.

These sorts of outcomes can of course raise problematic issues around social and economic justice in the planning, configuration and delivery of services which are viewed as essential by all. For example should a public transport service offer free/concessionary travel only to those on low incomes, only to older people and/or children, only to people in receipt of disability benefits? Should financial assistance with energy bills be restricted to people of pension age? These scenarios exemplify the need for any new approach to universal service to be grounded in the reality of consumers’ needs and circumstances, and also to reflect equality and human rights aims and considerations.
Appendix

Sectoral approaches to universal service

Below we outline ways in which universal service is currently understood and applied within a number of sectors. This is not intended to present a definitive or comprehensive account but to highlight some key aspects of potential interest.

Telecommunications

The objective of universal service in fixed line telephony has been incorporated in EU policies and explicitly recognises the need for affordability. The Universal Service and Users’ Rights Directive defines universal service as “…the provision of a defined minimum set of services to all end-users at an affordable price”. Member States may require universal service providers to offer tariff options or packages to consumers, in particular to ensure that those on low incomes or with ‘special social needs’ are not prevented from accessing or using the publicly available telephone service (see Article 9).

The goal of universal service has been a feature in the regulation of fixed line telephone services in the UK for a number of years, and has been described by the regulator as “a safety net that ensures basic fixed line services are available at an affordable price to all citizens and consumers across the UK”. (Ofcom, 2006) The current legislative context for the provision of universal service in the UK (the Communications Act 2003) has its roots in the EU framework of directives for electronic communications networks and services. Formally the Secretary of State specifies the services that are required to be provided throughout the UK via the Universal Service Order which is implemented by Ofcom, at present through obligations on BT across the UK and on Kingston Communications in the Hull area.

Key elements of existing Universal Service Obligations (USO) include:

- offer of a fixed line connection to all households on reasonable request at a uniform price, at a minimum speed for narrowband connection, capable of functional internet access;
- the provision of a specific tariff for consumers on low incomes;
- dealing with non-payment of bills;
- obligations relating to access to public call boxes;
- users’ rights including contract free itemised billing;
- provision of a relay service for people with hearing and speech impairments, and other services for disabled people.

In terms of tariffs for people on low incomes, BT has recently introduced a scheme known as ‘BT Basic’ and the intention is that this will replace the existing
In Contact and Light User Schemes. Eligibility for BT Basic depends on receipt of specific income-related benefits.

Financing universal service
According to the existing EU framework, when a universal service obligation represents an unfair burden on a USO provider, Member States can establish mechanisms for recovering net costs, which could be through public funds or for these costs to be recovered from all users in a transparent fashion through levies on undertakings. Some Member States have considered that there is a net cost and set up a universal service fund – this has not occurred so far in the UK. Here the costs of providing universal service in fixed line telephony are currently borne by BT and Kingston Communications, and Ofcom’s reviews have so far concluded that the obligations do not represent an unfair burden (Ofcom, 2006). Consequently the costs are ultimately borne by their customer base.

Key developments
The European Commission is currently reviewing the electronic communications regulatory framework, including the directive relating to universal service. In the UK, earlier this year Ofcom announced a comprehensive review of the existing USO, including its effectiveness and the burden of cost on BT (and on Kingston Communications).

The Government has recently decided to put in place what is described as `a broadband universal service commitment' of 2Mb/s by 2012. It proposes the creation of a Next Generation Fund to support targeted investment in super-fast broadband beyond where the market will go, administered through the same body as the universal broadband commitment. The Government’s intention is that this will be funded through a £6 a year levy on all copper lines.

Energy
The need for universal service in the electricity sector is explicitly recognised as well at EU level through the Electricity Directive, which places obligations on Member States to ensure that all household customers enjoy universal service. The definition used is “the right to be supplied with electricity of a specified quality within their territory at reasonable, easily and clearly comparable, transparent and non-discriminatory prices”. (Article 3)

The obligations that are consequently placed on Member States in the Electricity Directive include:

- ensuring that all consumers enjoy the right to be supplied with electricity of a specified quality within their territory at reasonable, easily and clearly comparable and transparent prices;
• taking appropriate measures to ensure there are safeguards to `vulnerable customers’, including measures to help them avoid disconnection;
• certain cost and consumption information to be specified on customers’ bills.

The existing EU Gas Directive refers to `public service requirements’ rather than universal service. It includes obligations requiring Member States to take appropriate measures to protect consumers and to ensure high levels of consumer protection; and to ensure that there are adequate safeguards to protect vulnerable customers, including appropriate measures to help avoid disconnection. (Both the Electricity and Gas Directives have been revised and the new versions are due to take effect in 2011 – see below.)

