

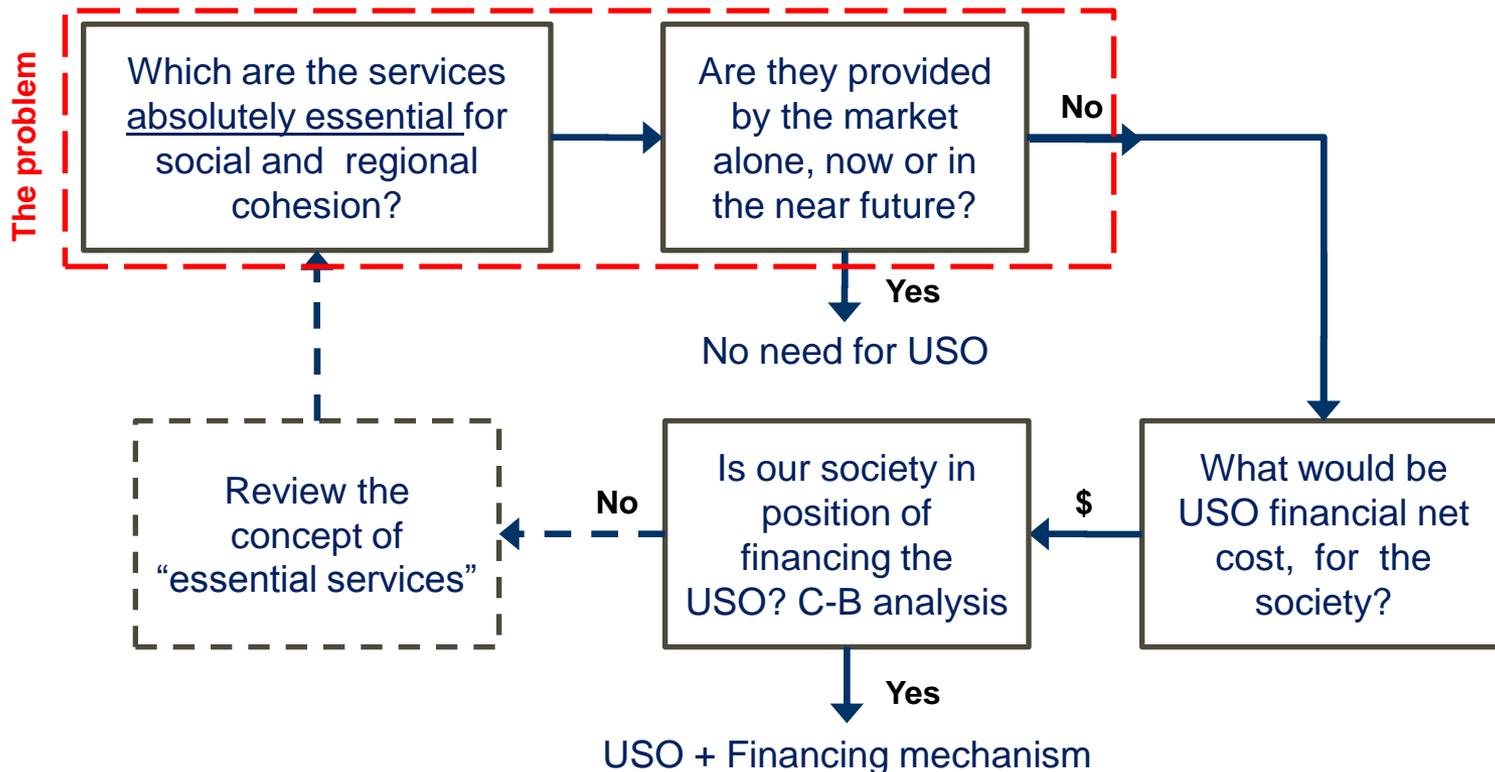
UNIVERSAL SERVICE: “SOLELY” A PUBLIC POLICY OPTION

7th High-Level Seminar BEREC-Regulatel

Eduardo Cardadeiro

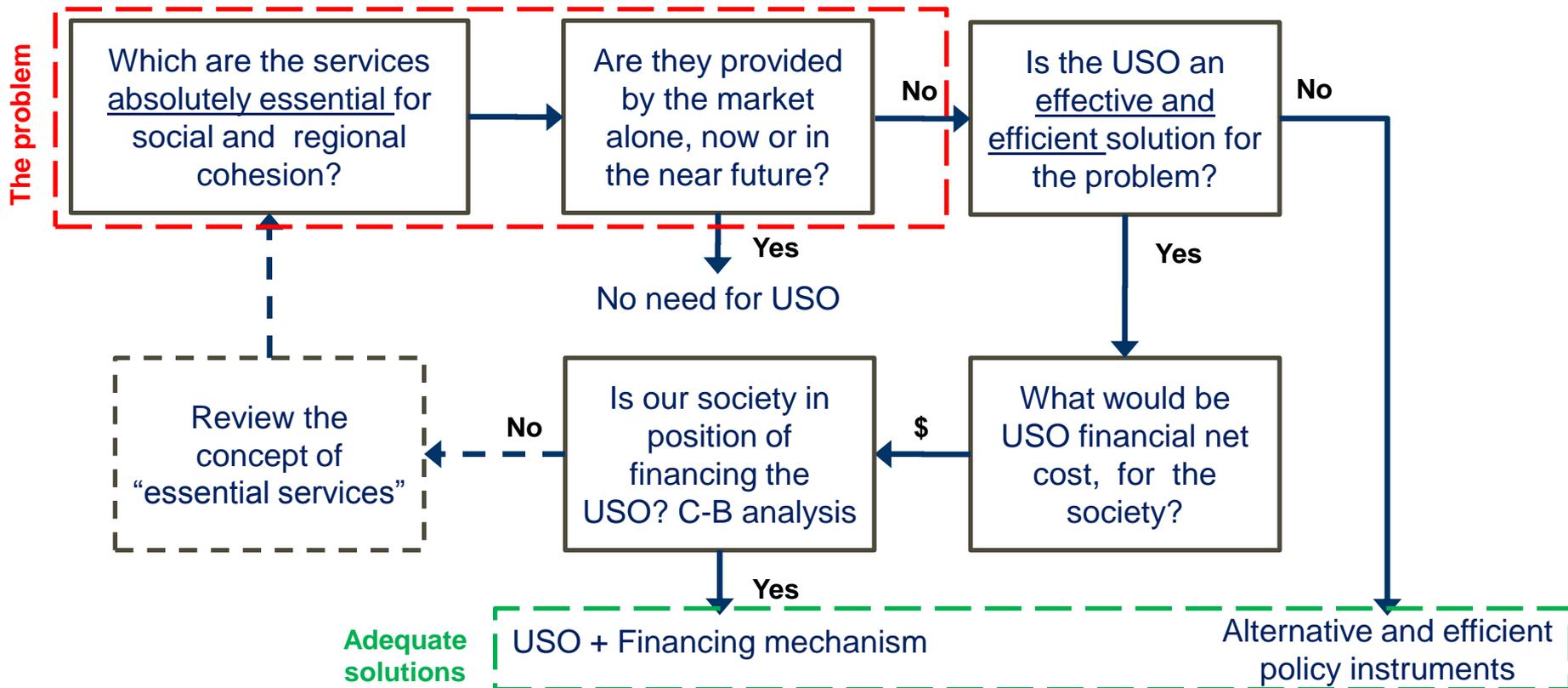
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Recall the principals/theory of the Universal Service and Public Policy.



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1. FROM UNIVERSAL TO “MULTIVERSAL” SERVICE

CENTURY ADVERTISEMENTS—TELEPHONES



One Policy One System Universal Service

THAT the American public requires a telephone service that is universal is becoming plainer every day.

