



GSME Europe Position Paper EC Consultation on the Review of the scope of Universal Service

19 July 2005

GSME welcomes the opportunity to comment on the EC Communication concerning the Review of the Scope of Universal Service in the short term but also the long-term issues mentioned.

1. General remarks and short term issues

GSME fully supports the EC analysis and conclusions regarding the possible inclusion of mobile and broadband services within the Universal Service scope in the current review. However, GSME would like to underline the following aspects concerning the recent EC Communication.

GSME underlines that the objective of this exercise is to adequately scope the review of the Universal Service to current match **market reality**.

It is clear that liberalisation and increasing competition in electronic communications services in the last few years has benefited European users, allowing them to choose among a wide variety of providers and services to meet their needs.

Furthermore, the European Commission should seek through this review, apart from evaluating the need of extension of the US scope, **the reasonable reduction or even withdrawal of obligations linked to the US concept** as, in general, market reality and competitiveness assure a good level of choice, quality and prices for electronic communications services within the European Community today. The market is – de facto – delivering US objectives of social inclusion. Nevertheless, considerable investments in existing networks and services compelled by the current US regime and its obligations are diverted from the development of innovative services and technologies. This downside of US, its justification and proportionality should also be taken into account when reviewing the US scope for the benefit of market development

GSME would also like to indicate that European mobile operators have been working hard for many years to increase **easy access for users to mobile technology and wireless services, playing a relevant role in the reduction of the existing "digital divide"** within the European society. In this way, GSME members are fully involved in the delivery of i2010 objectives to allow access to every European to the Information Society through wireless services.

GSME totally supports EC conclusions concerning the non inclusion of mobile communications within the scope of US, as the conditions for including these kinds of services in the current regulatory framework are not fulfilled.

GSME wishes to highlight that the **final objective of US is to guarantee to every user an access to a defined and minimum set of communications services at an affordable price, in a specific place, in order to avoid its social exclusion**. It is important not to forget this aim before imposing US obligations and it is also important to clearly define and limits to this set of minimum



services. These services must be easily identifiable, demonstrating that there is clear evidence that this service is a social requirement benefiting all society, but also that the market cannot provide this service within a given timeframe and identifying access and affordability barriers.

Mobile cannot fall under US scope as they do not comply with the revision criteria indicated in Annex V of the US Directive, as the EC has concluded, but also because these specific services have been very effective in removing the need for US to ensure telephony services access within the European Union.

In fact, as it is mentioned in the EC Communication, mobile penetration rates have reached between 80% to 90% in most of Europe, far from the 59% data of 2000. European mobile operators obtained these results due to their commercial efforts but also due to their improvements on geographical and population coverage at a national level. **GSME would like to underline that the level of mobile coverage is progressing further every day in Europe.** In a competitive market where the objective is to offer a service of quality as a way of increasing the number of users, mobile coverage represents an essential condition of European mobile business models but it is also an unavoidable requirement of mobile licence conditions in most EU countries.

Moreover, due to the high level of competition and the particular dynamism of this market, mobile operators are covering all market demands, wide spreading mobile services offers to every kind of users, even to the most specific ones. GSME can assure the Commission that **European mobile operators are providing a wide range of service packages to all consumers which include a large number of flexible tariffs options.** Pre-paid model, as a market-based option, has successfully extended the provision of telephony services in Europe, especially to the financially disadvantaged, by removing the need for monthly access payments and a good credit record, allowing users to control and monitor their expenditure.

Therefore, the inclusion of mobile services in the scope of US seems to be completely unnecessary as the market itself is already covering every user's needs concerning mobile communications in an affordable way.

2. Long term issues

GSME welcomes the EC initiative concerning the long-term revision of the US framework as it raises relevant questions. However, the answer to some of the topics mentioned in the paper needs more time to reflect on as business models are still changing and it is not clear how the market is going to evolve in the future. GSME will bring some comments to the points raised by the EC but will complete them by next year when the entire review of EU Directives will take place.

- **Question a) Separate access to infrastructure element from the service provision element, addressing only access to infrastructure**

As it has been mentioned, GSME considers too early to open a debate on the infrastructure and services unbundling as we are just on the move towards next generation networks and services, so there is lack of visibility concerning the future framework design of the electronic communications market.

GSM Europe



However, as stated by the Commission in the Communication, the concept of universal service is not designed to promote specific (network) technologies or economic policy goals such as delivering any services possible on certain kind of networks. A revised EU universal service regime thus should not be used to impose universal service obligations on certain networks which under the current regime do not fall in its scope, i. e. for mobile or broadband. Information society objectives – e. g. for higher coverage or penetration of certain technologies and services – can be achieved by less market distorting tools, namely setting a stimulating overall regulatory environment for the telecommunications sector and structural funds for geographical coverage respectively and direct social benefit transfers for persons in need.

Furthermore, GSME wants to underline that US objective should be understood as the way for every user to have access to a minimum set of services at an affordable price. If there is a division between access to infrastructure and access to services, **the sole provision of infrastructure would not imply necessarily availability of a basic service** for every user with the US current guarantees. Therefore, the US aim would not be fulfilled.

As a third point, GSME wants to emphasise first of all that **success of European mobile market was possibly due to the integrated business model being followed, linking investments on infrastructure to service provision**. Even if this choice has implied huge financial commitments from European mobile operators, it has assured high penetration levels in a relatively short period of time in Europe. For the future, the EC must guarantee that mobile business plans will not be put into jeopardy due to a change of the regulatory framework that could affect their financial situation, always taking into account a correct balance between rights and commitments of the parties.