Whilst the term `universal service’ is not used explicitly in the legislative framework for the electricity and gas sectors in Britain, it can be argued that the concept is implicit in government and regulatory policies and measures, particularly with regard to fuel poverty. The main piece of relevant domestic legislation is the Utilities Act 2000, which includes requirements for suppliers to offer supply terms to any consumer that requests it. The Warm Homes and Energy Conservation Act 2000 also needs to be taken into account as it requires the Government to set out a fuel poverty strategy for England, with set targets: to end fuel poverty for `vulnerable households’ by 2010 and for all households by 2016. However, the targets contain the caveat of `so far as is reasonably practicable’. There are similar targets for the devolved administrations regarding the eradication of fuel poverty.

Ofgem has established a Social Action Strategy (SAS) which sets out how the regulator will seek to meet obligations regarding the interests of low income consumers, disabled consumers and those of pensionable age, and how Ofgem will help the Government to meet its targets for eradicating fuel poverty. (The energy regulator is required to comply with statutory guidance issued by the Secretary of State on social and environmental matters.) Other measures that Ofgem takes could be seen as part of a universal service objective, for instance, incentives for transporters to extend the gas networks which include eligibility criteria to ensure that a higher number of vulnerable and fuel poor households are able to benefit.

Licence conditions for electricity and gas supply companies include social obligations designed to protect domestic customers who may be deemed as `vulnerable’, for example, due to age, income or disability. Currently the main social obligation on suppliers is to produce statements on their policies on dealing with customers in payment difficulty; services for people who are of pensionable age, disabled or chronically sick; and the use of prepayment meters.

Apart from prohibitions placed on suppliers to prevent winter disconnections of consumers in particular specified circumstances, such as people of pensionable
age, the provisions on disconnection of ‘vulnerable customers’ are voluntary and set out in an industry commitment drawn up by the Energy Retail Association (ERA). Following a recent review of its effectiveness by Ofgem and Consumer Focus, this commitment is now being reviewed by the ERA to ensure that suppliers act consistently to identify ‘vulnerable customers’ and, at the time of writing, Ofgem was consulting on some changes to clarify certain licence conditions. (Ofgem, 2009).

Social tariffs are intended to be part of the measures to tackle fuel poverty: so far these have depended on a voluntary agreement with energy supply companies. In 2008 Ofgem introduced the condition that social tariffs must be as cheap as the supplier’s cheapest tariff, in order to be allowed to count towards their corporate social responsibility spending. According to Consumer Focus, social tariffs remain pitifully inadequate to tackle fuel poverty, with energy firms spending just half a percent of their turnover on them. Only a minority of the over five million fuel poor households in the UK receive help through these discounted rates.

**Financing universal service**

Unlike the other sectors discussed in this paper, there is some specific State help aimed at helping eligible households to cope with fuel bills. This mainly consists of Winter Fuel Payments that are presently restricted to people aged 60 or over. In addition, there are cold weather payments for eligible households on low incomes during defined periods of cold weather. There are also various State-funded schemes that operate across the nations of the UK to help improve the energy efficiency of the housing stock, as well as obligations on suppliers regarding energy efficiency that are ultimately funded by consumers. Various social tariffs are offered by energy suppliers, with eligibility and terms currently determined by the companies, and these schemes are funded by customers.

**Key developments**

Under the third legislative package for an internal EU gas and electricity market, the existing Electricity and Gas Directives will be repealed and replaced, with the new framework due to be transposed into domestic legislation by Member States by March 2011.

Significantly ‘energy poverty’ is recognised as a growing problem in the new Electricity and Gas Directives: Member States which have not yet done so are required to develop national action plans or other appropriate frameworks to tackle this problem (European Commission, 2009). The Directives require Member States to ensure necessary energy supply for vulnerable customers, and measures could include social policies or energy efficiency improvements. Member States should define the concept of vulnerable customers which may refer to energy poverty and, inter alia, to the prohibition of disconnection of electricity to such customers in critical times. The terminology used in the new
Directives still differ in some respects, in particular, as the former explicitly refers to the concept of universal service.

In the UK, the Secretary of State for Energy has announced that social tariffs will be put on a statutory basis with compulsory contributions from the energy companies, when the current voluntary agreement ends in 2011. Legislation will specify that more must be spent and that it must be targeted on the more vulnerable consumers, who are likely to be defined as older and poorer pensioners.

**The water sector**

The concept of universal service is not contained explicitly in legislation covering the supply of water and sewerage services in England and Wales. However, there are regulatory obligations and legislative requirements that reflect elements of universal service (Water Industry Act 1991). Suppliers (or "undertakers") are required to make supplies available in their area when these are demanded, and disconnection of occupied domestic premises for non-payment of bills has been illegal since the 1999 Water Act. The installation of pre-payment meters or trickle valves to restrict the flow of water is also prohibited.