Now, while people are learning that the Bell service has a broad national scope and the flexibility to meet the ever varying needs of telephone users, they know little of how these results have been brought about. The keynote is found in the motto—"One policy, one system, universal service."

Behind this motto may be found the American Telephone and Telegraph Company—the so-called "parent" Bell Company.

A unified policy is obtained because the American Telephone and Telegraph Company has for one of its functions that of a holding company, which federates the associated companies and makes available for all what is accomplished by each.

As an important stockholder in the associated Bell companies, it assists them in financing their extensions, and it helps insure a sound and uniform financial policy.

A unified system is obtained because the American Telephone and Telegraph Company has for one of its functions the ownership and maintenance of the telephones used by the 4,000,000 subscribers of the associated companies.

In the development of the art, it originates, tests, improves and protects new appliances and secures economies in the purchase of supplies.

It provides a clearing-house of standardization and thus insures economy in the construction of equipment, lines and conduits, as well as in operating methods and legal work—in fact, in all the functions of the associated companies which are held in common.

Universal, comprehensive service is obtained because the American Telephone and Telegraph Company has among its other functions the construction and operation of long distance lines, which connect the systems of the associated companies into a unified and harmonious whole.

It establishes a single, instead of a divided, responsibility in inter-state connections, and a uniform system of operating and accounting; and secures a degree of efficiency in both local and long distance service that no association of independent neighboring companies could obtain.

Hence it can be seen that the American Telephone and Telegraph Company is the active agency for securing *one policy, one system, and universal service*—the three factors which have made the telephone service of the United States superior to that of any other country.

American Telephone & Telegraph Company

AT&T advertisement, 1908.

- The US concept seems to have its origin with Theodore Vail, President of AT&T, in 1908....
- The need for a US provider was argued based upon:
 - a) Incentives to technological progress;
 - b) Standardization of equipments;
 - c) Scale and scope economies;
 - d) Technical efficiency and expertise;
 - e) Financial sustainability;
 - f) Safety issues;
- But some understood it as a monopoly protection ...
- **To deliver fixed voice:**
 - a) With an acceptable specified quality;
 - b) To all end users;
 - c) Regardless of geographic location;
 - d) At an affordable price;



Is it still the most appropriate solution?

The transition of techno-socio-economic paradigm demands an evolution in the scope of services delivered to real people.



- ▶ Today public policies priorities have to be “Multiversal”:
 - Massifying the different ways to **access the Knowledge Society**, namely:
 - In the whole of the national territory, including rural and peripheral areas;
 - At an affordable price, whilst ensuring an efficient use of the *res publica*;
 - Promoting, in parallel, digital literacy.
- EU common indicative goal of 100% coverage of BB between 2010 and 2013.
- Some specific cases:
 - a) Finland foresees that at the end of 2010, each household can choose to have internet access with a download speed up to 1 Mbps;
 - b) The UK aims to ensure universal access to BB, with a download speed up to 2 Mbps, by 2012;
 - c) Sweden’s strategy aims to connect every household to BB by 2010;
 - d) Spain has announced plans to ensure universal access to BB up to 1 Mbps;
 - e) Greece has seemingly “frozen” plans to connect 2 million households (resourcing to a PPP) with a minimum download speed of 100 Mbps.

EU

- ± 98% have a telephony service
- ± 50% have a broadband service
- ± 98% is covered by a broadband network
- ± 60% of non subscribers of broadband services don't feel the need
- ± 20% of non subscribers of broadband services consider it too expensive

Portugal

- ± 96% have an electronic communication service
- ± 46% have a broadband service
- ± 99% is covered by a broadband network
- ± 50% of non subscribers of broadband services don't feel the need / can't use
- ± 11% of non subscribers of broadband services consider it too expensive

