

Universal service in France

I. The scope of universal service

II. The assessment of USO cost

III. The share of USO cost

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Legal frame

- EU level
 - current frame
 - 97/33 « Interconnection » Directive
 - 98/10 « Universal Service » Directive
 - future frame
 - new « Universal Service » Directive (from 2003)
 - European Court of Justice judgement (December 2001)
- French level
 - Telecom Act (26 July 1996)
 - Universal service decrees
 - May 1997
 - March 1999 for social tariffs
 - To be released for directories
 - France Télécom terms of reference (December 1996)

I. The scope of universal service

The public service of telecommunications

- Provided for in article L. 35 of French Telecom Act
- It includes
 - universal service
 - mandatory services
 - missions in the public interest

Mandatory services and missions in the public interest

- Mandatory services :
 - They must be furnished throughout the whole French territory
 - integrated services digital network (ISDN)
 - leased lines
 - packet switched data services
 - enhanced voice telephony services
 - telex service
- Public interest activities
 - National defence and public security
 - Higher education in the field of telecommunications
 - Public Research and Development

Universal telecommunications service

« The universal telecommunications service means the provision to the public of a quality telephone service at an affordable price »
(L. 35-1 article)

It includes :

- the conveyance of telephone calls
- the conveyance of emergency calls free of charge
- the provision of an enquiry and directory service, in printed and electronic form
- the provision of public payphones
- specific conditions for social categories with special needs
- the connection of any person who requests it

Who is in charge of universal service ?

- Article L. 35-2 defines universal service
 - « An operator may be given the responsibility of providing the universal service if it agrees to provide the service to the whole of the country and is capable of doing so. »
 - « France Télécom shall be the public operator responsible for the universal service. »
 - Free conveyance of emergency calls is mandatory for Allemagne the operators
 - Any operator may require that its customers benefit from « social tariffs »

The telephone voice service

- FT terms of reference :
 - universality
 - geographical averaging
 - quality of service
 - affordability :
 - retail price cap
 - 1997-2000 price-cap
 - 2001-2004 price-cap should be published soon

Universal directory

- An information service + a telephone directory in both printed and electronic form
- The former reglementary scheme failed
- A decree is to be released about universal directory
- It will probably be operational in early 2003

Public payphones

- Obligations in FT terms of reference
- Each village may have at least one payphone
- Between 1000 and 10000 inhabitants, one extra payphone per 1500 inhabitants treshold

Categories with special needs

- In the event of non-payment, maintenance of a service enabling debtors to receive calls and to make freephone and emergency services for one year for overburdened with debt people
- « Social » tariffs
 - a bill discount for beneficiaries of some welfare payments and invalid soldiers (5 €with VAT per month in 2002)
 - more than 1 M beneficiaries
 - 2 operators : France Télécom and Kertel
 - telephone debts are able to be withdrawn (after survey by a departemental committee)

II. The assessment of USO cost

USO cost components

- Five components :
 - The structural imbalance of current telephone tariffs
 - The geographical averaging
 - The coverage of the territory with public payphones
 - « Social tariffs »
 - The directory and inquiry services
- Some costs are not taken into account :
 - Emergency calls
 - Miantenance of the service for in debt people

The structural imbalance of France Télécom's tariffs

- Historically, FT tariffs are imbalanced :
 - subscription/connection tariff are below local loop cost
 - call tariffs are (broadly) above general network costs
- To remain competitive, FT must « rebalance » its tariffs
- FT is partially refunded as long as the tariff rebalancing is not achieved, but not later than the 31st December 2000.
- Indeed, the tariff rebalancing was recorded by ministerial decree of 29 September 1999, with effect the 1st January 2000.

Cost of the structural imbalance of France Télécom's tariffs

$$C1 = 12. (P_e - P). N$$

- P_e : Reference monthly subscription fee (65 F = 9,9 € without VAT)
- P : Retail monthly subscription fee including restricting access (8,6 € without VAT till 28 February 1998 ; since 1999 : 9,9 €)
- N : average number of FT subscribers (excluding subscribers to optional services)

Geographical averaging cost

- Non profitable areas (NPA)

The areas are gathered in 35 classes according to the population density

Operators start rolling out their networks in profitable areas

FT 's costs and provisional income are ascribed to each class.

A class shows a net cost when the cost of the area coverage exceeds the income

- Non profitable subscribers in profitable areas (NPS)
= subscribers which connection cost exceeds the provisional income

The intangible benefits for operators in charge of the Universal Service

- The Community Directive provides that eventual benefits on the market stemming from the position of Universal Service provider must be taken into account.
- France was convicted for not taking them into account
- A decree is planned about this

List of potential intangible benefits

- Corporate reputation / brand recognition
- Ubiquity
- Life cycle effect
 - a non profitable area/subscriber/payphone may become profitable
- Database / information on consumption

The calculation method for corporate reputation

- Estimation of the additional charge residential users are ready to pay to remain FT 's clients
- A poll close to subscribers is needed
- This additional charge is split according to three effects:
 - inertia
 - brand reputation
 - public service image
- 3 assessments
 - In 1998, first quick assessment : 30 M €(200 MF)
 - In 1999, second assessment : 84 M €(550 MF)
 - In 2001, third assessment : 87 M €

III. The share of USO cost

A shared cost

- France Télécom is the public operator in charge of universal service. These missions generate a cost for FT.
- Any operator, including FT, bears a part of financial USO charges, in the basis of their market share
- French law provides for evaluating and sharing this cost.
- Universal service decree specifies the methods for evaluating universal service components costs

Way of payments / allocation keys

	Before tariff rebalancing	After tariff rebalancing
Tariff imbalance	Supplementary charge added to interconnection	
Geographical averaging	Supplementary charge added to interconnection	SU Fund Proportionate to the share of billed traffic
Social tariffs	SU Fund proportionate to the share of local loop traffic	
Public payphones		
Directories		

SU Fund

- Managed by the Caisse des Dépôts et Consignations
- Provisional payments in three contributions (20 January, 20 April, 20 September)
- For any operator,
 - credit : net cost of its US obligations
 - debit : a part of USO cost proportionate to its market share

Calendar of USO payments

- The ART proposes an evaluation of Universal Service costs, as well as the net contribution charged to operators to the minister in charge of telecommunications. The minister records it.
- The regulatory calendar provides that :
 - "the amount of the estimated contributions of the operators for the year considered is fixed by the minister in charge of telecommunications on 1st October of the preceding year on proposal by the ART expressed before September 1st";
 - "the amount of the final contributions of the operators for the year considered is fixed by the minister in charge of telecommunications at the latest on November 15th of the preceding year on proposal by the ART expressed before October 15th".

The cost of Universal Service

USO cost components	1997	1998	1999	2000	2001	2002
M€	Final	Final	Final	Preliminary	Preliminary	Preliminary
FT tariff imbalance	278	309	52			
Geographical averaging	417	329	176	220	229	271
NPA		197	115	196	192	207
NPS		132	61	24	37	65
Public payphones	70	29	23	25	28	24
Social tariffs		0	0	185	158	133
Directory and inquiry services		0	0	0	0	0
Total	765	667	251	430	416	428

- This array do not take into account ECJ judgement
 - 1997 USO contributions are withdrawn
 - 1998 to 2002 USO costs have to be reassessed (mainly because of immaterial benefits)

Contributions of operators other than France Télécom

M€	1997	1998	1999	2000	2001	2002
	Final	Final	Final	Preliminary	Preliminary	Preliminary
SU fund contributions (except FT)	1,1	0,8		11	92	115