

Universal service in electronic communications

Current state of discussion

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Petri Koistinen
European Commission
Information Society and Media

European Commission
Information Society and Media



Universal service in the EU *Concept*

A safety-net for those whose financial resources or geographical location do not allow them to have the basic electronic communications services that are already available to, and used by the majority of consumers

Universal service in the EU

Definition

*"Minimum set of services,
of specified quality
to which all end-users have access,
at an affordable price
in the light of national conditions,
without distorting competition"*

Art 1(2) Universal Service Directive (USD)

Current scope of USOs

- A **connection** to the public telephone **network** and **access to** publicly available telephone services at a fixed location enabling voice and data communications services, at data rates sufficient to permit functional internet access
- Special measures for **disabled**
- Comprehensive directory and directory enquiry service
- Availability of public payphones



Terms explained

“Connection at fixed location”

- **Technological neutrality:** both wired or wireless possible if delivering the defined set of services
- End-user's **primary residence**
=> **household** where several household members can share the connection
- **Does not cover personal mobility**
(‘access at all locations’)

Member States' obligations under the USD

- Ensuring that all citizens regardless of geographical location, can avail themselves of the defined set of services, upon reasonable request
- Using the most efficient means of guaranteeing the USOs, incl. giving all undertakings an opportunity to fulfil them
- If the market fails to deliver the defined set of services, NRA may designate undertakings to cover all or part of the nat. territory & impose USOs
 - Designation mechanism: efficient, objective, transparent and non-discriminatory
 - Financing/sharing mechanism: transparent, proportionate and non-discriminatory

USO scope and financing

Harmonisation / national flexibility (under the USD of 2002)

	Scope of USO	Designation and Financing schemes
EU level	Services within the USO <i>(harmonisation)</i>	State and/or sector funding <i>(some flexibility)</i>
National level	Additional services to be decided by Member States <i>(flexibility)</i>	State funding only <i>(some harmonisation)</i>



Implementation in Member States

- Several MS relaxed USOs concerning services that are already delivered by the market, e.g.:
 - No designated undertaking to provide directories & directory enquiry services: CZ, EE, IT, FI, IE and AT. No designation on payphones in DK.
 - No designation of any universal service provider at all: DE, LU and SV
- Most MS rely on sector-specific funding only; 2 countries (MT, PT) allow both public and sector funding, while 3 (CZ, FI, SV) have opted for public funding only.



Current USO net costs shared between operators

Member State	Year	USO net cost
Belgium	2003	€ 48.4 million*
Czech Republic	2007	€ 8.5 million
France	2007	€ 22.86 million
Italy	2003	€ 41 million
Latvia	2008	€ 0.54 million
Romania	2008	€ 0.47 million
Spain	2008	€ 74.85 million

*) Approximately half of this amount relates to the component of 'social tariff' for which the Commission took Belgium to the ECJ, since there had been no assessment of the question whether the provision of social tariffs represents an unfair burden for the undertakings concerned.



Review of the scope at EU level

Every 3 years

Criteria (Recital 25, Art 15, Annex V USD)

1. a) Are specific candidate services available to (coverage), and used by (take-up), a substantial majority of consumers?

b) Does the lack of availability or non-use by a minority of consumers result in social exclusion?
2. Does the availability and use of specific services convey a general net benefit to all consumers such that public intervention is warranted?

Mobile/mobility: test for inclusion

The 2nd Review Communication COM(2008)572

- Are mobile services available to, and used by a majority of consumers ?

YES

- Does the lack of availability or non-use by a minority of consumers result in social exclusion for those that cannot afford them?

NO

Broadband: test for inclusion

The 2nd Review Communication COM(2008)572

- Are broadband services available to, and used by a substantial majority of consumers ?