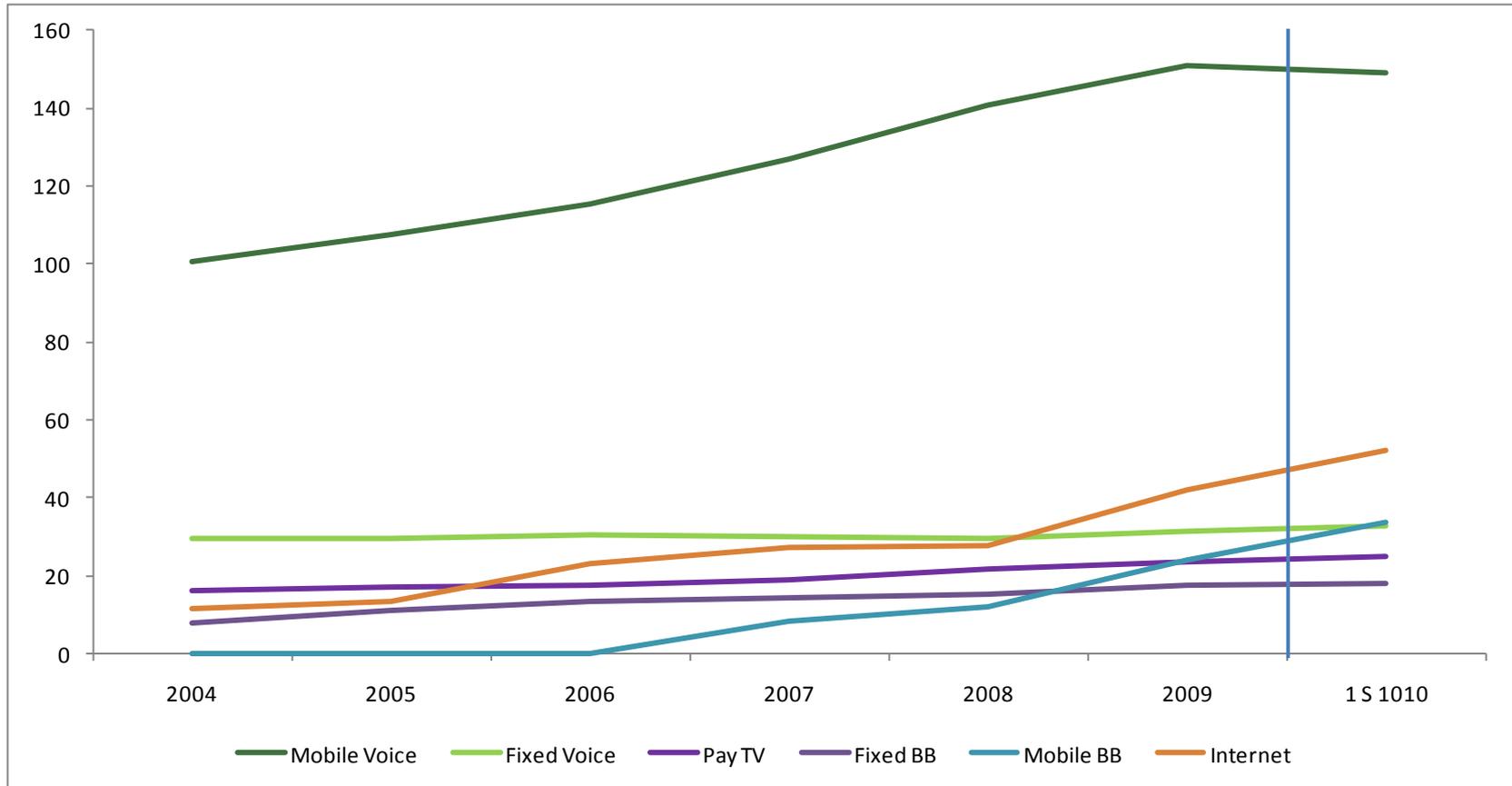
Is the Universal Service the right solution for the problem?

