

# Universal Service Obligations Financing and Tariffing in Norway

Trine Reitan

The Norwegian Post and telecommunications  
Authority

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**POST- OG TELETILSYNET**  
*Norwegian Post and  
Telecommunications Authority*

# This presentation will review..

- Who provides USO
- What are USO products
- QoS standards for USO
- USO funding mechanisms
- Requirements imposed on the USO tariffing
- Norwegian USO tariffs



## Who provides USO?..

- Only the incumbent (Telenor)
- Due to large market share and countrywide extensive network
- Services imposed on the incumbent:
  - USO
  - SSO
  - Emergency numbers
- Well established system
  - Not controversial. Good coverage.



## USO products are.....

- Basic voice telephony
- leased lines / transmission capacity
- Services to disabled persons
- Phone directory (white pages)
- Directory services (operator assisted)
- Public pay phones



## QoS: Basic voice telephony

- Must be provided to all year-round housings and business activities
- Includes certain extra services
  - tone-dialing
  - blocking of a number
  - Through connection



## QoS: leased lines

- Minimum set required to be provided everywhere
  - Analogue and digital
  - less than 2Mb
- Eligible according to the development of the demand
  - Digital
  - 34Mb
  - 139Mb
  - 155Mb



# Funding mechanisms (1)

- USO costs are funded through the product prices
- The prices must be in accordance with certain rules
  - geographical average
  - cost orientation
  - price-cap
- In order to:
  - ensure that all users get a share of the expected efficiency gains
  - ensure a yearly reduction in real-prices



## Funding mechanisms (2)

- If there is a need for financing an operator's loss for supplying USO, there will be a fund
- All operators have to contribute to the fund according to size (turnover, number of customers, etc.)
- Until now Telenor has covered all expenses, due to the fact that other operator's market share have been quite low





# Tariffing (1)

- Geographical averaging
  - Prices are equal across the country
  - urban areas subsidise rural areas
  - to prevent regional imbalance in prices due to introduction of liberalization
- Cost based
  - Activity Based Cost accounting (ABC)



## Tariffing (2)

- In 1997 the Ministry introduced a price cap regulation
  - baskets for residential and business users
  - no price increase for analogue leased lines
  - RPI - x on digital leased lines
- X is set by the Ministry on a yearly basis
- RPI is calculated by the National Bureau of Statistics