NO

2009 Telecom Package

No changes to the overall universal service regime and scope; some modifications:

- Technical separation between access (infrastructure) and the provision of services
- Inclusion of public voice telephony access points in the scope of universal service
- Possible imposition of measures for the control of expenditure on all providers (i.e. not only on the universal service provider)
- Strengthened eInclusion, disabled users' rights



2009 Telecom Package

Internet access - national flexibility

- **Recital 8 USD 2002:** functional internet access *"limited to single narrowband connection"...*
"currently available voice band modems [that] typically offer 56 kbit/s"
- **New Recital 5, Citizens' Rights Directive 2009:** MS can define nationally the minimum data rates of the connection *"which are sufficient to permit functional internet access [...] taking due account of specific circumstances in national markets, for instance the prevailing bandwidth used by the majority of subscribers [...] and technological feasibility, provided that these measures seek to minimize market distortion"*



2010 Consultation on universal service: background

- Commission's 2nd periodic scope review in September 2008: number of questions on the future directions, in particular regarding broadband
- Commission Declaration on universal service to the European Parliament in November 2009 (in the context of the 'Telecom Package')
- **Digital Agenda for Europe in 2010:** broadband coverage targets

2010 Consultation questions: *Concept of universal service*

- 1) In today's competitive environment, **can the market be relied on** to meet demand for basic e-communications services from all sections of society?
- 2) If not, what would be the **best concept** / approach to universal service to ensure that disabled consumers and those in remote and rural areas or on a low income can **access basic services**?

Role of USOs / broadband policies

- 3) Broadband** for all is a widely-stated **policy objective** at national and European level. What **role** if any should **universal service play** in meeting this objective?

- 4) What impacts** could an **extension of the role of US** to advance broadband have in relation between to **other EU and national policies** and measures that (specifically) aim to achieve full broadband coverage in the Union?



Coordinated EU response /national flexibility

- 5) If USOs should prove necessary to achieve broadband for all, at **what level** (EU or nat.) should **obligations be defined**, taking account the different levels of market development in the Union of 27 MSs?

- 6) If a common harmonised US needs to be defined at EU level, should a mechanism be put in place to **balance the need for national flexibility** and a coherent and **coordinated approach** in the EU?



Financing

- 7) Irrespective of the scope of US, is **sector-specific funding appropriate** in the context of a regulatory environment that seeks to eliminate **distortions of competition** and promote market entry?

- 8) In the context of the roll-out of broadband in Europe, is it still appropriate to **limit** the **financial** arrangements to the market player **in the telecoms sector**, while this provision would have wide-ranging benefits outside the sector? Are **other means** of financing more appropriate?



