



SECOND MEETING OF STUDY GROUP 1: GENEVA, 30 AUGUST - 3 SEPTEMBER 1999
SECOND MEETING OF STUDY GROUP 2: GENEVA, 6 - 10 SEPTEMBER 1999

Question 7/1: Universal access/service

STUDY GROUP 1

SOURCE: RAPPORTEUR FOR QUESTION 7/1

TITLE: REPORT OF THE MEETING ON QUESTION 7/1

The meeting held on 30 August 1999 focused on the approved agenda, with the addition of a brief progress report from the rapporteur.

This report covers the current status of work on Question 7/1 (Universal access/service), the documents analysed and discussed at the meeting, the conclusions reached and the agreed future plan of action.

1 Status of work

Bearing in mind that the subject of universal access/service is of fundamental importance for society, and following the guidelines laid down in Document 1/10(Rev.1) for Question 7/1, the following work has been completed:

1.1 Identification and analysis of existing work on the subject

- a) Existing work by ITU, WTO, other international organizations, research specialists, etc. - completed on 30 March 1999.
- b) Analysis and synthesis of previous documents, and submission to ITU - 15 June 1999.

1.2 Rapporteur group meeting

The rapporteur group had held a workshop-type meeting in Buenos Aires, Argentina, from 5 to 7 July 1999 in order to address and make progress on the following aspects:

- validity of the concept and current significance of the universal service obligation (USO);
- future significance, particularly in a competitive environment;

Contact point: Mr Roberto E. Perez, Movicom S.A., Argentina
Tel: +54 1 49784773/Fax: +54 1 49787373/E-mail: rree@movi.com.ar

- costing;

- deficit measurement;
- financing.

The conclusions of the meeting are contained in Document 1/64.

2 Documents discussed at the meeting on 30 August 1999

- a) Document 1/56 from the Federal Office for Communications (OFCOM), Switzerland, reported on the provisions of the new telecommunication law concerning universal access/service.

The law provides for a five-year transition period during which the incumbent operator (Swisscom S.A.) has an obligation to provide universal service nationwide. The service provision relates to real-time voice transmission. Universal service as defined in the law is compatible with EC directives.

In response to a question by Mali to the Swiss delegation, it was explained that the quality of service requirement was imposed only on the incumbent operator, but that, as from 2003, all licence-holders shall be required to comply with the same obligations, which will be included in the terms of the relevant invitations to tender.

In response to further questions, it was explained that, as from 2003, a form of tax will be introduced so that profitable areas subsidize unprofitable ones.

- b) Document 1/64 from the rapporteur for Question 7/1 reported on the meeting held in Buenos Aires from 5 to 7 July 1999.

The document summarizes the discussion and decisions that had been taken at the Buenos Aires meeting, which were basically as follows:

- the concept of universal service within the framework of the objective set by the United Nations was reaffirmed;
- the meeting endorsed the World Trade Organization's approach to the effect that forms of competition should not be impaired by universal service regulations, which must be competitively and technologically neutral;
- the meeting highlighted that new technologies have a significant impact for the achievement of universal service objectives;
- it was established that the concept of the universal service must be dynamic, not only because technological development makes it possible to find economically viable solutions to many problems, but also because certain service options have become so important to society that they will remain a fundamental factor for the future;
- in the light of the foregoing, it was deemed appropriate to carry out a case study and a broad survey over the Internet;
- it was agreed that a neutral form of subsidy should be sought for universal service and that, in this regard, the best solution is direct financing through taxation and the second best is to consider subsidies generated in the telecommunication sector. It was accepted that cross subsidies between services could only be admitted as an exception, and only where sufficiently justified and for a limited time;
- it was established that the cost of universal service should be calculated as the difference between operating costs of an organization with universal service obligations and those of an organization with no such obligations;

- it was agreed that to calculate the deficit to be subsidized, direct income from the sector that is the subject of universal service should be taken into account, as should the costs incurred and revenue from income and capital. The subject of the possible inclusion of income from externalities is to be examined by the rapporteur group at its next meeting;
- financing through a contribution levied on telecommunication sector net income was recommended, and it was agreed that other alternatives could be studied in the future;
- it was decided to hold another meeting before the end of 1999, focusing on the following main items: consideration of income from economic externalities; alternative contributions to financing; and analysis of the application of a trigger clause for the tripping of subsidy mechanisms.