- In this context, the EC studies if there is a case for the expansion of the US to:
 - a) Mobile Voice;
 - b) Access to BB.
- This is without prejudice to the national and European incentives applicable to the deployment of BB networks (“traditional” or NGA) in non competitive geographic areas;
- EU Member-States should also evaluate the necessity of specific measures aiming at access to ECS by citizens with special needs.

- Can the market be relied upon to meet demand for basic e-communications services from all sections of society, ensuring social inclusiveness?
- If not, what is the best policy to allow disabled, low incomes and peripheral regions users to access and use basic e-communications services?
- What role if any should US play in meeting the BB for all objective?
- What would be the impacts of extending US to BB over: (a) other EU / national policies to achieve full BB coverage and (b) competition, the single market, competitiveness, investment, innovation, employment and the environment?
- If US obligations should prove necessary to achieve BB for all, at what level (EU or national) should such obligations be defined, considering the different levels of market development across the Member States?
- Should a mechanism be put in place to balance the need for national flexibility and a coherent and coordinated approach in the EU?
- Are mechanisms whereby funding is provided by the sector appropriate in a regulatory environment seeking to promote competition, considering also that the benefits of US expand beyond the sector?

BEREC country	Including Broadband	EU Policy Instruments	National Measures	Competition	Local authorities
Belgium				x	
Bulgaria	x		x		
Croatia	x	x	x		
Cyprus			x		
Czech Republic		x	x		
Finland	x				
France				x	x
Germany				x	x
Ireland	x				
Italy	x				
Malta	x				
Netherlands	x	x	x		
Norway				x	
Poland	x	x	x	x	x
Romania	x	x	x		x
Slovak Republic		x			
Sweden		x	x	x	
Switzerland	x				
Total	10	7	8	6	4

Penetration per 100 inhabitants (Portugal)



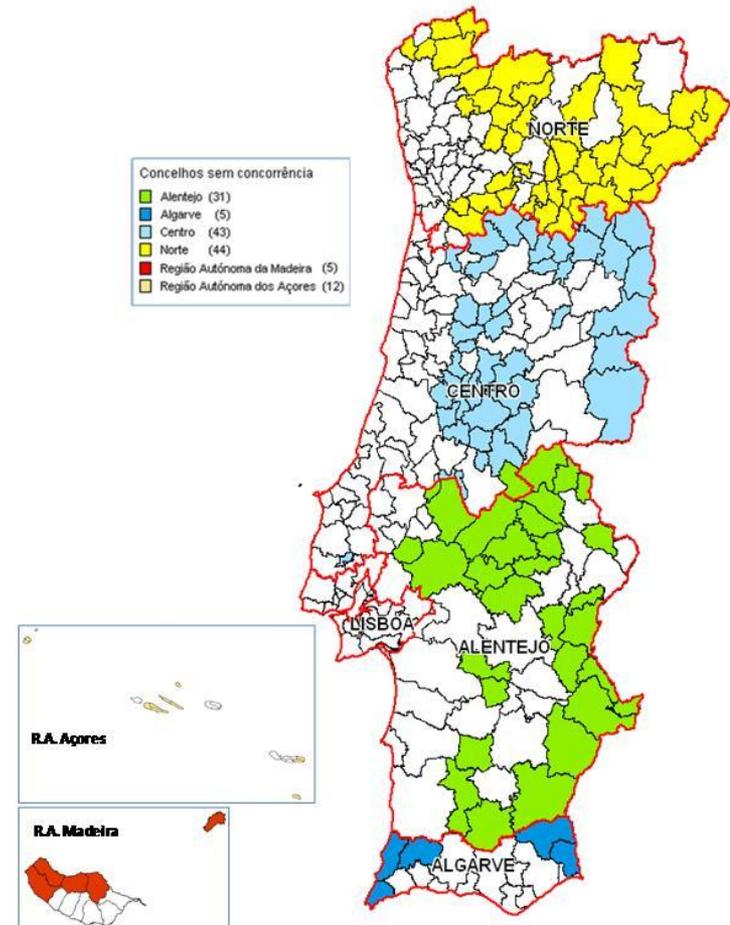
- The visible growth of Mobile BB is greatly explained by the launch in mid 2007 of the Government program “e.iniciativas”, with the aim of massifying access to laptops and Mobile BB, targeting teachers, pupils and trainees.
- A laptop with Vista, Office 2007 and mobile BB, priced € 150 with a € 5 discount in the monthly fee is offered to the targeted public.
- This program was expanded to primary school children (“e.escolinhas”) in 2008, with a laptop specifically adapted to children being priced at € 50, whilst poor children can get it for free.
- The adhesion rate has been around 40%, with an overall volume of adherents close to 1,3 millions and up to 85% reported a more intensive use of internet after the programme.
- But 91% to 96% of e.iniciativas beneficiaries already had a computer and up to 86% already had an internet access.