Consultation outcome

Summary

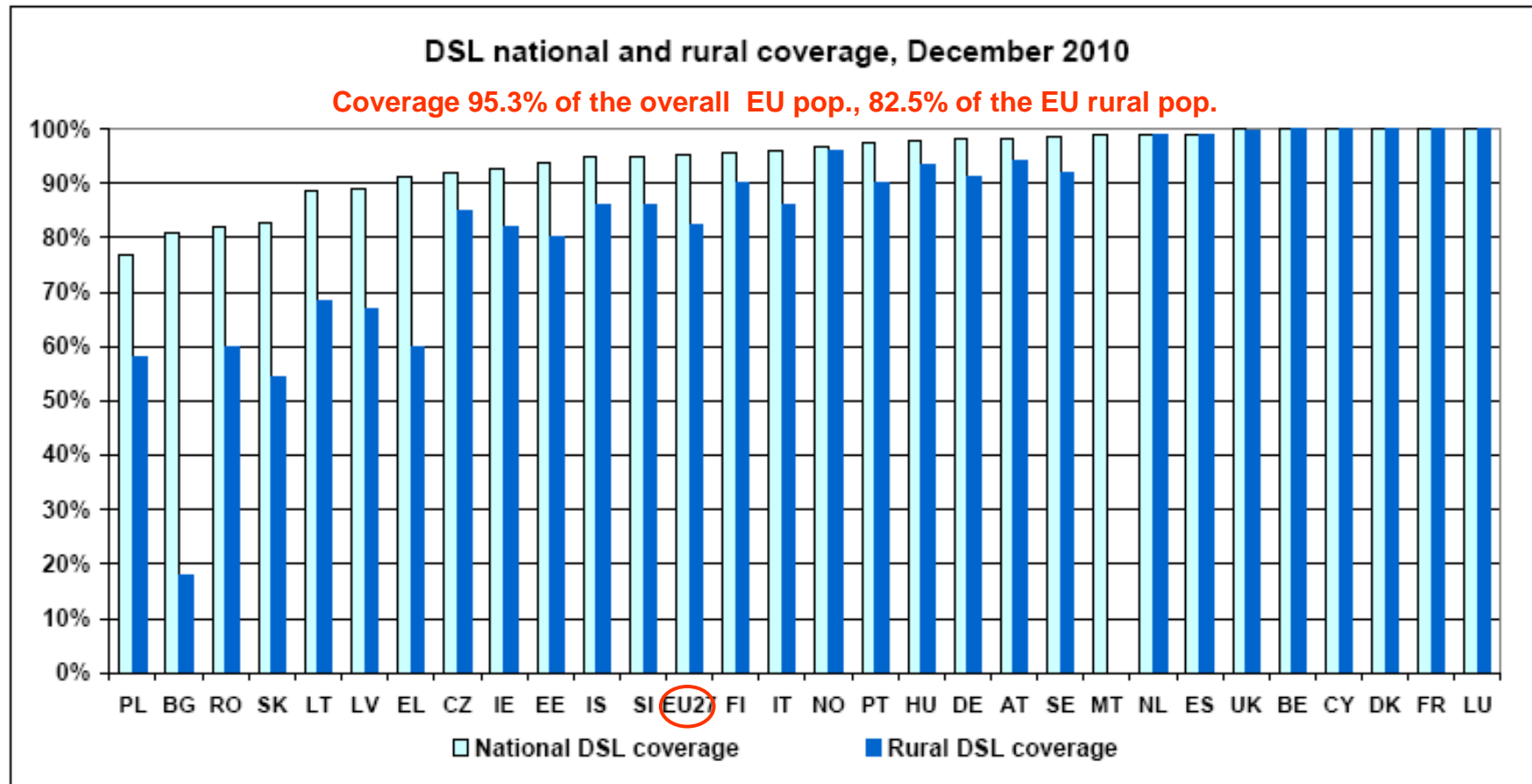
Vibrant and diverse debate, no consensus

- **Market players:** USO not the right tool to advance broadband; concerns about legal certainty (Rec. 5 CRD)
- **Consumer organisations:** USO to be used as a more pro-active EU tool to bring broadband for all
- **Nat. administrations:** No need for major changes in general; flexibility was mostly welcomed; more varied views on future financing
- **BEREC:** Emphasised nat. flexibility, if a common EU approach, only as a minimum safety net

See the consultation contributions at:



