

**EETT**

**UNIVERSAL SERVICE**

**ATHENS**

**DECEMBER 18, 2001**

## **Universal Service Obligation in Telecommunications, Greece.**

### **Public consultation**

The consultation period ran from September 5, 2001 to October 20, 2001.

Additional comments after the end of the consultation period or any contact regarding USO matters should be made by sending an e-mail message to: **uso@eett.gr**

Translation from the Greek original by EETT, with the willing cooperation of KPMG.

**NATIONAL TELECOMMUNICATIONS REGULATORY AUTHORITY  
IN GREECE, (EETT)  
PUBLIC CONSULTATION ON UNIVERSAL SERVICE IN  
TELECOMMUNICATIONS**

**NOTE: SOME OF THE EXPLANATORY COMMENTS OF THE GREEK ORIGINAL ARE NOT INCLUDED HERE, AS THEY WERE MEANT AS AN INTRODUCTION TO USO. HOWEVER, THIS DOCUMENT INCLUDES ALL THE QUESTIONS OF THE ORIGINAL.**

**Questions**

***1. Content of the Universal Service***

EETT is inviting interested parties to submit their views regarding the following issues:

Q1. Which telecommunication services and technologies should be included in the Universal Service?

Q2. Every how many years should the content of Universal Service be revised?  
Every how many years should the definition of economic affordability be revised?

***1.a Users with special needs***

Article 8 of Directive 98/10 requires taking special measures, in order to ensure that users with special needs have equal access to the fixed public telecommunication services, including directory services.

Q3. Which categories of users are at a disadvantage, due to physical handicap, when it comes to the use of telecommunication services?

Q4. Do you think that it is necessary/useful for visually impaired subscribers to get their telephone bills both in written form and in BRAILLE? What would be the amount that the subscriber would be willing to pay for the provision of such service? Do you believe that visually impaired users should enjoy this service for free, regardless of their financial situation?

Q5. Do you think that the public card-phones and/or the phone-booths cannot be used easily by persons with motor or other disabilities? Do you think that they should be redesigned? If yes, in what way?

***1.b Users with low income***

Q6. For the provision of Universal Service, it is necessary to define the term “low income user”. What is the maximum income that a user should not exceed in order to be classified as “low income user”? Would you suggest any complementary criteria for classifying a person as a “low income user”?

Q7. For the provision of Universal Service, it is necessary to define the term “low traffic user”. What is the maximum traffic that a user should not exceed in order to be classified as “low traffic user”?

Q8. What are the criteria that should be used to define those telecommunication services that should be offered at lower prices (as part of Universal Service) to the low income users?

Q9. What are the criteria that should be used in order to formulate the tariff policy for these telecommunication services?

What are the criteria that should be used in order to decide how tariffs should be revised over time (f.e. inflation, retail prices of telecom services, etc)?

Q10. What programs do you recommend for low usage subscribers?

### **1.c Uneconomic areas**

Q11. In dealing with the question of determining which areas are uneconomic, how should the term “region” be defined (Prefecture, Municipality, County, Exchange Service Areas, etc)?

Q12. Name specific regions of the country that you consider to be “uneconomic” regarding the provision of telecommunication services.

In every region the mean cost of service per subscriber depends on the network access costs, the location, the morphology of the ground and on population density. Nevertheless, the tariff policy that is traditionally implemented is the same for all regions, regardless of the cost differences among them (geographic averaging of tariffs). In this way the subscribers of the low cost areas subsidize the subscribers of high costs areas. In other words, if the tariffs were diversified, the tariffs of the urban areas would be lower than the present ones and the tariffs of the rural areas would be higher. Even though geographically averaged tariffs are considered to be part of the Universal Service, the purpose of the following question is to investigate the possibility of excluding users from this rule.

Q13. Regarding mountainous regions, islands and other remote “uneconomic” areas, a significant number of the subscribers of the Universal Service Provider are not permanent residents but owners of country houses. At the same regions, a large number of the users of services of the Universal Service Provider are tourists. Given these facts, to what extent do you think it is imperative to apply geographically averaged tariffs throughout the whole country, as part of Universal Service?

