



# **Universal service in the Accession countries Implementation considerations**

**ITU Seminar**

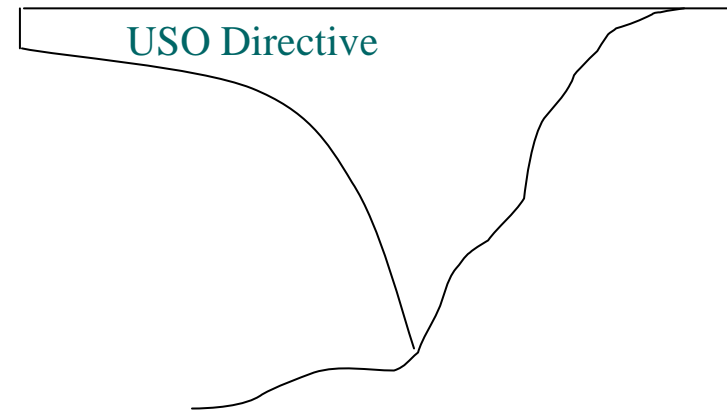
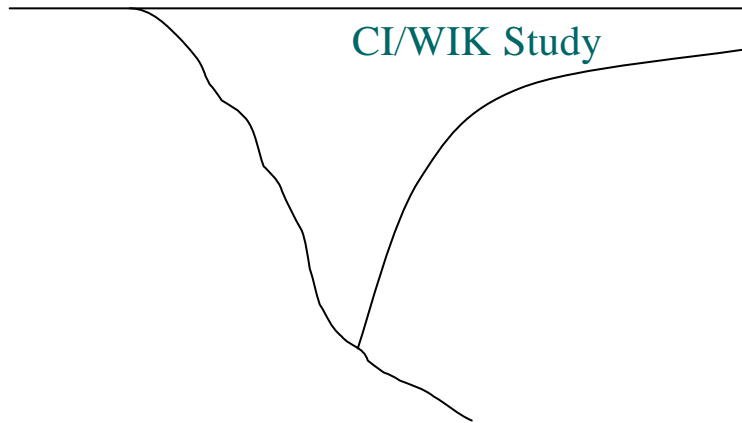
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**Jan H. Guettler  
Cullen International**

[jan.guettler@cullen-international.com](mailto:jan.guettler@cullen-international.com)



## Can the study recommendations be reconciled with the Universal Service Directive





## Different expert roles

1. To produce an independent study
  - neutral, objective, expert opinion on "best policy"
2. To assess compliance with the "*acquis communautaire*"
  - neutral, objective, expert opinion on compliance or non-compliance
  - no judgment whether non-compliance is justified or not



## Self select tariff packages

Encouraged by the USO directive:

- Member States may require ... tariff options or packages ...which depart from ... normal commercial conditions ... in particular to ensure ... low incomes or special social needs (Art. 9.2)

*Such packages may or may not generate USO costs*



## Tariff de-averaging

Geographic averaging is an option, not a requirement:

- Member States may require ... common tariffs, including geographic averaging ... support ... low incomes or special social needs (Art. 9.3)

*Finland is an example of a Member State  
without geographic averaging*



## Wait some years before imposing formal delivery obligations.

Clearly against the USO directive:

- Member States **shall** ensure ... all reasonable requests ... met by at least one undertaking. (Art. 4.1)

However:

- ... one or more undertakings ..(Art. 8.1)
- ... no undertaking is a priori excluded (Art. 8.2)
- Member States **shall** determine ... most efficient approach ... minimize market distortions ... in particular prices ... (*that*) depart from normal commercial conditions (Art. 4.2)
- Where ... universal service ... may represent an **unfair** burden ... calculate the net cost (Art. 12.1)

***A market oriented approach to universal service so far as possible!***

***A subsidy arrangement only where the costs are unfair!***



Is it possible to impose a delivery obligation that

1. provides "affordable" access
2. does not impose an unfair burden

?



## Extract from Recital 5 of USO Directive as amended June 27, 2001

....it is not appropriate to mandate a specific data or bit rate at Community level. Currently available voice band modems typically offer a data rate of 56 kbit/s and employ automatic data rate adaptation to cater for variable line quality, with the result that the achieved data rate may be lower than 56 kbit/s. Flexibility is required on the one hand to allow Member States to take measures where necessary to ensure that connections are capable of supporting such a data rate, and on the other hand to allow Member States where relevant to permit data rates below this upper limit of 56 kbits/sec in order, for example, **to exploit the capabilities of wireless technologies (including cellular wireless networks) to deliver universal service** to a higher proportion of the population. This may be of **particular importance in some accession countries** where household penetration of traditional telephone connections remains relatively low. ....





## Mobile operators as universal service providers

### Considerations:

- Affordability
  - Proven by mobile growth rate and cost ratios fixed/mobile
  - Self select tariff packages normal
- Requirement for fixed location (as opposed to mobile)
- Independent of geographic location



## Requirement for fixed location

### EU Directives:

- NRAs ... take utmost account ... making regulations technology neutral (Framework Directive Art. 8.1)
- Member States shall ensure ... services ... **made available** ... (USO Art. 3.1)  
... requests for connection ... (USO Art. 4.1)

### Remember :

- Fixed location terminal equipment is a commercial option for mobile operators

### Suggestion:

- if fixed location terminal arrangements are priced in the same range as affordable mobile arrangements they can also be claimed to be affordable
- then, if the market should prefer the mobile option, there is no USO issue

*The fixed location requirement would then be met*



## Independent of geographic location

### EU directives:

- Member States ... ensure that all **reasonable** requests ... are met

### National mobile network coverage – most accession countries

- in terms of geography: 85% - 99%
- in terms of population: 97% - 100%

### Suggestions:

- the requirement is not for 100%. It should not be necessary to cover areas that could be considered unreasonable to cover
- negotiate agreement with mobile operators over time to extend coverage to enable all reasonable requests to be met



## Designation of mobile operators

Could potentially meet the USO requirements

- without representing an unfair burden
- without universal service funds and subsidies

Thus

- enabling the benefits of a fair competitive market
- enabling user choice of fixed or mobile option
- enabling other national priorities



## Conclusion with regard to compatibility

Not all problems solved, but it could be possible  
to jump across!