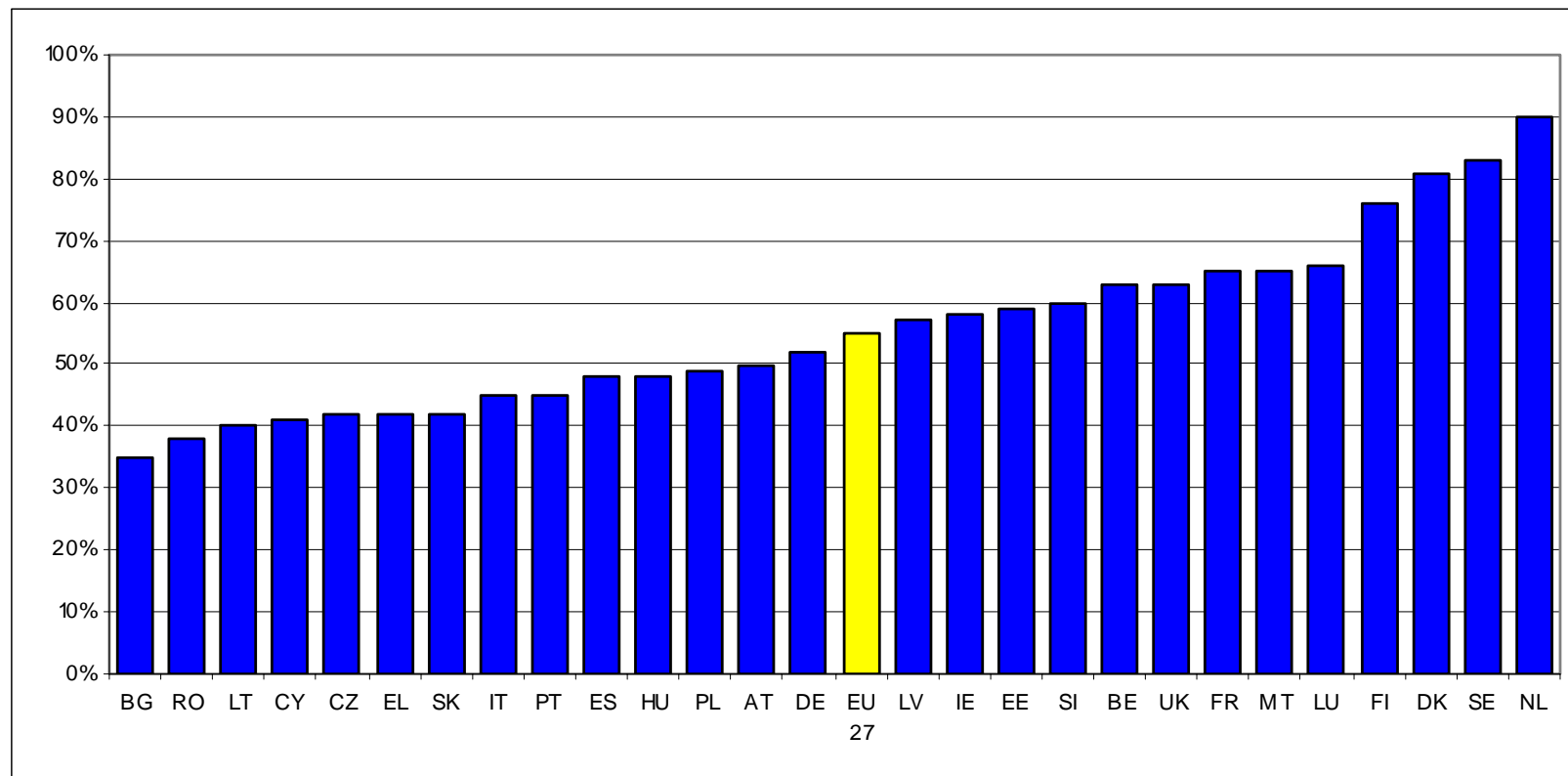
Fixed broadband coverage in the EU



Broadband use by EU households

Early 2011

EU average: 55 %

