

Will broadband access become a universal service?

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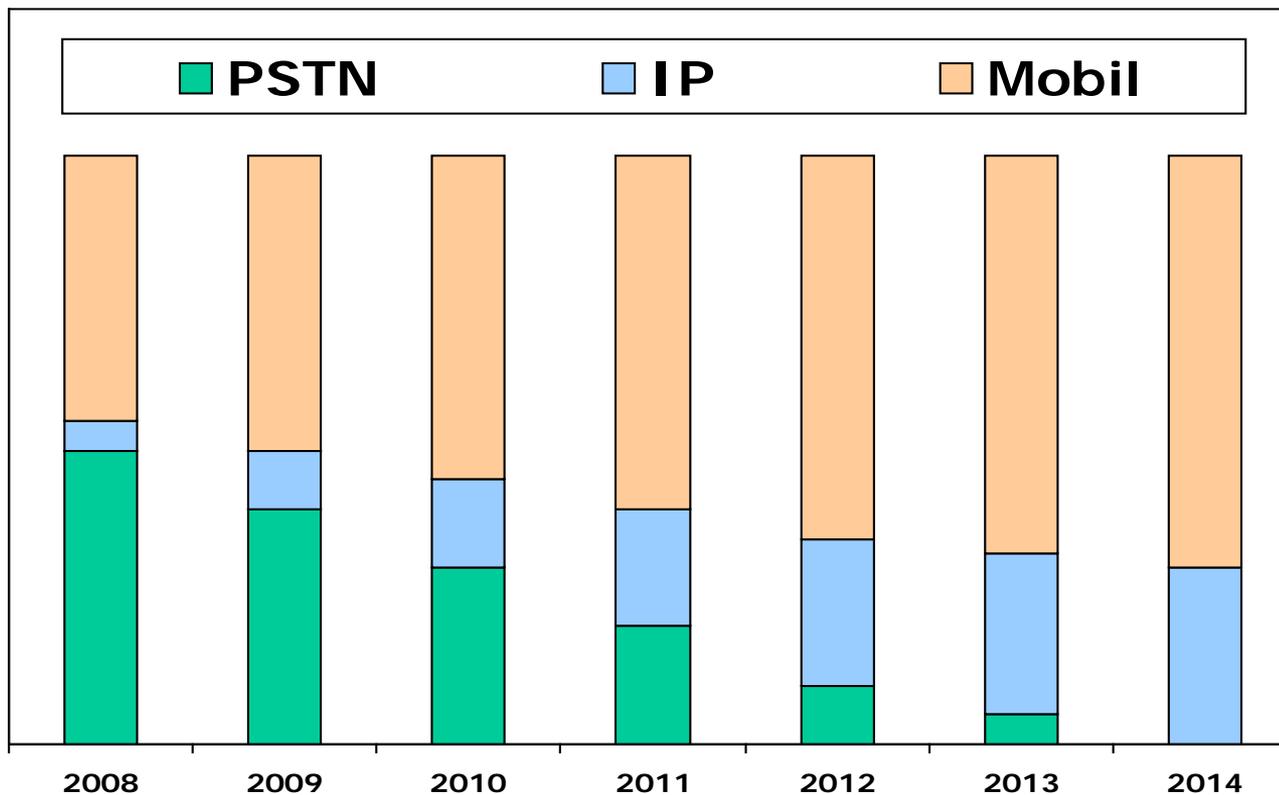
The need to review the definition of **Universal Service**

- E-inclusion via broadband access becoming still more important
- Fixed telephony becoming less important with mobile and NGN networks

E-inclusion

- Internet is used to provide citizen services such as
 - Directory services
 - Public information
 - Banking
 - Salary payments
 - Taxation
- Without Internet the citizens do not have access to these services

Future of PSTN (source: TDC)



Separation of infrastructure and services

- Formerly, silos of vertically integrated networks and services: telephony on PSTN and TV on cable
- Presently, horizontal convergence and vertical divergence
- TCP/IP is the most important example
- In telecoms: NGN
- Technology basis for new modes of organisation and business models

