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In the area of I&T (Informatics and Telematics)
EURIM is a link between Commerce and Industry,
Parliamentarians, Whitehall and Brussels.

Universal Service Obligation Principles

Background

The principle of Universal Service Obligation (USO) is long established and was adopted in Member States as a result of there being a single public sector supplier of telephony services.

With the full introduction of competition in voice telephony in most Member States from 1st January 1998, the USO will need to be incorporated in the framework of these newly competitive markets.

The debate has intensified with the adoption in March of the European Commission's publication on USO, and Article 5 of the draft Interconnection Directive. Discussion largely centres on the definition of USO and funding to meet USO. This debate will continue with the national regulators. The Commission's definition of USO refers to providing the infrastructure that enables every home to have a phone line equipped for voice or the ability to connect to a fax or modem and says that public call boxes, operator assistance and directory information shall be provided. They will report by 1 January 1998 on whether this definition should be expanded.

Recommendations

EURIM believes that the following principles should guide forward-looking legislation on universal service:

1. USO should mean access to an affordable basic voice telephony service, as defined by the Commission, and capable of being applied consistently across all Member States. The level of basic service should be reviewed and redefined from time to time across the EU.
2. It should not be an obligation for licensed telephone operators to provide a free telephone service. This is an issue for social service policy and funding. On the other hand the expansion of the network to those who do not currently have affordable access should be funded from a Universal Service Fund in which all licensed operators participate.
3. Competition is the best provider of improved services, lower charges and alternate infrastructures. Examples of these benefits are already evident in markets that liberalised early (eg UK). Successful competition will mean that the real costs of meeting USO stay low.
4. Advances in technology will also play a part in the evolution of USO solutions. Access need no longer be restricted to wireline technology and wireless solutions will enable an economical and timely expansion of the network. The introduction of new retail services (eg voice mail) will also contribute to the provision of Universal Service. Modern delivery technology, whether wired or wireless, provides no significant barrier to the provision of broadband sophisticated services.
5. In keeping with the Commission's policy, each Member State should have an independent body to determine costs and to administer the Universal Service Fund. This is especially true in newly liberalised markets where cross subsidies could pervert the real intention of USO and distort competition. A consistent approach is needed across Europe to ensure that entry into all parts of the market is encouraged.

6. Complex USO systems should be avoided. Simplicity and certainty is better served by the goal of increased competition. Competition with sensible regulatory rules serves consumer interests, in terms of price, quality and innovation.