



# Universal service – The EU framework

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**Pierre-Yves Potelle**

Cullen International  
pyp@cullen-international.com

# USO in the EU

## 2002/22/EC - Universal Service Directive

- ✦ Scope of services
- ✦ Who benefits
- ✦ Who is obliged to deliver services
- ✦ Cost calculation
- ✦ Who must contribute
- ✦ Basis of contributions
- ✦ Method of administration
- ✦ Other considerations

***Universal service policy was introduced as a consumer protection safeguard against full competition in telecoms***

# Scope of services

- **Access** to telephone network from a **fixed location** independent of geographic location
  - **affordable cost**
  - capable of allowing users to make and receive national and international **telephone calls, fax** and data comm. (**Internet**)
- Directory services
  - single directory
  - inquiry services
- Public pay phones (if necessary)
  - emergency calls without charge
- Specific measures for disabled users and users with special social needs

# Outside scope of services

- ✧ ISDN
- ✧ Broadband
- ✧ Special services

May be subject to national requirements, but not eligible for funding with subsidy contributions from industry

# Affordability

- in the light of specific national circumstances
- NRAs may require special tariff options for low income subscribers
- NRAs may require geographic averaging, but are not obliged to do so
- transparency and non-discrimination
  
- subscriber cost control
  - call barring
  - soft disconnection

## Who benefits

- potential subscribers in rural and remote areas who otherwise would not have network coverage
- possibly special category subscribers who has network coverage, but who cannot afford "normal" tariffs

# Who is obliged to deliver service?

- Member States **shall** ensure ..... universal service
- Member States **may** designate **one or more** undertakings
  - to provide different elements and/or cover different parts of national territory
  - efficient, objective, transparent and non-discriminatory designation mechanism
  - USO provided in cost-effective manner
  - no undertaking a priori excluded from designation (mobile operators / broadband!)

Designation does not lead automatically to subsidy!

# Cost of USO

- Assess if the provision is an unfair burden
- The operator must justify that subsidy is needed
- Two possible mechanisms to determine cost:
  - Cost calculation based on:
    - additional cost arising from obligation
    - minus additional revenue arising from obligation
    - intangible benefits
  - Auction or tender



# Who may have to contribute?

- Public funds and/or
  
- Providers of e-communications networks and services
  - providing services in the Member State
  - avoid double counting (VAT principle)
  - principles of transparency, least market distortion, non-discrimination and proportionality
  - minimum thresholds may be established

# Basis of contribution

- Burden should be spread as widely as possible
- Subject to proportionality
- Minimum distortion to competition and user demand

# USO financing scheme

- Difficult to implement correctly
- Challenge for NRA
  - Advanced economic concepts
  - Requires access to good accounting data
  - Experience in EU:
    - France - European Court of Justice
- Could discourage competitive investors – concerns:
  - cost / uncertainty
  - subsidy for incumbent fixed operator?

# Universal service implementation in EU

- EU 15
  - Funding
  - Net cost of components
- EU 10
  - Funding

# Review of USO Directive in 2005

Criteria for change of scope:

- A minority of consumers could otherwise be excluded from services enjoyed by the majority
- Inclusion of services could convey general net benefit in case not provided under normal commercial circumstances

# Review of USO Directive in 2005

## Candidates:

- Mobile communications
  - wide availability
  - low cost
  - does not meet the criteria
  
- Broadband Internet
  - Penetration around 6-8%
  - not yet a majority of consumers
  - does not meet the criteria