- Rural areas are essential for the vitality and identity of the EU;
- These areas cover more than 91% of EU territory and over 56% of its population;
- There are significant differences between the offer and adoption of “*on line*” services and access to BB between MS and also between urban and rural areas – the bulk of rural population is delivered inferior quality services at higher prices.
- According to the “Lisbon Strategy”, the adoption and usage of ICT is core to improve the:
 - a) Competitiveness of the agricultural sector;
 - b) Environment and the rural areas;
 - c) Quality of life and diversity of the rural economy.
- The EERP envisages, already in 2010, BB access to all Europeans.
- The EC ensured an additional financing of € 1 000 millions to overcome gaps in BB, allowing rural areas to face the issues arising from the current economic situation.

- The viability of NGA investment depends upon 2 KFS :
 - a) Cost of passed houses;
 - b) Penetration rates.
- The costs of NGA deployment in rural areas are very high, due to the higher:
 - a) Dispersion of the population;
 - b) Length of the local loop.
- The penetration rates tend to be lower in the rural areas due to the:
 - a) Lower income *per capita*;
 - b) Higher percentage of senior citizens;
 - c) Lower intensity of competition.

- Anticipating the EERP concerns, the Government adopted in 30.07.2008 its NGN strategic guidelines, aiming at:
 - a) Promoting investment and national development, based upon the co-existence of infrastructure and service competition;
 - b) Remove obstacles to access, related with “horizontal” and “vertical” barriers;
 - c) Ensuring access to innovative products and services.
- The following concrete actions were defined as prime objectives:
 - a) Connection of 1 million users to NGN until 2010;
 - b) Connection of all basic/secondary schools and justice services to NGN until 2010;
 - c) Connection of all hospitals, health centers, universities, public networks of museums and libraries until 2009.

- To ensure territorial cohesion and equality of opportunities, the Government launched in 2009 public tenders to invest in NGN in rural areas, with the EU support.
- The criterium which determined the 140 municipalities chosen, were the absence of previous investment in:
 - a) Cable networks;
 - b) Own investment of the alternative service providers.



- In each public tender, the following requisites were established:
 - a) Minimum coverage of 50% of each municipality's population;
 - b) Within a maximum delay of 24 months;
 - c) With a minimum bandwidth of 40 Mbps per end user.
- Each “superfast” network must:
 - a) Be managed as an open network;
 - b) Ensure, during 20 years, an wholesale offer;
 - c) Follow rules of transparency, non discrimination and healthy competition.
- In 2010, the winners were announced:
 - a) FTTH GPON passed households will be circa 242 thousand;
 - b) Average cost per passed household is between circa € 640 and € 1 630, with an estimated subsidy between € 380 euros and € 1 050.

- Those who design and implement public policies must always have in mind the need to define accurately the problem / policy objectives, as a pre-requisite to find the most effective and efficient policy tools.
- Universal service is one of those tools, but its ability to address and solve the problems is not unlimited.
- Alternative and complementary initiatives are needed and may have to be “reinvented”, to efficiently address nowadays problems with minimal financial and competition costs.