
ETNO Expert Contribution on ITU WTPF Draft Report of the Secretary-General on IP Telephony

(comments on Version 2, 15 December 2000, Chapter 4 – regulatory aspects particularly related to Universal Service)

ETNO recognises that ITU Decision 498 asks the WTPF to equally consider the policy and regulatory implications of IP Telephony.

In general, ETNO welcomes the work undertaken in ITU on draft Rec. E.370 to establish a commonly agreed framework for interworking between PSTN and IP Telephony. However, we feel that the Secretary-General's (SG) draft Report and its proposed approach to VoIP and Internet Telephony puts too much emphasis on a potential regulation of IP Telephony which ETNO thinks should not be seen as part of ITU's or the WTPF's remit. ETNO further shares the opinion expressed by the European Commission¹ that the SG draft Report should acknowledge more clearly the benefits of an open market, where IP Telephony can develop without regulatory barriers.

ETNO welcomes that the trend towards cost orientation of settlement rates is getting an increasingly broader support. We do at the same time recognise the concerns reflected in the SG draft Report regarding the importance of voice telephony services for the developing countries and the essential role voice services presently play in the telecommunications economy of these countries. ETNO is aware that at present a number of countries believe the income from both termination of international traffic and from international traffic origination (lack of tariff rebalancing) is necessary to ensure their Universal Service goals. These countries too often see IP telephony as a potential by-pass of these services.

In this respect, we will recall that voice services are migrating very fast from fixed networks to mobile, and mobile penetration is close to or above fixed penetration in more and more countries, both developed and developing. The consequences of this process need to be recognised. If lack of rebalancing, cost-orientation or competition lead to an 'over-taxation' of attractive fixed services, this will only deter any further investments in fixed infrastructures. The historical role of (fixed) voice applications for funding access infrastructure cannot be maintained. The future revenue of voice services will come from mobile communications. Any commitment to the preservation and even improvement of fixed infrastructures should recognise the need to retain creative, attractive services and applications

¹ 30 November 2000 European Commission: Comments on Draft Report of the Secretary-General on IP Telephony for the WTPF 2001

on it such as Internet access and IP Telephony. For this reason alone, we recommend that no regulatory burden should be placed on IP Telephony.

ETNO shares the view of the SG draft Report (para. 4.38) that VoIP/Internet Telephony can be a valuable tool to provide universal access and to promote availability of international connections - especially in the case of markets which have not yet been opened to competition and where VoIP/Internet Telephony provides an alternative to often very costly international calls.

Evidently such substitution is less common in countries where alternative providers to the national operator, in line with the WTO and the Reference Paper from NGBT, offer international services based on e.g. indirect access, call-back or VoIP via leased lines.

With regard to the current regulatory status of Internet Telephony, ETNO in its contribution² to the recent European Commission consultation supported³ the Commission's preliminary conclusion on 'Voice over the Internet':

Taking into account the current situation and trends...Internet telephony [IP Telephony in the SG draft Report] still continues to fall outside the definition of voice telephony. This means, generally speaking, that Member States should continue to allow Internet access providers to offer voice over Internet protocol under data transmission general authorisations, and that specific licensing conditions are not justified.

Internet Telephony should therefore not be seen as a threat but rather as a valuable alternative to the regulated voice services which in some countries can only be offered under special rights and/or specific license conditions. Internet Telephony will, as an alternative, stimulate the establishment of competitive offerings as well as the technical upgrade of networks and services (as noted in the SG draft Report para. 2.5).

Concerning regulation this means that:

- At present, it would be a mistake to impose or maintain regulatory requirements on VoIP/Internet Telephony. Internet Telephony is neither in terms of quality nor general availability a substitution for traditional PSTN based voice services.
- In the end, VoIP/Internet Telephony is likely to become a substitute to PSTN based voice services as foreseen by the 'technology neutral' approach taken by the revised European regulatory framework. At that moment, there remains no justification for a continued or renewed specific regulation of voice services as such, PSTN or IP based.

² ETNO RD133 (2000/08) on the Consultative communication.... 2000/C 177/03

³ In continuation of its Reflection Document RD56 (06/97) on the 1998 Notice (the European Commission Notice concerning the status of voice on the Internet pursuant to Directive 90/388/EEC)

The concern expressed in the SG draft Report para. 4.36 that funding of Universal Services is threatened by VoIP/Internet Telephony is not well founded.

In general, VoIP/Internet Telephony can only develop substantially and impact the revenue from traditional voice services if the penetration rate of the public switched fixed access network has reached a certain level. When this level has been reached, i.e. in developed networks, the funding from 'Universal Service Funding sources' is less needed. Furthermore the settlement level of international traffic should become cost oriented, which implies that the importance of the contribution to Universal Service funding from lack of rebalanced international tariffs, will be reduced ⁴.

Finally and in line with the observation in the SG draft Report (para. 4.32), it should be kept in mind that competition stimulated by VoIP/Internet Telephony might have the potential to increase the take-up of Internet in general without any specific regulatory Universal Service based intervention.

⁴ Being aware of the not very precise impact that can be deduced from the ITU Rec. D.140 on Universal service: *E.6 Universal Service Obligations - Any Member State has the right to define the kind of Universal Service Obligation it wishes to maintain. However, such Obligations should be administered in a transparent, non-discriminatory and competitively neutral manner which is not more burdensome than necessary for the kind of universal service defined by the Member.*