**Thank you**

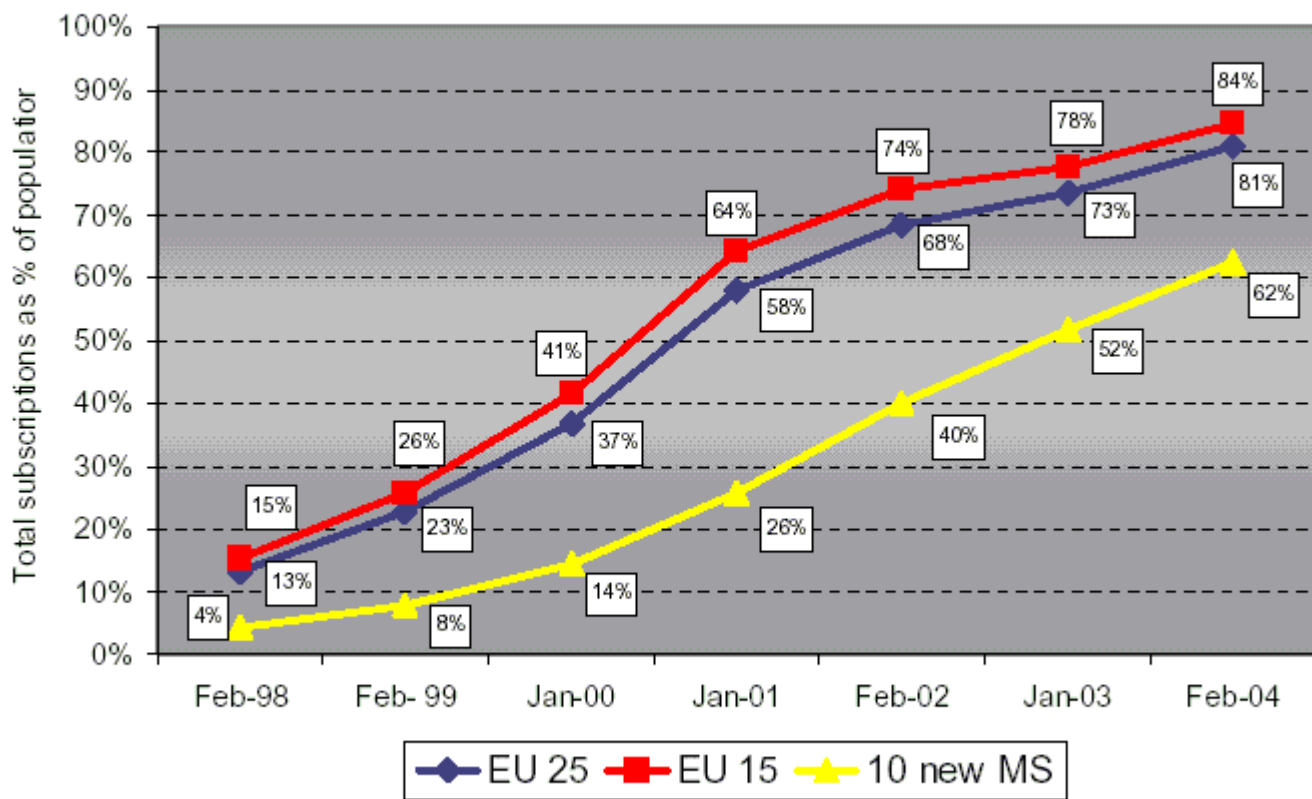
**Pierre-Yves Potelle**

Cullen International

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

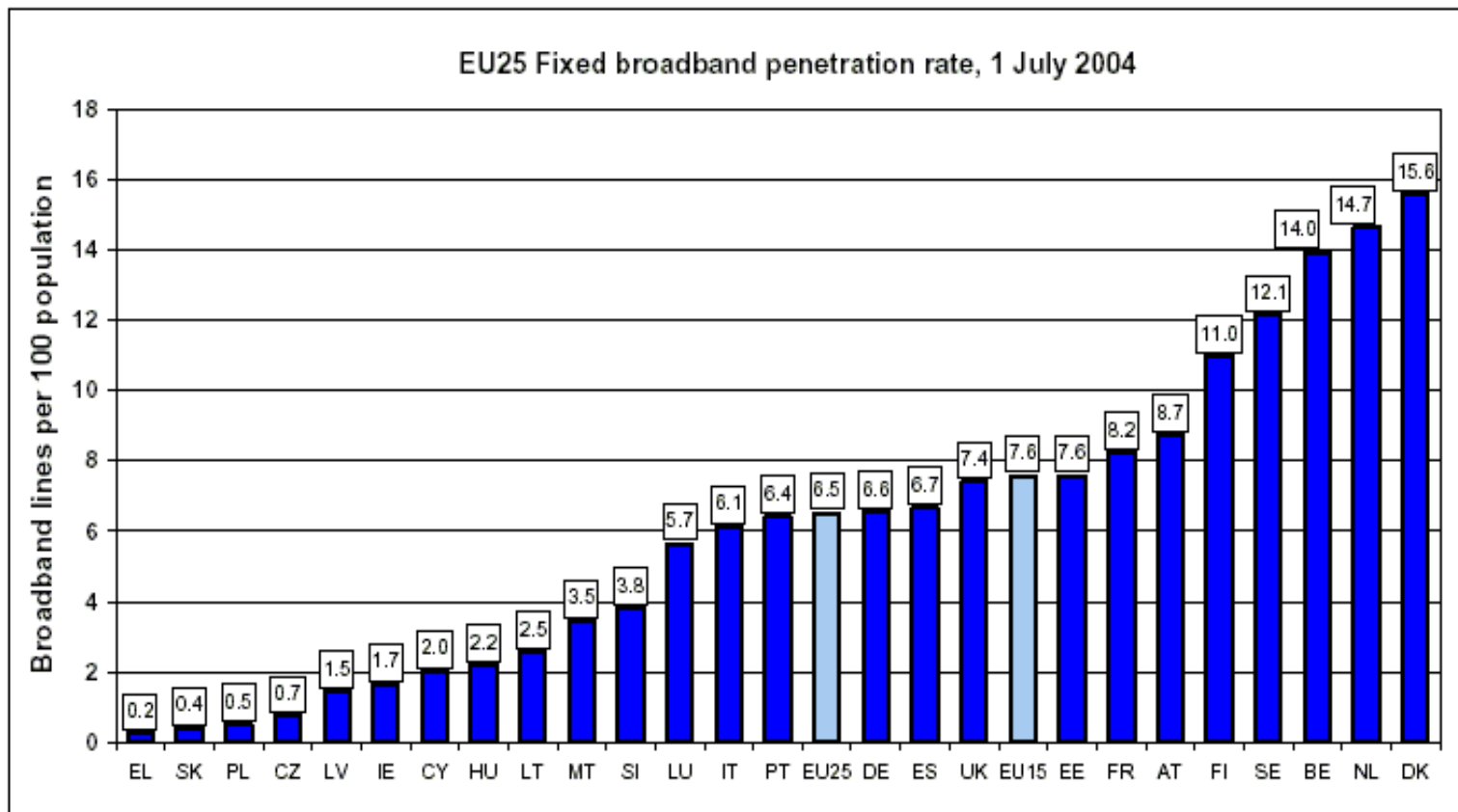


### EU Mobile Average Penetration Rates 1998-2004



Source: European Mobile Communications Reports





Source: Commission services based on COCOM data