



*-- Open House Session --*

*“UNIVERSAL SERVICE FUND*

*&*

*BASKET OF REGULATED SERVICES*

*Date: 17 January 2005*

*Time: 10.00 - 11.45 hrs*

*Venue: Le Labourdonnais Hotel,  
Caudan Waterfront, Port Louis*

# Universal Service/Access in ICTs

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ICTA

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# Outline

- Introduction
- Definition of terms
- US/A provisioning
- How to go about in a competitive environment
- Scope of US/A for Mauritius
- Contributions
- Administration & Management
- Evaluation of projects
- Consultation response
- Conclusion

# Introduction - 1

- Access to ICTs is considered to be a prerequisite to the general development of a society
- Access is even viewed as a fundamental human right
- ☹️ How do we then address the issue of organizing, managing and funding access to ICT services at a point in time when we are talking of a Global Information Society

# Introduction - 2

- According to the OECD, the Regulatory Authority is very often confronted with the challenge to tackle US/A
- Addressed by:
  - imposing universal service or universal access obligation on operators
  - Providing for means to fund the above through various mechanisms (cross-subsidization, tax, etc...)

# Introduction - 3

- Policies in relation to Universality are justified in situations of:
  - Market failures: the market left to itself finds it uneconomical to provide the required service or infrastructure
  - Social equality concern: policy-makers will to prevent exclusions either in terms of geographical locations, or earning capacity

# What is Universal Service/Access

- No two countries have the same definitions
- Nevertheless there is a need to establish a working definition for this concept which -
  - is often viewed as subjective yet evolutionary
  - may either be interpreted in the restrictive or extensive sense

# Definitions – ITU

- **Accessibility** means that people with disabilities can use an ICT service; one's level of physical ability does not affect access to communication service.
- **Affordability** means that everyone can afford service, and no one is disadvantaged by income level. Cost variations due to location, terrain and climate – which often dovetail with urban/rural factors – do not impact in one's access to ICT services.

# Definitions – ITU

- **Availability** means that the level of service is the same wherever a person lives or works, with no disadvantage stemming from geographic location. In particular, rural and urban distinctions do not affect a person's ability to access communication services

# Definitions – ITU

- **Market efficiency gap** means the difference between what markets are actually achieving under current conditions and what they could achieve if regulatory barriers were removed and regulation were used to provide incentives
- **True access gap** means the intervention that is still required to reach some areas or population groups that will not be served even with the most optimal efficient and liberalised market conditions

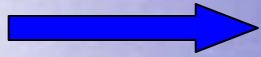
# Definitions – ITU

- **Universal Access** means that everyone in a community can gain reasonable access to a publicly available telephone via PCOs, Community Telephone Centres, Community Internet access centres, or other similar means.
- **Universal Service** means that every household in the country has, or can maintain connectivity with a public telecommunication network. Traditionally, it meant a fixed line phone for every household

# The basic access continuum



Single line-voice grade service



Access to free emergency, operator and directory services



Access to data; minimum role of data speed on phones lines



Fully digital system end-to-end



Two-way broadband service

(Source: "How do we raise the Bar on Universal Service",  
[Http://www.benton.org/pub/library/stake/uniserv/bar.html](http://www.benton.org/pub/library/stake/uniserv/bar.html))

# The Universal Service/Access provisioning

- Used to be enforced thru USO in licence conditions of operators
- Funding through cross-subsidization
- Same model can no longer work in a competitive environment

# How to move competitive setup

- *Authorising and enabling laws and policies*
- *Sources of contributions*
- *Scope of US/A*
- *Revenues contributing to the USF*
- *Administration & Management*
- *Project Evaluation*
  - Needs assessment
  - Cost analysis
  - Revenue/demand forecasts and fee calculations

# Authorising and enabling laws and policies

- **21. Establishment of a Universal Service Fund**

- (1) The Authority shall establish a Universal Service Fund –
  - (a) into which shall be paid any contribution received from licensees in pursuance of sub- section (2);
  - (b) out of which payments may be made to any licensee required by the terms of his licence, or otherwise directed by the Authority, to provide a universal service.
- (2) Every public operator shall, in addition to the licence fees payable, pay into the Universal Service Fund, such annual contributions as may be prescribed.
- (3) The Minister may, on the recommendation of the Board, prescribe-
  - (a) the basis and manner of determination of such contributions;
  - (b) the dates when such contributions shall become payable and the manner and, if he deems it appropriate, the period over which the contributions shall be paid

# Scope of US/A for Mauritius

- Projects falling under the following:-
  - Telecommunication services in outer islands
  - Specialist services for people with disabilities
  - Community Internet access
  - Higher bandwidth (Broadband) services
  - Public radio-based maritime distress and safety services

# Contribution

- By law all public operators
- In most developing countries contribution levels ranging between 1% to 5% of gross revenues are applied
- There is a need to establish the basis for Mauritius and thereby make recommendation pursuant to section 21

