

RECOMMENDATION ITU-D 14

Universal service policies

(January, 2002)

Question 7/1: *Universal access/service*

The ITU-D,

recognizing

- a) the sovereign right of each Member State to regulate its telecommunications and implementation of the ITU's instruments;
- b) the report by Study Group 1 on Question 7/1 "Universal Access/Service" and Module 6 "Universal Service" of the Telecommunications Regulation Handbook published by The World Bank, and the reference paper on basic telecommunications annexed to the Fourth Protocol to the General Agreement in Trade and Services;
- c) the importance, for the individual consumer, and for the competitiveness of industry and commercial users, of a telecommunication system offering to all users, including specific social groups, reasonable and affordable charges for access and use, high quality of service and technological innovation;
- d) that telecommunication services, the corresponding access and directly connected services whose provision for the public as basic services has become indispensable may also be designated as universal service, if the economical conditions so allow;
- e) the social objective of providing universal service in a competitive environment;
- f) the independence of telecommunication operators for the determination of their commercial policy, subject to appropriate regulation by national authorities and the need for telecommunication operators to be able to meet the increasing competition in the global market,

recognizing further

- a) that in a market-driven liberalized environment, the competitive provision of services will also contribute to the goal of affordability;
- b) that unbalanced tariffs (i.e. tariffs below costs for certain services being cross-subsidized by other services) and geographical coverage at non-market prices could have an impact on the revenue generated by telecommunication operators; besides, these elements may distort the competitive provision of the service;
- c) that the provision of public payphones, access to free-of-charge emergency services, etc. contribute to the operator's additional costs depending on the conditions under which the obligations are imposed,

noting

- a) that there is a general acceptance that liberalization of telecommunication markets is the inevitable result of technological and market developments;

- b) that a general requirement exists for maintaining the financial stability of the sector and safeguarding universal service, while proceeding with the necessary adjustment of tariff structures;
- c) that some developing countries may need assistance in formulating universal service policies and requirements adopted to their needs, in particular in a competitive environment;
- d) that Study Group 1 in its report on Question 7/1 "Universal Access/Service" has adopted a method for net costs calculation of universal service obligations based on the avoidable costs principle as established by ITU-T Study Group 3;
- e) that in some countries universal service should be financed using resources generated in the provision of telecommunication services;
- f) that operators must provide appropriate information to ensure a successful rebalancing of tariffs;
- g) that any universal service obligations are administered in a transparent, non-discriminatory and competitively neutral manner and are not more burdensome than necessary for the kind of universal service defined by a Member State,

recommends

1 that, in establishing their legal and regulatory frameworks with regard to universal service, public authorities and administrations should take into consideration the following principles:

- a) In a competitive environment universal service shall be ensured by the market participants; in case one operator cannot provide service in a specific area, the opportunity will be given to other operators to attain universal service goals in that area.
If market forces cannot assure the fulfilment of the universal service goal, this goal should preferably and to an utmost extent be supported through direct funding - from public budgets or through funds raised in a special universal service fund, to which all market participants should contribute.
- b) If direct funding is not chosen or these funds do not cover sufficiently the costs incurred by operators, these costs should be funded by other means in order to minimize their impact on competition. In a competitive market, internal transfers from profitable to non-profitable telecommunication services are not a suitable means of financing universal service obligations because they distort competition.
- c) The cost calculation of the obligations of universal service should be made according to the method adopted by the Study Group 1 in its Report on Question 7/1 - Universal Access/Service.
- d) If affordable prices for universal access and/or other obligations (i.e. quality requirements) are imposed, then additional costs arising from the service provision should be funded on an equitable basis. Any charges related to the sharing of the costs of universal service obligations shall be unbundled and identified separately. Such charges shall not be imposed or collected from undertakings that are not providing services in the territory of the Member State that has established the sharing mechanism.
- e) The economic importance of "additional elements" depends on the status of modernization of the networks. Non-essential features should not increase the additional costs: they should be provided at market prices.

2 that public authorities:

- a) promote the progressive rebalancing of tariffs towards cost-orientation together with the continuing development of universal service to all users at reasonable charges;
- b) avoid undue prejudice to users on account of the necessary rebalancing and ensure that rebalancing does not undermine the affordability of telephone services, introduce price caps or other similar schemes;
- c) prevent the addition of obligations from outside the telecommunication sector on operators. These further financial demands are unfair, unjustified and harmful to competition and should not be inflicted on either existing operators or new entrants,
- d) provide for the necessary financial, organizational and management independence of telecommunication organizations, in order to allow them to prepare for the competitive environment,

invites BDT, Member States and Sector Members

to continue consultation, in particular within the framework of the Development Symposium for Regulators, with a view, *inter alia*, to the definition of a global and coherent framework for telecommunication policy, taking into account the regulatory changes and aimed at strengthening the competitiveness of operators, while ensuring the provision of universal service.