There are no schemes in England and Wales to assist consumers with water bills similar to those that operate in energy, such as the Winter Fuel Payments. Specific assistance with water bills is limited to a highly restricted scheme for metered households who have high levels of essential need and fit specific eligibility criteria: this is known as the 'Watersure' scheme. Although the scheme is statutory (under the Vulnerable Groups Regulations), it is administered by the water companies in England and Wales. Some companies have introduced what could be termed as social tariffs aimed at helping eligible households who are in payment difficulties, and a number of tariff trials are currently taking place, of which some have what could be described as a social element.

However, in Northern Ireland, the Department for Regional Development (DRD) has drawn up a reduced tariff scheme to help eligible households on low incomes with water charges. But this will only take effect once separate charges for water services are introduced for domestic consumers (the charges are currently covered by rates). New arrangements for the delivery of water and sewerage services came into operation in April 2007 (a company - Northern Ireland Water - was appointed as sole water and sewerage undertaker, which is owned by the Government through the DRD) but plans for the introduction of separate charges for domestic consumers have been deferred and it is unclear whether and when this will take place.

If separate water charges are introduced in Northern Ireland, it is almost certain to be accompanied by some form of reduced tariff. When an affordability tariff was proposed for Northern Ireland some years ago, the aim was to ensure that
no low income household will have to spend more than 3% of their total household income on water and sewerage services. Eligibility appears likely to be linked to receipt of income-related benefits.

**Financing universal service**
The costs of the ‘Watersure’ scheme are borne by the companies and consequently by their customers, as are the costs of any ‘social tariffs’. Any costs related to the ban on disconnections is similarly borne by the generality of a company’s customer base. In Northern Ireland, if some form of reduced tariff is introduced alongside separate water charges, it appears that the cost will be spread across the customer base together with some State funding.

**Key developments**
In August 2009, the Government appointed Anna Walker to lead a review of water charging in England and Wales and her remit included assessing the effectiveness and fairness of current and alternative methods of charging including the issue of affordability. At the time of writing, her interim report had been published (Defra, 2009). On fairness principles, the interim report concluded that any charging system should be affordable to those on low incomes – it stated that this meant not only that the total bill should be affordable but also that the charging system has no incentives to encourage people to go without water for essential use. The interim report put forward some limited options for helping people with affordability of water bills, and the final report is awaited.

**Postal services**
Rowland Hill’s idea of a uniform postal pricing system - the “penny post” – came to fruition in 1840 and can be seen as the forerunner of the modern universal service in postal services.

At EU level a set of requirements for universal service was set out in the Postal Services Directive, which imposes minimum requirements on Member States (European Commission, 1997). It defined universal service in the following way: “Member States shall ensure that users enjoy the right to a universal service involving the permanent provision of a postal service of specified quality at all points in their territory at affordable prices for all users”. (Article 3)

The Directive was transposed into UK law by the Postal Services Act 2000. Royal Mail, currently the only provider of universal service in the UK is required to provide a Universal Service for its regulated products to all addresses in the UK at an affordable, uniform tariff once a day, six days a week including Saturdays.

The postal services regulator, Postcomm, is currently responsible for defining the universal postal service. In June 2004, following a year-long review, Postcomm
set out five areas of service offered by Royal Mail that the company will be required to provide as universal postal services at an affordable flat rate.

The five service areas are:

- priority and non-priority mail services weighing up to 2 kilos - Royal Mail's first and second class mail services;
- a non-priority service for parcels weighing up to 20 kilos – Royal Mail’s standard parcel service;
- a registered and insured service – Royal Mail’s Special Delivery;
- a range of support services to ensure the security and integrity of the mail;
- international outbound service – Royal Mail’s international public tariff and international signed-for products.

Funding universal service
According to Postcomm’s analysis, Royal Mail's capability to deliver to every address in the UK is a commercial advantage and not a burden (the analysis also excluded any quantification of the benefits of being the universal service provider).

Under the EU Postal Services Directive, where a Member State determines that the universal service obligations entail a net cost, and represent an unfair financial burden on the universal service provider(s), it may introduce: a mechanism to compensate the provider(s) concerned from public funds; or a mechanism for the sharing of the net cost of the universal service obligations between providers of services and/or users. (Article 7, European Commission, 2008).

Key developments
On 26 February 2009 the Government published the Postal Services Bill, which followed on from the recommendations of the Hooper review. The Government’s policy and proposed legislation includes protection for a six-days-a-week, universal price postal service, while a fund will be created, if needed, to support the provision of the universal service. Proposals also include the transfer of regulatory responsibility for postal services from Postcomm to Ofcom. However, the Postal Services Bill has been put on hold. A new EU Postal Services Directive is due to take effect by the end of 2010 in the majority of Member States (European Commission, 2008).
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