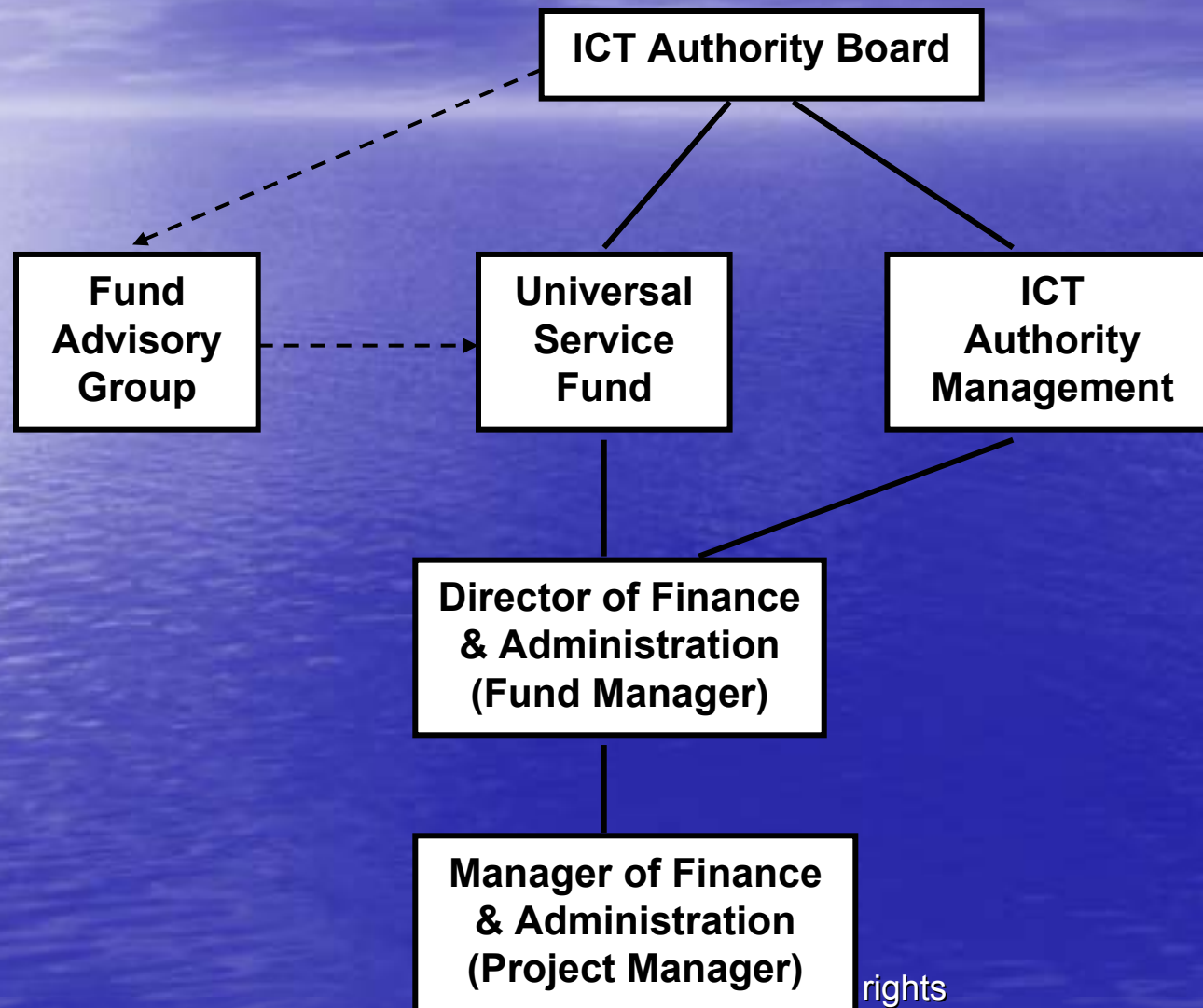
<b>Countries</b>	<b>Percentage of gross revenue</b>
Argentina	0.6 - 1.0%
Australia	2.0%
Chile	0.2%
Colombia	4.3%
France	3.0%
Norway	2.0 - 2.4%
Peru	1.0%
Sweden	0.8 - 1.2 %
Switzerland	1.7 - 2.2 %
UK	0.2 - 0.3 %
USA	5 %
<b>Mauritania</b>	<b>7.8%</b>

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Source: World Bank

# Management & Administration



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# Management & Administration

- **The ICT Authority Board:** the board created under the Act. Approve the annual plans and budgets of the USF and recommendations of Management with regard to USF.
- **The USF advisory group:** provides input, suggestions and ideas to the USF management wrt project priorities, operational plans, objectives and key issues. Consists of representatives from the industry, government, public institutions (involved with fund activities), public operators, & consumer rep.
- **The USF fund administrator:** oversees all fund activities, reporting through Management to Board. He prepares annual operating plan, budget, and project plans in collaboration with the other departments (Legal, Engineering, & Communication).