The document gave rise to broad and rich discussion, which is summarized below.

The delegate of Syria remarked that the report had not included any references to telephone penetration or density, which was fundamental to consideration of universal service. The rapporteur explained that the subject had been discussed at the Buenos Aires meeting, and it had been thought that three groups of countries should be foreseen: countries with penetrations of around 50 per cent or more, countries with densities below 1 or 2 per cent, and intermediate countries with densities of the order of 10 to 20 per cent. With a view to developing a better recommendation in future covering all cases, the survey mentioned above had been prepared, and the subject would be taken up at forthcoming meetings. Several participants stressed that the group's work should be linked to that of ITU-T Study Group 3, or associated with the studies conducted by the tariff group; that the issue of accounting rates should be taken into account; and that due attention should be given to Resolution 3 of WATTC (Melbourne, 1988).

Inmarsat and other participants requested that the questionnaire be amended so that the questions called for simple and specific replies, for example YES or NO. Syria suggested that an ad hoc meeting be convened for this purpose. Such a meeting was held, and agreement was reached on the bases for the preparation of a new version of the questionnaire, for dissemination via the Internet.

The United States suggested that ITU's data be used and three questions be answered:

- How should the amount to finance the achievement of universal service be calculated?
- How is that amount to be obtained?
- How is it to be distributed?

The United States also pointed to the need to determine which services universal service included and that the goal should be to promote development of available networks.

Finally, the question of the Internet was raised, in terms of whether or not it is relevant for universal service and, if so, what resources would be required. Switzerland pointed additionally to the need to address the issue of voice over IP and associated legal problems.

- c) Document 1/66 submitted by Movicom (Argentina) contained a general analysis of the universal service obligation. It was explained that it included details of income or advantages from externalities: ubiquity, life-cycle effect and brand strengthening and positive image. In response to a question by the representative of Telefónica de Argentina, it was explained that the document related both to universal service prior to opening up of the market and to new customers and new universal service obligations which were added after market liberalization.

- d) Document 1/67 from Telefónica de Argentina analysed the universal service obligation in the light of the opening up of competition, and the case of Argentina.
- e) Document 1/79 from Telefónica de Argentina gave information for the reference case: Argentina. The rapporteur explained that the Argentine Government had recently regulated universal service and that the report did not contain details of the new regulations, which would be added in future.
- f) Document 1/80 by Mali related to a case study on Mali. The delegate summarized the document, which constituted an important input for the future work of the rapporteur group.
- g) Document 1/81 from the Telecommunication Regulatory Commission of Colombia reported on social telephony and universal service in Colombia.
- h) Document 1/93 from Movicom (Argentina) addressed universal service in the European Union. Being a delayed contribution and thus not available in the three languages, the document was not discussed.

3 Conclusions and plan of action

It was confirmed that Question 7/1 was one of the most important entrusted to Study Group 1.

It was agreed to continue to pursue the objective set by the Chairperson, namely producing a final document for June 2000 rather than 2002.

In order to meet that target, the next meeting of the rapporteur group was scheduled tentatively for November 1999, in Europe.

In addition to the items identified at the Buenos Aires meeting, the November 1999 meeting will address the items raised at this meeting as reflected in section 2 of this report.

In order for the November 1999 meeting to be fruitful and make progress towards the objective set by the target date, it was requested that information in respect of the new version of the questionnaire to be posted on the Web be provided as soon as possible. The new questionnaire is under preparation, along the lines discussed at the ad hoc meeting held for the purpose.