Q14. Regarding the USO provisions for economically affordable services for users in “uneconomic” areas, do you think it is necessary to have the country houses excluded from them?

Q15. Which of the following means of payment do you think that the Universal Service Providers should be obliged to accept:

- Bank drafts
- Credit cards

- Automated money transfer
- Electronic payment (e-billing)
- Payment to the postman (for remote areas)
- Payment to the post office

The Provider of the Universal Service should arrange for a network of branches of banks, where phone bills can be paid, to cover the entire country.

What should be the cost that the subscriber should be paying in each one of the above cases?

## **2. Provider(s) of Universal Service**

EETT is inviting the interested parties to express their views on the terms/conditions of US provision:

Q16. Which are the criteria to be used in deciding which company should be obliged to provide U.S? What is the justification for your answer?

Q17. Which of the following policy propositions do you believe is the most appropriate, when it comes to servicing ‘uneconomic’ users?

1. For a single U.S. provider to have the exclusive obligation to serve all classes of ‘uneconomic’ users.
2. For a number of companies to have the U.S.O. for different classes of users, with each one of these companies to be obliged to serve only some of the classes of users.
  - a) Which are the classes of users that are better served in this way?

In case that more than one Telecom Organisations are interested in getting the exclusive right to serve a given class of users, which selection mechanism would you suggest for choosing the US provider ? What is the justification for your answer?

Q18. Which of the following policy propositions do you consider to be the most appropriate for the provision of U.S. to uneconomic regions, regarding the following U.S. elements: telephony services/ public card-phones/ fax/ data transmission:

1. There is a single Universal Service Provider with the exclusive obligation to provide a specific element of U.S. throughout the entire country. Which are the elements of U.S. that should be provided in this way?
2. A company has the exclusive obligation for the provision of a given U.S. element to only one region of the country (one region – one company).
  - a) Which are the U.S. elements that should be provided in this way?
  - b) In case that more than one Telecom Organisations are interested in getting this exclusive obligation for a given region, which mechanism do you consider to be the most appropriate for the selection of the U.S. provider?

What is the justification for your answer?

Q19. Regarding the Telecom Organizations which undertake the obligation to provide one or more elements of U.S. to a certain region or user class, in what way should their costs of providing these elements be measured against the amount of their contribution to the Universal Service Fund ?

## **2.a Public phones**

Q20. Is your company interested in installing, maintaining and managing its own public card-phones? If yes, do you think it is necessary/useful for interoperability to exist between the card-phones of the U.S. provider and the telephone cards of the T.Os which may newly offer public card-phones, and vice versa? Should the same interoperability requirement be fulfilled between the card-phones and the telephone cards of the T.Os which may newly offer public card-phone services?

## **3. Cost of U.S. provision and Benefits to U.S. Provider(s)**

### **3.a Cost of provision**

EETT is inviting the interested parties to express their views on the following issues:

Q21. In relation to the calculation of the cost of Universal Service provision, what are your views regarding:

- The Cost Accounting standard that should be used (e.g. the Long Run Average Incremental Cost – LRAIC vs the Fully Distributed Cost - FDC)
- Current vs Historic Costs

Do you agree that the cost accounting standard and the cost base that are used in calculating the cost of Universal Service should be the same as the ones used for the calculation of retail voice telephony costs?

What is the justification for your answer?

(Notice: For retail voice telephony, the cost accounting standard is the Fully Distributed Cost and the cost base is the Historic Cost)

- The way of calculating network costs due to depreciation.
- The method you would use to determine the cost of capital.

What is the risk level that results from the provision of Universal Service elements?

What should be the cost of capital to be taken into account for the calculation of the cost of Universal Service, given the risk that results from its provision?

Would you advocate the WACC and CAPM methodology of cost of capital calculation or some other one? What is the justification for your answer?