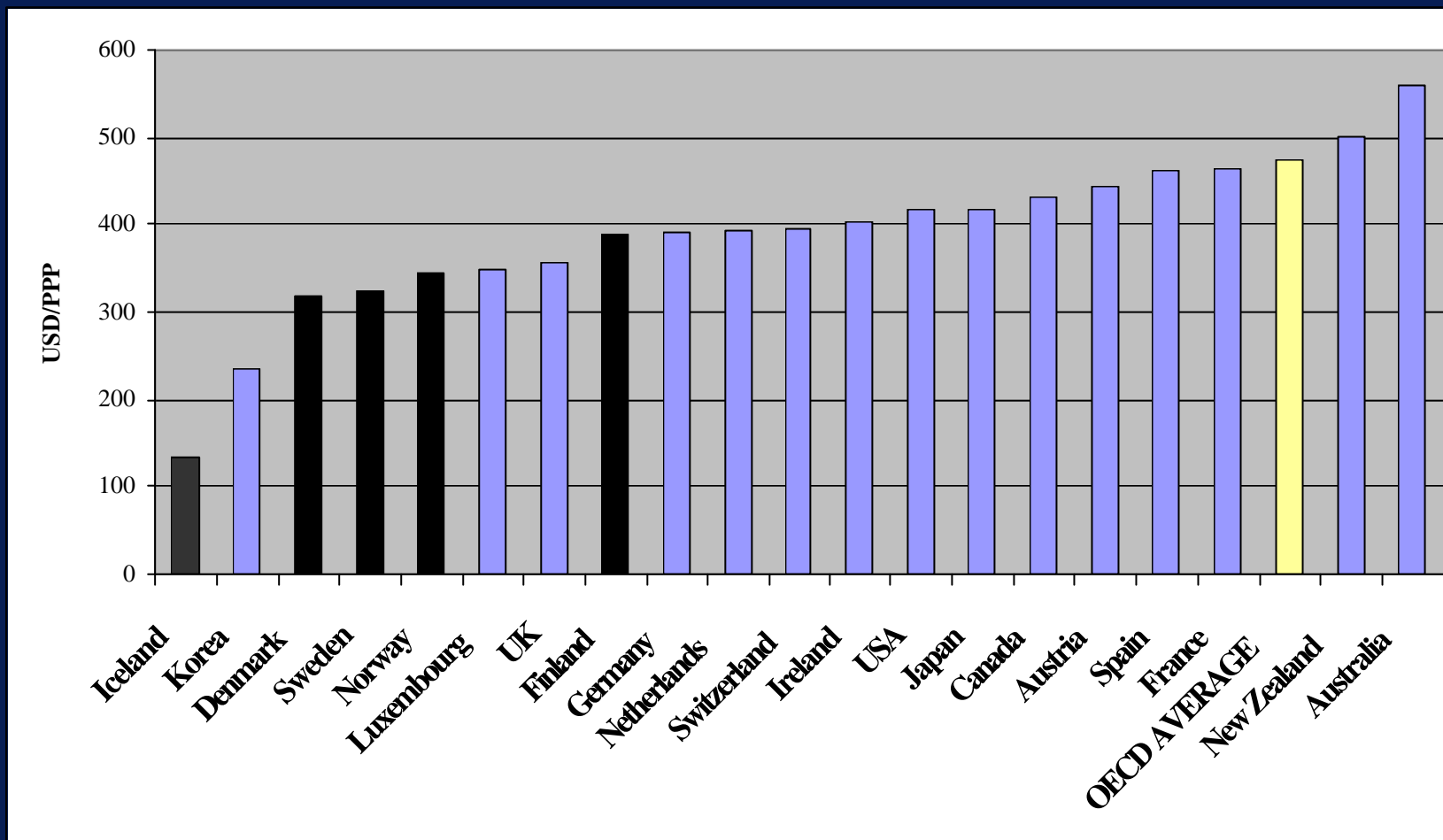


## Norway USO: affordable prices

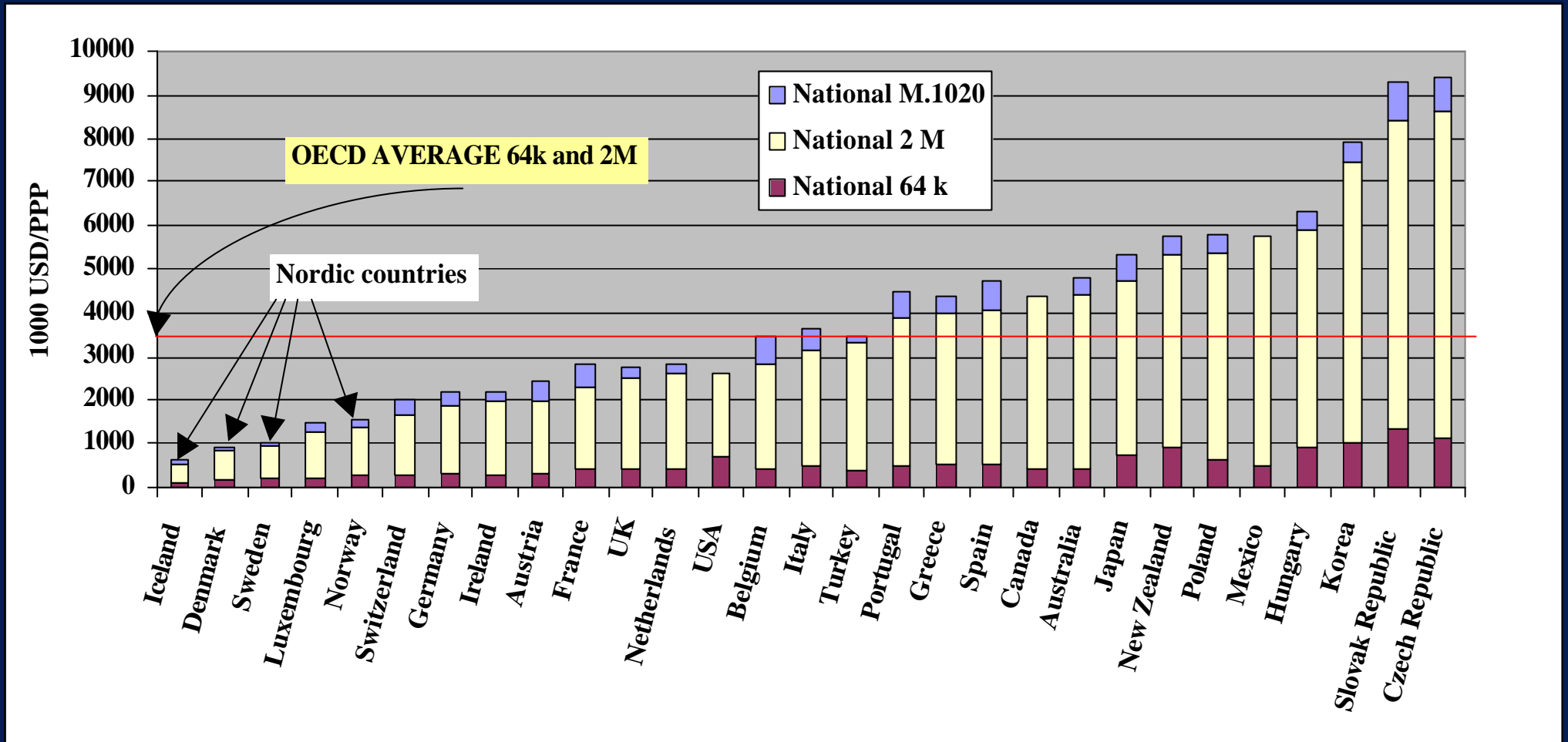
- Average consumption of postal and telephony services are 2% of total consumption
- Social welfare covers basic telecommunications needs
- People that are not credit-worthy have the possibility of pre-paid mobile subscriptions
- Rebalancing in 1998 --> introduced a low-user-scheme
- monthly subscription of 150 NOK (about 20 Euros)



# OECD fixed network telephone residential price basket (May 2001)



# OECD leased lines price basket (May 2001)



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Source: Teligen

# OECD baskets - conclusions for the Nordic countries

In general, low Nordic prices

- Despite
  - unfavorable geographical position
  - unfavorable topography
  - low population density
  - recent liberalisation
  - minimal competition
- But probably because of
  - modern infrastructure
  - high penetration of lines, radio channels, services



This was a brief presentation of financing and tariffing of USO in Norway..

Thank you for Your attention!



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