Implications for the scope of universal service

- Radical implications for the scope of universal service: From a set of services and their underlying dedicated networks towards focusing on the access issue
- Two ways to promote universal access:
 - Inclusion of broadband access into the universal service scope
 - Reliance on the many other policy measures?
- Competition may be the most important remedy as different access paths exist
- Policy goal in e.g. Denmark is to have 100% coverage

EU policies

- Two different approaches
 - Universal service obligation
 - Implemented for PSTN and telephony at the time of liberalisation
 - Considered extended to mobile and broadband
 - Lisbon process
 - Focus on the broader context
 - Focus on supply and demand for broadband access and services

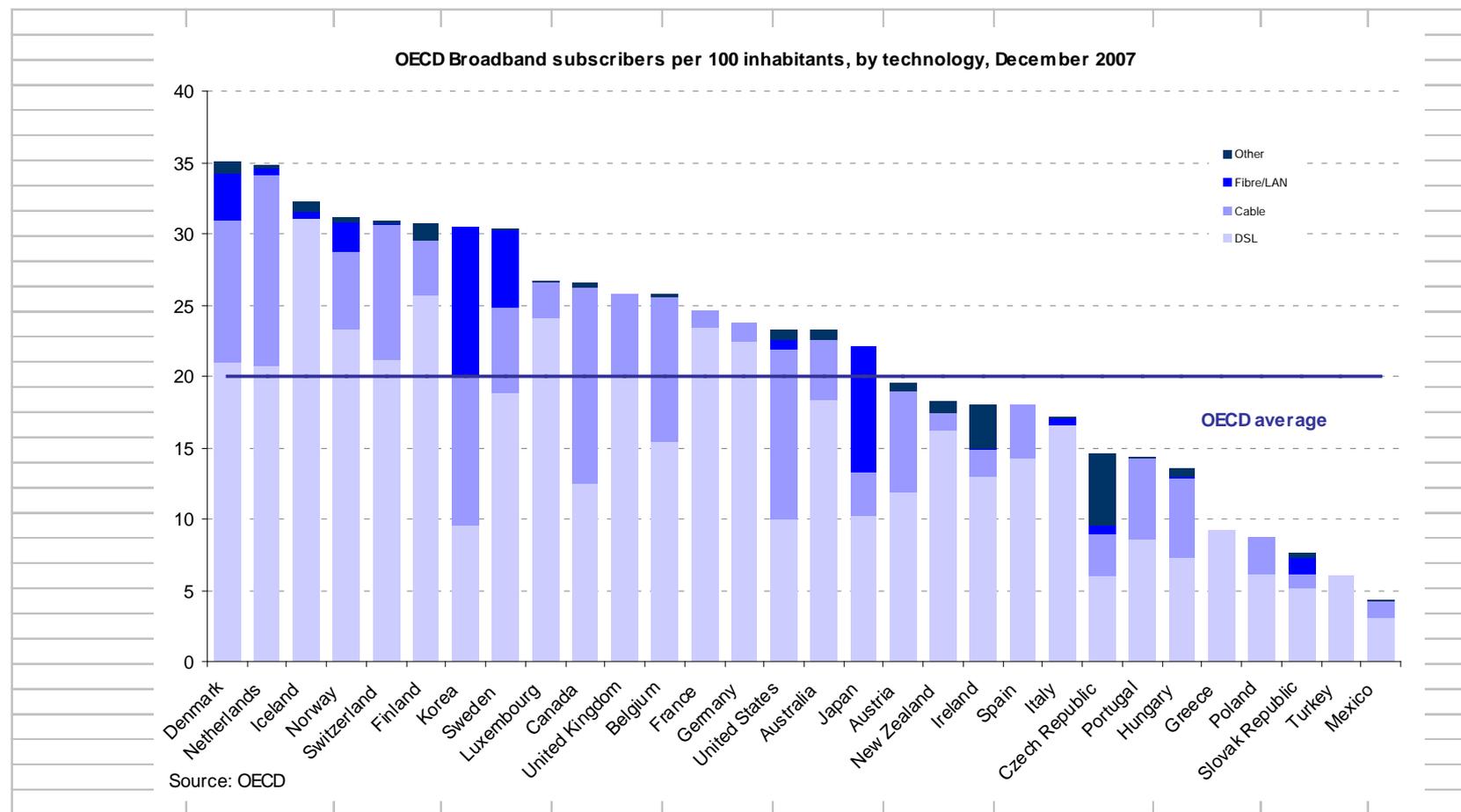
USO

- EU definition: The minimum set of services, of specified quality, to which end-users have access, at an affordable price in the light of national conditions, without distorting competition (COM(2005) 203)
- The scope of universal service (the minimum set of services) includes:
 - Connection to the public telephone network at a fixed location
 - Access to publicly available telephone services (COM(2005) 203, p. 3)
- The universal service concept is based on the following criteria:
 - A minority of consumers would be excluded from society by not being able to afford specific services that are both available to and used by the majority, and
 - Inclusion of these services within the scope would convey a general net benefit to all consumers in case they are not provided to the public under normal commercial conditions (COM(2005) 203, p. 3-4)

USO for mobile and broadband?

- Two service areas are examined in the Commission Communication (COM(2005) 203): Mobile communications and broadband Internet access
- In both cases, the Commission concludes that they should not be included within the scope of universal services
- Mobile communications:
 - ‘the competitive provision of mobile communications has resulted in consumers already having affordable access to mobile communications’ (COM(2005) 203, p. 7)
- Broadband:
 - diffusion is still too low to talk about a ‘majority of consumers’ having broadband.
 - ‘Broadband has not yet become necessary for normal participation in society, such that lack of access implies social exclusion’ (COM(2005) 203, p. 8)
- New review made in September 2008 confirms these conclusions as 36% of the households have broadband access (COM(2008) 572)