- The way of calculating operating, maintenance and administrative costs.
- Management of Common Costs.
- What Adjustments should be made on the calculation of the Efficiency of the Provider of Universal Service by the NRA? How are they determined in practice?
- For the calculation of the net cost of Universal Service (cost for the provision of Universal Service minus relevant revenues), it is suggested that the cost of its constituent services is calculated on the base of the cost of the most economical modern technology (least cost technology) that is already in use, rather than on the base of the cost of a technology which has been developed but is not in use yet.

Q22. Do you have specific comments on the above mentioned methods of costing? How should the “modern equivalent asset” be defined and what should it include? Alternatively, can you suggest another method for calculating the cost of the Universal Service elements? What is the justification for your answer?

Q23. Do you propose that “radio based technology” should be taken into account, especially when it comes to servicing remote areas and islands? Please justify your answer.

Q24. There are studies estimating the total cost of Universal Service to be 77 – 86 billion GRD (GBP 142-160 million ) per year. How do you rate this estimation? What is your estimation regarding the cost level of the Universal Service provision in Greece? What is the justification for your answer?

### **3.b Benefits for the provider(s) of U.S.**

There are several ways that the provider(s) of U.S. can gain commercial advantages or financial benefits from the provision of U.S. These ways include:

- Enhancement of corporate reputation
- Marketing and brand recognition
- Information regarding the use of a number of services.
- Benefits resulting from “Customer life cycle effects”. It is possible for a customer who at present cannot be serviced at a profit, to become profitable in the future. That can also happen with public card-phones. Urban development in a remote area, for example, can turn a loss making public card – phone into a profitable one. This phenomenon is known as the “life cycle effect”.
- Benefits that are associated with the provision of U.S. throughout the entire country (Ubiquity effect).  
Another possible effect of the U.S.P.’s geographical coverage obligation is on the profits of its subsidiaries which operate in competitive markets.  
The U.S.P.’s operation in remote areas over a long period of time helps make the brand name of its subsidiaries better known in these areas, in comparison to the case in which there would be no geographical coverage obligation.
- Revenue and profits from incoming calls to low-income users and to uneconomic regions, as explained in the sequence:

The financial results a Universal Service Provider (U.S.P.) has from the connection of a given subscriber are not fully reflected by the relation of the cost of servicing/revenue collected from this subscriber. Due to the special tariffs that are provided under the U.S. status, the subscriber himself may be loss making to the U.S.P. However, his phone connection allows others to call him, from either a fixed or a mobile phone, a fact which causes the U.S.P.’s profitable traffic to increase. In other words, one should take into account both the losses associated with the subscriber’s outgoing traffic, as well as the profits generated by making

access to him possible to others. The same argument is valid for the uneconomic regions.

Q25. According to the international experience, what is your evaluation of the magnitude of the expected benefits that were described above, both for the U.S.P. and its subsidiaries, in terms of traffic, profits etc., resulting from servicing low-income users and uneconomic regions?

### ***3.c Phone directories and telephone directory services***

Q26. Is it necessary/useful to include in the same phone directory all the subscribers of the companies providing fixed telephony as well as all the subscribers of the companies providing mobile telephony services plus the e-mail addresses of the subscribers?

Q27. Is it necessary/useful for the telephone directory services (131) to be able to serve queries regarding fixed telephony subscribers, mobile telephony subscribers and e-mail addresses?

Q28. What would be the cost of telephone directories / directory services (131) under the assumption that these services are provided by an efficient operator? What is your evaluation of the extent of profits/benefits resulting from these services (e.g. income from advertising etc.)? What is the justification for your answer?

Q29. The availability of telephone directories / directory services (131) makes it possible to place calls that otherwise could not be made. What is the percentage of increase in traffic because of these reasons? What is the justification for your answer?

## **4. U.S. funding mechanisms**

EETT is inviting the interested parties to express their views regarding the following issues:

Q30. What are the criteria that an organisation should be fulfilling in order to be allowed to participate in a “Pay or Play” process or in a competitive tender for the provision of U.S.?

