



INTERNATIONAL TELECOMMUNICATION UNION

**TELECOMMUNICATION
DEVELOPMENT BUREAU**

ITU-D STUDY GROUPS

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FOURTH MEETING OF STUDY GROUP 1: CARACAS (VENEZUELA), 3 - 7 SEPTEMBER 2001
FOURTH MEETING OF STUDY GROUP 2: CARACAS (VENEZUELA), 10 - 14 SEPTEMBER 2001

FOR ACTION

Question 7/1: Universal access/service

STUDY GROUP 1

SOURCE: VICE-CHAIRMAN (EUROPE) OF ITU-D STUDY GROUP 1

TITLE: DRAFT RECOMMENDATION ON UNIVERSAL SERVICE POLICIES

Action required:

The participants are invited to give their comments on the proposed draft recommendation.

Abstract:

This draft recommendation emanates from the work carried out in the Rapporteur's Group on Question 7/1 on Universal Service/Access. In establishing their legal and regulatory frameworks with regard to universal service, public authorities and administrations should take into consideration the principles as described in this draft recommendation.

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The World Telecommunication Development Conference,

recognizing

- a) the sovereign right of each Member State to regulate its telecommunications and implementation of the ITU's instruments,
- b) the report by the Study Group on Question 7/1 "Universal Access/Service" and Module 6 "Universal Service" of the Telecommunications Regulation Handbook published by The World Bank, and the reference paper on basic telecommunications annexed to the Fourth Protocol to the General Agreement in Trade and Services,
- c) the importance, for the individual consumer, and for the competitiveness of industry and commercial users, of a telecommunications system offering to all users, including specific social groups, reasonable and affordable charges for access and use, high quality of service and technological innovation,
- d) that those telecommunications services ~~which are and~~ directly connected ~~with telecommunications~~ services ~~and~~ whose provision for the public as basic services has become indispensable may also be designated as universal service, if the economical conditions allow so,
- e) the ~~political goal-social objective~~ of ~~maintaining-providing~~ universal service in a competitive environment,
- f) the independence of telecommunication operators for the determination of their commercial policy, subject to appropriate regulation by national authorities and the need for telecommunications operators to be able to meet the increasing competition in the global market,

recognizing further

- a) that in a market-driven liberalised environment, the competitive provision of services will also contribute to the goal of affordability,
- b) that unbalanced tariffs (i.e. tariffs below costs for certain services being cross-subsidised by other services), and geographical coverage at non-market prices could have an impact on the revenue generated by telecommunication operators. Besides, these elements may distort the competitive provision of the service,
- c) that the provision of public pay phones, access to free of charge emergency services, etc. contribute to the operator's additional costs depending on the conditions under which the obligations are imposed,

noting

- a) that there is a general acceptance that liberalisation of telecommunications markets is the inevitable result of technological and market developments,
- b) that a general requirement exists for maintaining the financial stability of the sector and safeguarding universal service, while proceeding with the necessary adjustment of tariff structures,
- c) that ~~many-some~~ developing countries ~~lack adequate experience-may need assistance~~ in formulating universal service policies and requirements adopted to their needs, in particular in a competitive environment,
- d) that Study Group 1 in its report to Question 7/1 "Universal Access/Service" has ~~established adopted~~ a method for net costs calculation of universal service obligations based on the avoidable costs principle ~~as established by ITU-T Study Group 3~~,

e) that in some countries ~~with an intermediate or higher degree of development~~ the universal service should be financed using resources generated ~~by~~ in the provision of telecommunication ~~sectors~~services,

f) that operators must provide appropriate information to ensure a successful rebalancing of tariffs,

fg) that any universal service obligations are administered in a transparent, non-discriminatory and competitively neutral manner and are not more burdensome than necessary for the kind of universal service defined by a Member State,

recommends

that, in establishing their legal and regulatory frameworks with regard to universal service, public authorities and administrations should take into consideration the following principles:

- in a competitive environment universal service shall be ensured by the market participants; in case one operator (~~i.e. the incumbent~~) cannot ~~or does not want to~~ provide service in a specific area, the opportunity will be given to other operators to attain universal service goals in that area,
if market forces cannot assure the fulfilment of the universal service goal, this goal should preferably and to an utmost extent be supported through direct funding - from public budgets or through funds raised in a special universal service fund, where all market participants should contribute to,
- if direct funding is not chosen or these funds do not cover sufficiently the costs incurred by operators, these costs should be funded by other means, ~~e.g. access charges~~, in order to minimise their impact on competition. In a competitive market, internal transfers from profitable to non-profitable telecommunications services are not a suitable means of financing universal service obligations because they distort competition,
- the cost calculation of the obligations of Universal Service should be made ~~on the basis of the net cost~~, according to the method ~~established~~ adopted by the Study Group 1 in its Report on Question 7/1 – Universal Access/Service,
- if affordable prices for universal access and/or other obligations (i.e. quality requirements) are imposed, then additional costs arising from the service provision should be funded on an equitable basis. Any charges related to the sharing of the costs of universal service obligations shall be unbundled and identified separately. Such charges shall not be imposed or collected from undertakings that are not providing services in the territory of the Member State that has established the sharing mechanism,
- the economic importance of "additional elements" depends on the status of modernisation of the networks. ~~Advanced-Non-essential~~ features should not increase the additional costs: they should be provided at market prices,

recommends

that public authorities:

- promote the progressive rebalancing of tariffs towards cost-orientation together with the continuing development of universal service to all users at reasonable charges,
- to avoid undue prejudice to users on account of the necessary rebalancing and to ensure that rebalancing does not undermine the affordability of telephone services introduce price caps, ~~geographical averaging~~ or other similar schemes,

- prevent from adding obligations from outside the telecommunications sector on operators. These further financial demands are unfair, unjustified and harmful to competition and should not be inflicted on either existing operators or new entrants,
- ~~calculate the net costs of universal service obligation based on the avoidable cost principle,~~
- provide for the necessary financial, organisational and management independence of telecommunications organisations, in order to allow them to prepare for the competitive environment;

invites the BDT, Member States, and Sector Members

to continue consultation, in particular within the framework of the Development Symposium for Regulators, with a view, inter alia, to the definition of a global and coherent framework for telecommunications policy, taking into account the regulatory changes and aimed at strengthening the competitiveness of operators; while ensuring the provision of universal service.