OECD: Broadband diffusion, end 2007



Lisbon process

- Promoting economic development in general in Europe
- Broadband access and use is a crucial element in the strategy
- Therefore, much focus on broadband

EU: Available instruments

- Communication from the Commission on ‘Bridging the Broadband Gap’ (COM(2006) 129 final) termed ‘available instruments’:
 - Implementation of the regulatory framework for electronic communications
 - Public funding
 - State aid and competition policy
 - EU funding: Structural Funds and Rural Development Fund
 - Demand aggregation and procurement
 - Fostering the creation of modern public services

Categories of policy initiatives

- Strengthening and harmonisation of internal use in public organisations
- Developing public communication networks and services relating to citizens and businesses
- Facilitation of the development of communication networks and services
- Regulation proper, setting the 'rules of the game'
- Support for demand
- Support for supply

Rules for state aid

- EU Commission reviews national projects for state funding of broadband infrastructure
 - Infrastructure support must be given only to bridge the digital divide
 - Support should, therefore, be limited to areas where it is not commercially viable for private sector operators to establish adequate facilities
- EU Commission distinguishes in this context between white, grey and black areas
 - White areas are sparsely populated rural zones, where no broadband access except via satellite or leased lines is available. In such areas, state aid is in general allowed
 - Grey areas are areas where broadband is already provided. Here, permission for state aid demands a more detailed assessment
 - Black areas are those where at least two competing infrastructures exist, and where there will be a high risk for market distortion if state funding is allowed - in such areas state aid is generally not allowed

Alternative funding mechanisms

- Public funding programmes and investments, e.g. municipalities
- Investments by private companies other than telecoms operators
- Funding through non-profit organisations
- Public Private Partnerships (PPP)

Conclusion

- Two approaches:
 - USO
 - Broader policy measures
- Two issues regarding USO
 - Inclusion of broadband in present definition
 - NGN and the USO concept
- From universal telephone service to broadband access
- From USO policy to broader measures
- Alternative funding mechanisms – depending on effectiveness of the market