Electronic communications: universal service, users' rights relating to networks and services

2000/0183(COD) - 07/04/2006 - Document attached to the procedure

COMMISSION'S IMPACT ASSESSMENT

For further information regarding the context of this issue, please refer to the summary of the Commission's Communication to the Council, the European Parliament, the European Economic and Social Committee and the Committee of the Region: Report regarding the outcome of the Review of the Scope of Universal Service in accordance with Article 15(2) of Directive 2002/22/EC– COM(2006)0163.

1- POLICY OPTIONS AND IMPACTS

The Commission considered three policy options.

1.1- Option 1: Include mobile communications within the scope of universal service;

1.2- Option 2: Include broadband Internet access within the scope; and

1.3- Option 3: 'Status quo', i.e. keep the scope unchanged.

CONCLUSION: The Commission has undertaken a review of the scope of universal service in accordance with Article 15(1) of the Universal Service Directive. **The result of this review is that the Commission will not propose any change in the scope of universal service at the present time (i.e. Option 3).** However, the contributions received by the Commission on the longer-term issues provide a good basis to continue a forward-looking policy discussion on the universal service provision in the context of the general regulatory review of *e*Communications starting in 2006. This review will provide the opportunity to address the necessity of securing technology-neutral provision of universal service.

IMPACTS

Any change - or non-change - of the scope of universal service may affect the following categories of population and/or aggregates:

- **Individuals and households:** any change to the scope – or non-change in the context of an evolving communications environment – must be assessed against the increasing market capacity to provide, in a liberalised environment, quality services to all at an affordable price. Particular attention needs to be given to an evaluation of the risks to certain groups in the population (who currently benefit from universal service obligations) of social exclusion, for geographic, economic or any other reasons;
- **Society as a whole:** the capacity of electronic communications services to convey social benefits to all consumers must be assessed against the underlying costs which would result from any public intervention to deliver these services based on sector funding mechanisms. Any policy in this area must ensure that any financial burden resulting from a change in the scope of universal service would not fall unfairly on consumers with lower income (Recital 25, Universal Services Directive);
- **Industry:** any decision on the scope of universal service obligations must ensure that certain technological choices are not artificially promoted above others, and that a disproportionate financial burden is not imposed on sector undertakings, thereby endangering market developments and innovation;
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- **Economy as a whole:** e-communications services reduce the transaction costs of economic activities and contribute to enhancing productivity and competitiveness. In addition, they have the capacity to contribute to the development of the local and regional economic fabric. A change – or non-change - to the scope of universal service can thus have an impact on the economy as a whole, due to the existence of network effects;
- **Environment:** it is anticipated, at this stage, that impacts are most likely to be social and economic (e.g. competition, markets, households, rural versus urban areas, labour market access and consumer rights). In general, the development of e-communications services can have positive effects on the environment, for instance, by providing an alternative to the physical transportation of goods and persons (e.g. teleworking), as well as negative effects arising from, for example, laying cables, installing radio masts, etc.

For the present, the balance of risks and opportunities suggests that **no change to the scope of universal service is appropriate at this stage**. However, the current rapid developments in technologies and markets will require close monitoring.

2- FOLLOW-UP

A number of studies are being launched to support empirical analysis required for the review of the electronic communications regulatory framework (including Universal Service Directive) in 2006. However, useful data on markets are often problematic: under conditions of fast changing technologies, including new-generation networks and the convergence of services and platforms (e.g. transmission of voice and data and moving images on the same device), market developments are likely to be rapid but, in many cases, difficult to predict. Economic foresight data, cost-benefit analyses and even econometric forecasts are likely to suffer in terms of robustness and reliability. Despite these constraints, all available empirical evidence will be gathered.

The review of the scope of universal service has been informed by public consultation and by extensive empirical data. These data will continue to be gathered.