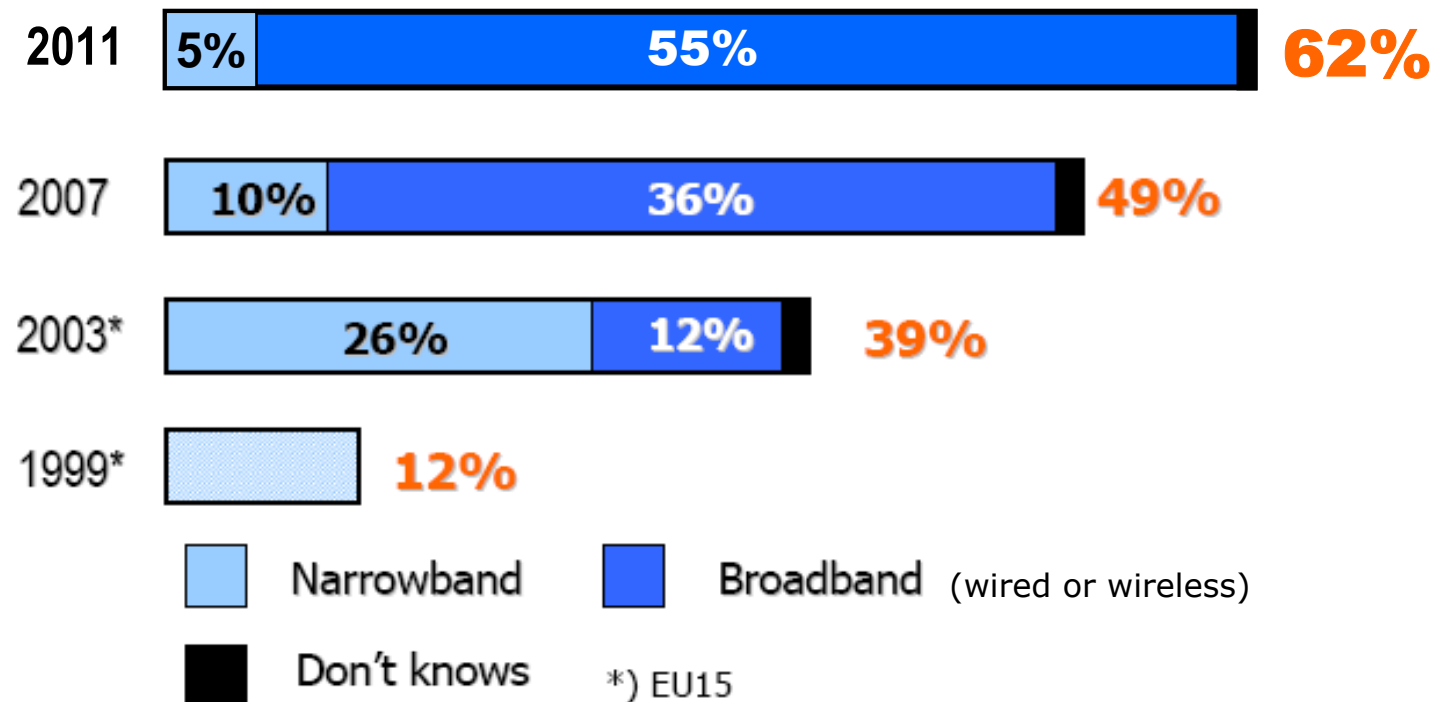


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Internet/broadband use by EU households