Q31. For how many years should the U.S.O. be given to a T.O., when the U.S.P. has been chosen according to a “Pay or Play” method?

Q32. For how many years should the U.S.O. be given to a T.O., when the U.S.P. has been chosen according to a competitive tender process?

Q33. Do you believe that U.S. provision in Greece, taking into account the associated costs, revenues and benefits, is an undue burden to a Telecom Organisation?

If so, which method do you propose for sharing the burden of U.S. provision (Universal Service Fund, “Pay or Play” etc)? What is the justification for your answer?



Q34. In case the problem of U.S. funding is addressed through the establishing of a Universal Service Fund, what criteria should be used in order to decide which company is obliged to contribute to this fund?

Q35. How should the contributions to the Universal Service Fund be calculated (according to traffic volume, according to revenues or in some other way?) Exactly how should the magnitude you propose as the base for calculation of U.S. fund contributions, be defined? In case that the selected magnitude is in terms of money, should it be defined before or after tax? What is the justification for your answer?

Q36. In case that contributions required to be made by the industry to the U.S. fund turn out to be excessively large, which measures do you propose for the protection of the viability of the companies which contribute to it?

Which measures do you propose for the minimization of the disruption of their investment plans?

Which measures do you propose for the minimization of the uncertainty caused by the obligation to contribute to the U.S. fund?

Q37. What are the provisions that you propose for ensuring the transparency, the fair treatment and the proportionality of the calculation of the contributions to the US fund?

The US fund can be “real”, as it commonly happens with funds in general, or “virtual”. In the second case the US fund operates only when transactions are required, which happens very few times every year. Administration costs for the virtual US fund exist only when contributions or payments take place. It is not an on-going fund.

Q38. What form do you recommend for the US fund, in case it is established? Do you propose a “real” or a “virtual” fund? Do you have any other suggestions?

What is the justification for your answer?

Q39. In what way do you think that its administration should be organised? What should be the provisions to ensure the independence of the fund from the beneficiaries, the transparency, non discrimination and the objectivity of the administration?

Q40. In what way should the operating costs of the US fund be allocated? Should it be deducted from the amount payable to the U.S.P.s or be added to the contributions (or be shared in both ways)?

The U.S. provider estimates the cost of U.S. provision. This estimation is audited and verified by an independent entity.

Q41. Who should pay for the cost of auditing the calculation of the cost of U.S. provision?

Q42. Do you think that there should be a minimum level (threshold level) such that all companies that are below that level should be waived the obligation to contribute to the US fund.? Would you specify the threshold level in terms of revenues, market

share, profits, number of subscribers, number of years in operation or some other measure? At what level should this threshold be set? What is the justification for your answer?

Q43. Do you consider it to be right that a company should be obliged to contribute to the US fund only in the case in which it is allowed to bid for the provision of the U.S. element for which it is paying the contribution? What is the justification for your answer?

Q44. In case that the USP retains its monopoly in the market of public card-phones and this monopoly turns out to be a profitable one, should this provider receive a compensation for those of the public card-phones which are loss making? Please justify your answer. In case that you consider that the provider should be compensated, would you accept the introduction of a “Pay or Play” mechanism for the provision of public card-phones in uneconomic regions?

Q45. In case it is decided that each telephone directory will include the subscribers of all Telecom Operators, both fixed and mobile, as well as the e-mail addresses of the subscribers, which of the following ways would you propose for reimbursing the cost of these directories to their provider:

1. Contributions of third parties to the US fund in order to compensate the U.S. provider of the telephone directories. What are the criteria to be used to calculate these contributions?
2. Each T.O. that offers telephony services (fixed or mobile) assumes the responsibility of providing comprehensive telephone directories to its own subscribers and gets a discount on the amount that it has to pay to the US fund (“Pay or Play”). What should be the contribution of interconnecting and other Telecom Organisations that do not have subscribers? What should be the contribution of the ISPs?
3. Some other mechanism through competitive tender that you may have to propose.