In fact, EC seems to mix here two different concepts, in one hand, access to infrastructure to allow a competitive wholesale offer, and in another hand, the provision of a universal service of communications at the retail level. GSME wants to emphasize that current regulatory framework already takes into account this separation through market analysis of relevant markets, imposing the necessary measures if required at the wholesale level. GSME considers that US **should be limited to the retail level** as it is the only way to assure users real access to communication services.

- **Question b) Access at any location, including mobility**

As it has already been mentioned, the revision of US scope should lead to a decrease in the obligations linked to US provision not to its extension to include mobility or access at any location. GSME believes that access at any location, including mobility does not seem to fulfil criteria of US concept, understood as a minimum set of services, as mobility could be considered as an added value for the user, tempering the difference between a safety service – US- and other upgraded services currently offered in the market. Therefore, GSME considers that the proposal to include mobility within the US scope is unfounded and therefore not acceptable.

Access and services at any location and on the move – be it for fixed (e. g. nomadic VoIP) or for mobile products – have been and are developing in a competitive environment. Consumer choice will show which products prevail. It is not good public policy to set standards by using universal service obligations and anticipate market results related to supply and demand in a competitive market.



The inclusion of "access at any location" on the US scope would raise some practical and technical problems concerning the type of service to be delivered and the parties involved in this commitment. If one provider is fixed and the other mobile, what kind of terminal should the user have? How to assure the "handover"? How to limit the US area in mobility? How to assure US quality requirements and a correct "in-house" coverage? How to deal with problems of network deployment in some countries due to the antennas debate?

These problems would have economic consequences for mobile providers, as they would need to make costly technical adjustments in networks (higher capacities, higher quality controls, etc...), increasing the level of financial obligations already high due to the mobile licenses conditions but also raising US costs in general. Access at any location would drive investments in a different direction away from innovation and mobile market development, clearly delaying mobile participation in the delivery of i2010 objectives.

Furthermore, the inclusion of access at any location would go against the principle of technological neutrality, favouring some agents of the markets using a specific technology but excluding from providing US those who cannot offer services in mobility.

Therefore, GSME consider that this potential inclusion would create serious market distortions and could have negative impacts on future market development.

- **Question c and d) Payphones and Directories obligations**

As it has been already indicated, GSME strongly believes that US obligations should be revised in order to reduce US obligations, taking into account market reality.

The obligation to provide public payphones when their use has significantly declined in the last years, and directory inquiry services, already provided by the market in a competitive way, should be removed from the US scope.

- **Question e) harmonisation measures for disabled people**

Due to current mobile market dynamics and the high degree of competitiveness and level of penetration, European mobile operators have also **taken into account specific end-users needs as a competitive advantage or even as a social reputation objective within the companies**. GSME wants to make it clear that most European mobile operators are cooperating with different national associations for disabled people in order to better understand their needs for mobile communications. As an example, GSME can cite the provision of specific billing and information service features offered for the visually impaired and hard of hearing.

Concerning mobile terminals, many **European mobile operators are also working with manufacturers to ensure equipment can be used** by the handicapped as well as by other segments of specific users. Contemporary mobile handsets also offer as standard features including keypad formats, display screens and display screen layouts as well as vibration options, which can benefit those with disabilities. There is therefore no need to take additional measures in this field as there are already regulatory tools that could impose additional conditions on equipment for those with disabilities, through the RTTE Directive or through the INCOM working group within the CoCom.



GSME wishes to highlight that **market is already addressing particular consumer needs without Government intervention and prescriptive policies**. Therefore, there is no need to look for additional harmonised conditions, as the market is already responding to these requirements, going beyond the strict minimum that could be imposed through European harmonised measures.

- **Question f) and g) Financing**

GSME considers Universal Service funding as a key issue in this process and welcomes European Commission willingness to revise it in the future.

Taking into account that **Universal Service is social welfare**, it seems reasonable to ask the Administration to bring public funds to cover a general interest, as the social cohesion is one of their goals and therefore the costs of bearing the obligation **should be entirely funded through a form of public taxation as the appropriate alternative**. Levying a cost on the industry simply raises overall telecoms costs, which is perverse if the public policy objective is the broad availability and affordability of telephony services. Therefore, GSME fully supports as a unique alternative Universal Service funding from general taxation.

Finally, **concerning US funding, GSME believes that a certain degree of consistency must be maintained**, sufficient to avoid competitively distorting situations across the electronic communications providers in the European market.

3. Conclusions

As it has already been explained, GSME fully supports EC approach and the conclusions of its current communications that there is **no need to include mobile services within the US scope**, taking into account the affordability and accessibility of these services in Europe.

GSME believes that this US revision process in general must be in line with **technological neutrality** principle, in order to avoid market distortions but also following the **proportionality** principle. This is so that the electronic communications market will not be made to bear ineffective and costly commitments which have negative effects on innovation and the promotion of the Information Society in Europe. This revision process should have as its **objective to reduce or withdraw current US obligation** in a short period of time in response to market dynamism and competitiveness and should not seek to extend the scope of the Universal Service. The development of a liberalized electronic communications market since 1998 is providing the correct coverage of European users needs and the EC should continue to rely on market forces to deliver these services.

Finally, US funding is a fundamental anomaly in today's competitive markets and needs to be revised to adopt a **system based on general taxation** as Universal Service belongs to a welfare policy that is appropriate to finance through taxation policy.