1999-2011

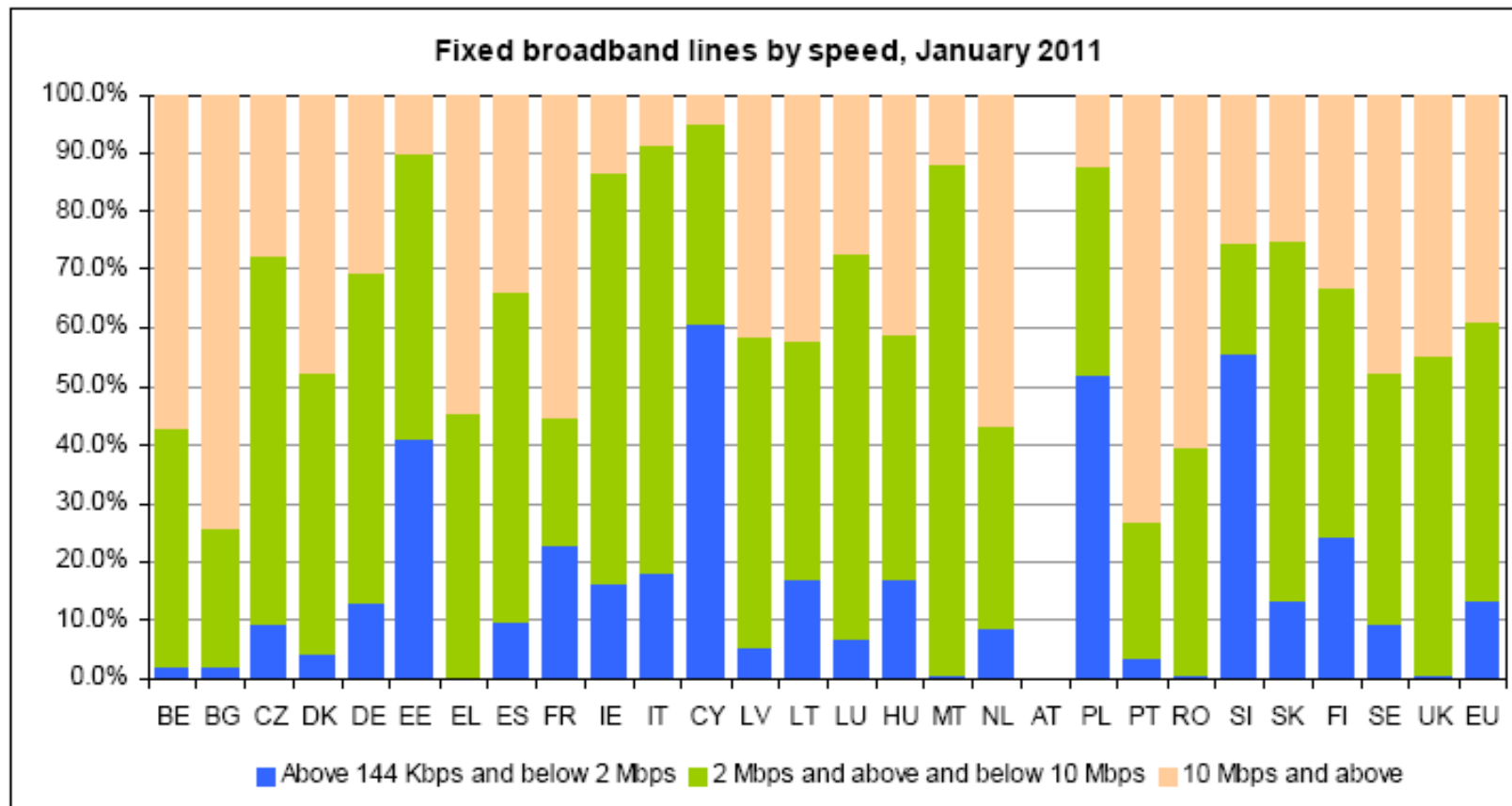


Source: E-Communications Household Surveys (Special Eurobarometer)