What is the justification for your answer?

Telephone directory services which can give information about the subscribers of all Telecom Operators make use of either a “real” or a “logical” database. In the first case, information on subscribers of all the Telecom Operators is stored in the same database. In the second case, the databases of the different Telecom Operators are interconnected.

Q46. In case it is decided that the telephone directory services will be making available information on the subscribers of all Telecom Operators, both fixed and mobile, as well as on the e-mail addresses of the subscribers, which of the following ways do you propose for reimbursing the cost for the provision of information:

1. Contribution of third parties to the US fund in order to compensate the U.S.P. of the telephone directory services for the operational costs of a “real” database. Which are the criteria to be used for the calculation of these contributions?
2. Each T.O. that offers telephony services (fixed or mobile) assumes the responsibility of providing its own directory services as part of a “logical” database and gets a discount on the amount it has to pay to the US fund (“Pay or Play”). What should be the contribution of interconnecting and other Telecom Operators that do not have subscribers? What should be the contribution of the ISPs?
4. Some other mechanism through competitive tender that you may have to propose.

What is the justification for your answer?

### **5. General Questions**

EETT is inviting the interested parties to express their views regarding the following issues:

Q47. What special sets of services and new technologies should be provided to users with special physical or social needs? Should Universal Service include technologies or services that give to disabled persons easy access to information for the “on duty” pharmacies/hospitals/doctors and emergency services? Which of these services do you propose, in particular? In case that the provision of such services is not profitable for the US provider, can you provide an estimate of the losses (or the losses per user)? Do you hold the opinion that the obligation to compensate the US provider should be assumed by the telecommunications sector or by the State Budget? What is the justification for your views? Would your company be interested in assuming the obligation of providing such sets of services and technologies? If so, exactly what sets of services and technologies are you interested in providing?

What would be the relevant tariffs and terms of provision?

When would your company be ready to undertake the provision of these services?

Q48. Do you hold the opinion that the implementation of a low-tariff policy would necessarily result in losses for the U.S.P.? If so, can you provide an estimate of the losses (or the losses per user)? How should the relevant cost be allocated between the telecommunication sector and the State Budget? What is the justification for your views? Would your company be interested in assuming the obligation of implementing a low-tariff policy for low-income users? If so, to what classes of low-income users would you provide the services (pensioners, unemployed, low-traffic users etc.) and under what terms (over the entire country or part of it)?

When would your company be ready to assume the obligation of implementing the tariff policies?

Q49. Is your company interested in assuming the U.S.O. for uneconomic regions?

If so, which elements of U.S. are you interested in providing, to which regions and under what terms? Can you provide an estimate of the relevant costs? What will be the benefits for your company as a U.S.P.? In case there is a net cost (US costs minus

benefits), how do you propose that it should be allocated among the contributors to the US fund?

When would your company be ready to assume the obligation of providing U.S. to uneconomic regions?

The “terms of reference” refer to the constitution and frequency of meetings of a committee as well as to the operating rules, its scope, objectives, duties and responsibilities.

Q50. The collection of contributions for the U.S. fund may have an impact on competition in the telecommunications market. In that case, do you find it useful for an “Advisory Group” to be established, where all parties with legitimate interests in the provision of Universal Service would participate ?

What “terms of reference” do you propose for the “Advisory Group” to have?

The provision of telecommunication services at special low-tariffs to low income and disabled users, may result in abuse of the services provided and in increase of the cost of US.

Q51. In case Universal Service elements are provided to disabled persons or low income users, do you consider it necessary that a control mechanism be introduced in order to verify the true state of the user?

If so, what kind of mechanism would you propose?

Q52. Please mention any other points of interest that according to you should be taken into account by the National Telecommunications and Post Commission during the current consultation process, to formulate a clearer view of the issues concerning Universal Service in Greece.