Consultation on universal service principles in e-communications

Profile of the respondent	
Do you reply as an individual or on behalf of an organisation?	Organisation / Company
Name (individual / organisation)	GSMA Europe
Country of residence	BE - Belgium

Basic concept of universal service	
1) In today's competitive environment, can the market be relied on to meet demand for basic e-communciations services from all sections of society, thereby ensuring social inclusiveness?	GSMA Europe fully supports the objectives of ensuring that all citizens have access to, and can afford, essential e-communications services. The market for e-communications services has changed dramatically since the universal service concept was first introduced. Today's competitive environment is already able to meet market demand for basic e-communications services at affordable prices for almost all citizens. Mobile has clearly achieved this objective for voice services as evidenced by a mobile penetration rate of 124% in Europe (European Mobile Observatory 2009). Competition and innovative pricing models can be expected to do the same for mobile data. Governments can facilitate this by creating the right overall policy framework as set out in our response to Question 3. Link to European Mobile Observatory 2009: http://www.gsmworld.com/our-work/public-policy/regulatory-affairs/mobile_observatory.htm.

2) If not, what is the best policy to allow the disabled, those on low incomes and those living in geographically remote or isolated areas to access and use basic e-communications services?	Today's competitive environment is able to meet market demand for basic e-communications services at affordable prices for almost all citizens. Given the high levels of mobile penetration in Europe, it is difficult to argue that citizens are excluded from voice services. Broadband and data services are still in their growth stage, and it is not very clear who is excluded on affordability grounds rather than a lack of perceived benefit. If the question is affordability for those at the margin, then this is most effectively addressed by direct government intervention (e.g. the provision of vouchers to those concerned). Making the industry, or more accurately some customers, pay effectively puts prices up and increases the numbers at the margin for whom affordability is a problem. Mobile operators have developed a range of initiatives to facilitate access to their services by disabled consumers. Whilst there are successful examples, this has sometimes led to a disappointing take-up of specialist equipment or services, and a high cost per user. The increasing take-up of smart phones and other intelligent terminal equipment provides an opportunity for innovative services that may not be

Broadband

3) Broadband for all is a widely-stated policy objective at national and European level. What role if any should universal service play in meeting the broadband coverage objectives in the EU?	Widespread broadband coverage at affordable prices- “Broadband for All”- is fundamentally important to the effective delivery of a Digital Agenda for Europe. GSMA Europe believes that policy tools other than universal service are more effective in achieving this objective. Designating broadband as a universal service does not in itself make it more widely available if it is being rolled out against market demand. It is therefore imperative to address obstacles related to take-up. • Public policy programmes to improve citizens' digital skills and literacy, as well as fiscal incentives to encourage the purchases of PCs and other equipment, can make a useful contribution. • The development of attractive online content and e-services (e.g. e-government and e-health) is equally important in spurring demand. As regards supply, policies that support the commercial provision of broadband are more efficient and less market distorting than universal service obligation schemes. These include setting the right regulatory framework, ensuring access to low frequency spectrum, permitting network sharing and providing regional aid. • An appropriate regulatory framework which encourages investment in
4) What impacts could an extension of the role of universal service to advance broadband development have in relation to other EU and national policies and measures to achieve full broadband coverage in the EU? What other impacts would be likely to arise regarding competition, the single market, competitiveness, investment, innovation, employment and the environment?	Universal service obligations are imposed on a national basis and compensation mechanisms vary from Member State to Member State, which has a high market distorting potential. Widening the scope of universal service to broadband would lead to even greater market distortions with regards to the mix of technologies and service providers. This would be to the detriment of the EU single market both in the short and long term, and risks disrupting market-driven and competitive network expansion.

5) If universal service obligations shoudl prove necessary to achieve the policy objective of broadband for all, at what level (EU or national) should such obligations be defined, taking into account the different levels of market development across the current Union of 27 Member States?	As set out in our response to Question 3, GSMA Europe believes that imposing universal service obligations is not an effective means of extending broadband coverage. Given widely differing national circumstances in terms of broadband penetration, the development of online public services, media literacy, geography and other factors, Member States are better placed to identify which information society services are required to avoid social exclusion over time. The criteria for services qualifying as universal services should remain as set out in Annex 5 of the Universal Service Directive. Member States should only make the provision of a specific bandwidth obligatory if it is used by (not just offered to) a majority of consumers. With reference to Article 4 of the Directive, stipulating any bandwidth obligations, independent of a specific universal service requiring a certain speed, is inappropriate and unnecessary.
6) If a common harmonised universal service needs to be defined at EU level, should a mechanism be put in place to balance the need for national flexibility and a coherent and coordinated approach at EU level?	As set out in our response to Question 3, GSMA Europe believes that imposing universal service obligations is not an effective means of extending broadband coverage.

Financing of universal service

7) Irrespective of the scope of universal service, are mechanisms whereby funding is provided by the sector appropriate in the context of a regulatory environment that seeks to eliminate distortions of competition and promote market entry?	Universal service is primarily about avoiding social exclusion and is therefore a policy issue for governments. If there is a requirement to provide financial support for universal service, it is most economically efficient if funded directly by the state, in a transparent manner and without distorting competition. Where governments decide to continue placing the burden of universal service provision on a specific operator, there is a risk of market distortion to the detriment of consumers. Given the widespread economic and social benefits of extending broadband coverage, public funding provides a more equitable, competitively neutral, and politically transparent funding solution than an industry fund. The sums involved are considerably lower than those invested in other infrastructures or services of general interest, such as highways, education or health, and the investments can deliver significant economic benefit. For those countries (or regions) with fewer resources, there is also the possibility of leveraging European regional development funds. In addition to the question of how universal service should be funded, the mechanism of determining an eventual compensation has shown several

8) In the context of the roll-out of broadband in Europe, is it still appropriate to limit the financial arrangements of universal service to market players in the e-communications sector, while this provision would have wide-ranging benefits outside the sector, for instance, the delivery of information society services and digital content? Are other means of financing more appropriate?	As set out in our response to Question 3, GSMA Europe believes that imposing universal service obligations is not an effective means of promoting the roll-out of broadband in Europe. Given the widespread economic and social benefits of extending broadband coverage, public funding provides a more equitable, competitively neutral and politically transparent funding solution than an industry fund. Any increase in universal service obligations, leading to greater funding requirements, would necessitate further scrutiny of funding mechanisms. In the context of furthering broadband roll-out, universal service is both an inefficient and ineffective instrument. Given the importance placed on broadband roll-out by the European Commission and the Member States, it is more effective to prioritise expenditure that addresses those at the margin, without placing significant financial burdens on an industry which is at the forefront of investing in new technologies and services.

Any other issues	
Respondents are invited to raise any other issues they might want to address in this consultation.	