Broadband speeds

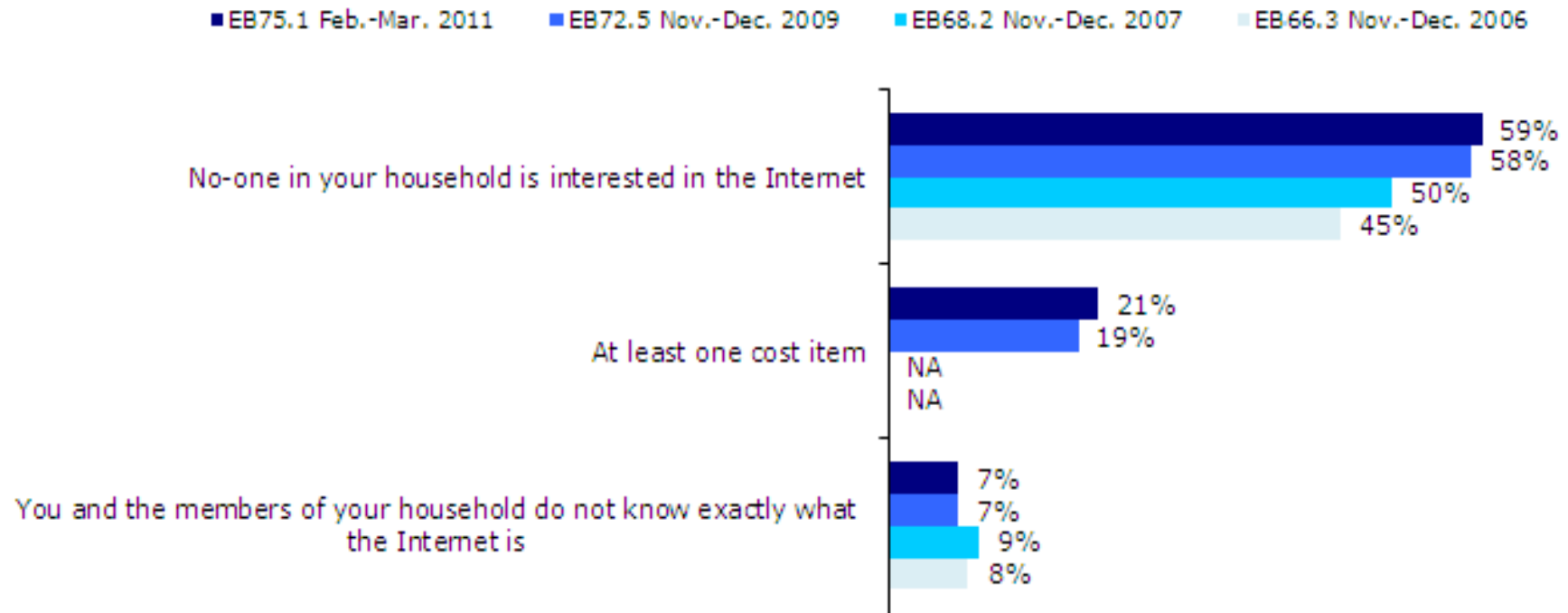
Early 2011

EU average: 86% > 2 Mbps, 40% 10 – 40 Mbps



Why households do not have Internet?

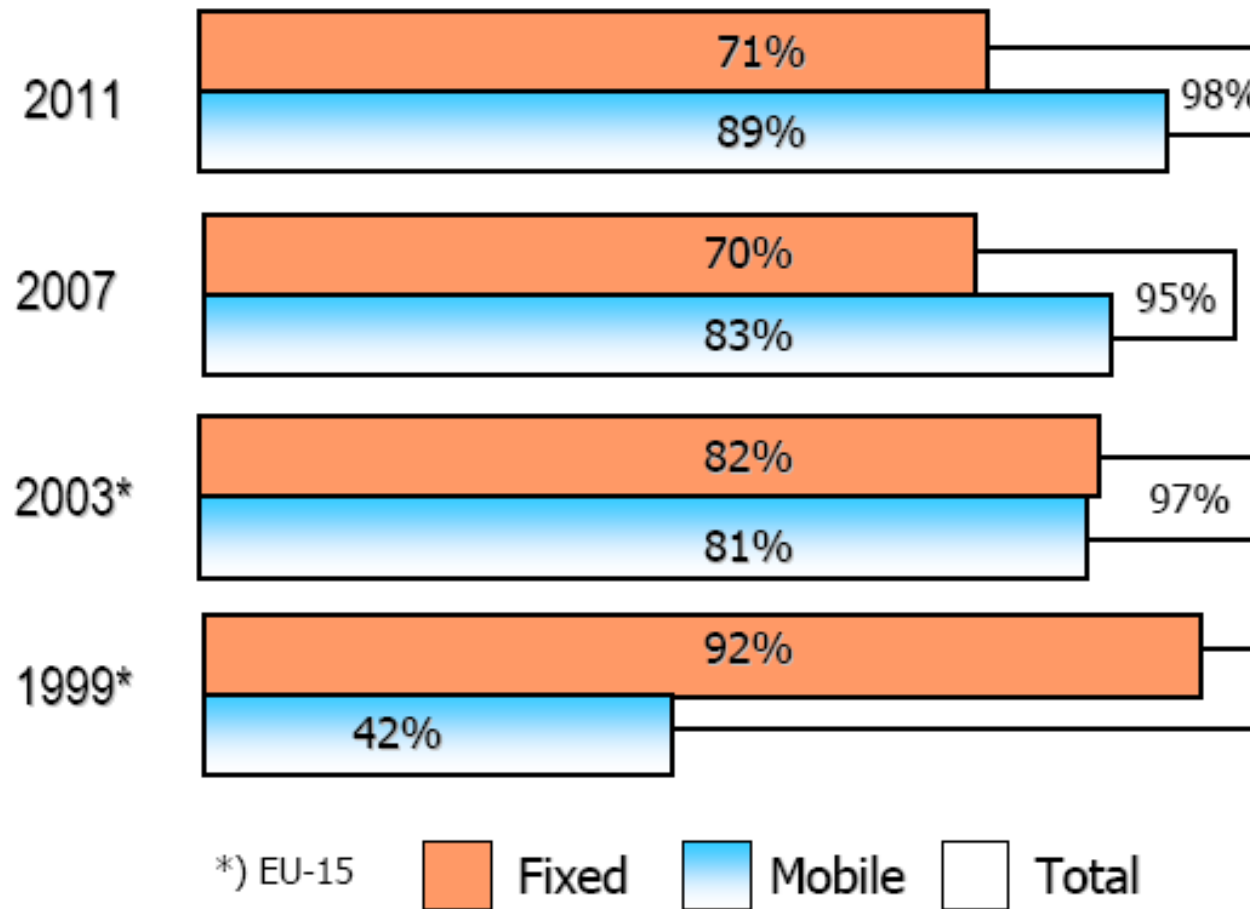
Main reasons



E-Communications Household Surveys (Special Eurobarometer)



Compare: telephone use by EU households 1999-2011



Costs and financing of broadband

- Large investment would be needed to secure basic broadband at an affordable price for all households across the EU – esp. high costs in MS with less developed infrastructure
- Vice-President Kroes' speech (15 Sept 2010):
 - Mindful of the burden on the telecom sector considering that universal broadband would offer large benefits beyond the sector
 - Policy options regarding USO financing



VP Kroes: **Financing options**

- i. Moving away from sector-specific funding towards a **publicly financed system**
- ii. Establishing a **harmonised USO at very basic speed** at EU level
=> Contributions from the sector proportionate, MSs free to set higher national standards (without sectoral funding)

VP Kroes: **Financing options**

- iii. **Capping funding contributions from the sector** => Taking into account the financial strength of the companies in a given country, avoiding distortions of competition; public budgets to supplement

- iv. Complementing the USD => **Guidance instrument** to guide the use of USOs funded by the sector to situations where there is a true risk of social exclusion, without a risk of undue competition distortions



EP resolution of 5 July 2011 on universal service (1)

- Commission to provide **guidelines** on effective implementation of the revised rules; **avoiding** market **distortions** while allowing measures best suiting **national circumstances**.
- **Universal service is not** (only or) **the key driver** for achieving 'broadband for all' given the **high investment costs** while not necessarily providing significantly improved services to consumers.

EP resolution of 5 July 2011 on universal service (2)

- Mandating broadband availability will not automatically result in higher take-up.
=> **Measures to drive demand and stimulate take-up**, rather than just ensuring a connection.
- Universal service might become an additional incentive as a medium term target to develop broadband, but **broadband targets** should be achieved **through properly designed national programmes**. Efficient radio spectrum policy and investment-friendly regulation important.