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# Management & Administration

- **The project manager:** responsible for analysing market conditions, developing proposed project plans and acting as liaison with USF funding recipients in the implementation and evaluation of approved projects.
- **Liaison officers:** within the Authority (Engineers, attorneys, accountant, economist, etc...) will be responsible to extend professional support and resources in their fields of responsibility to the management.

# Evaluation procedure

- **Business plans** – three to five year budget projections, break-even analysis and market demand analysis should be provided.
- **Tariff and other pricing proposals** – these should include interconnection agreements with other carriers.
- **Management plan** – these should detail the organisation of the project, the responsibility of personnel.
- **Implementation schedule** – specific dates and sequence of events, the timing of equipment installation and operation startup dates should be included.

# Evaluation procedure

- **Publicity and community inclusion programmes** – these should describe plans for inviting participation in the project from affected communities as well as gender awareness considerations and publicity and outreach plans to promote use and benefits of service.
- **Monitoring and reporting plans** – there should be provisions for informing USF managers about progress in implementation, the public response to the services, lessons learnt, identified obstacles and possible improvements.

# Contributors to consultation

- Mauritius Telecom;
- ACT;
- Mauritius Computing Services (MCS) Ltd.
- ICT Advisory Council;
- Mr. H.L.Mahinda de Silva, Advisor on Telecommunications (Commonwealth Secretariat Consultant);
- Multi Carrier (Mauritius) Limited (MCML)

# Analysis of Views

- *focusing on access to more advanced services, regulator is shifting the US goals from basic telephone to other ICT services*
- **the debate about basic services leads to nowhere**
- **access to telephony services is far from being an issue in Mauritius and that the definition of basic services have to be such that it suits the Mauritian context.**

- *USF is not to subsidise government policy of developing ICT as a pillar of the economy*
- *USF should ensure the promotion of basic services and that promoting broadband services instead is beyond the scope of the USF*
- *A "fair" USF and the elimination of Access Deficit Charges and cross-subsidies.*
- *Against a fixed contribution based on licence fees*
- *In addition to government contribution... licence fees should be ploughed into the fund*

- *new entrants have to be exempted from contributing to the USF for the period of time equivalent to the duration of the monopoly enjoyed by corresponding incumbent operators*
- **some potential new entrants had taken the commitment to contribute into the USF and had even taken this into account in their business plans and this has not prevented them from being forecasting profitability within the first three to four years**
- **The law is very clear about who should pay**

- *USF should be used to provide ADSL connections at affordable cost.*
- *Agrees to funding the NIXP from the USF.*
- *New entrants be waived from contributing into the USF for the first three years as an incentive for investment.*
- *USF be used in the development of new software at national level, computerization at schools and democratization of access to Internet.*
- **This Contribution is at the other extreme**
- **USF come essentially from operators and should legitimately go towards Universal Service/Access or in the projects in the nature to widen accessibility at affordable cost qualify.**

- *Authority designates operator(s) to provide US and impose USO.*
- *USF may be used for funding the NIXP.*
- *Whether the USO should incorporate broadband services.*
- *USF for provisioning areas which are served and not only under-served.*
- *A percentage of the revenue levied from the operators is considered reasonable.*
  
- **Approach is different from the proposal.**
- **list of US projects + operators to compete for the funds.**

- *USF should not be used to finance basic telephony*
- *A different concept of Universal Service has to be worked out for Mauritius.*
- *USF be used to fund the digital terrestrial broadcasting (DVB-T)*
- *Funds be used to provide radio and television services to remote islands.*
- *Contribution to be a percentage of the annual turnover of operators.*
- *be part of the USF Advisory Committee.*
- **Views consonant with those expressed in the consultation paper inasmuch as the USF should not be used solely to fund basic telephony services.**
- **The suggestion that the DVB-T project be funded from the USF may be difficult to implement.**

# Recommendations

- ***Sources of contributions***  
*Section 21 of the Act*
- ***Revenues contributing to the USF***  
*Revenues generated from telecommunication related services by the aforementioned operators are used as the basis for contribution to the USF*
- ***Determination of the contribution amount***  
*The basis to be used in determining the contribution amount –*
  - *benchmark with best practice worldwide* -
  - +  
- *the sum needed for the projects to be implemented under the USF.*

# Recommendations

- *The contribution amount will be a percentage of the gross revenue of the contributors.*
- *It is suggested that as far as new entrants are concerned the percentage be graded over the first four years as shown.*

<i>Year</i>	<i>Percentage of contribution amount</i>
<i>1</i>	<i>25%</i>
<i>2</i>	<i>50%</i>
<i>3</i>	<i>75%</i>
<i>4</i>	<i>100%</i>

# Recommendations

- *Management and Administration of funds*
- *Review and revisions of Fund activities*
- *Evaluation procedure for determining funding allocations*

*Authority maintains its views as specified  
in the consultation paper*

# Conclusion

- Define terms
- US/A provisioning
- What about in a competitive environment
- Scope of US/A for Mauritius
- How contributions will be made
- Administration & Management aspects
- Evaluation procedure
- Consultation held

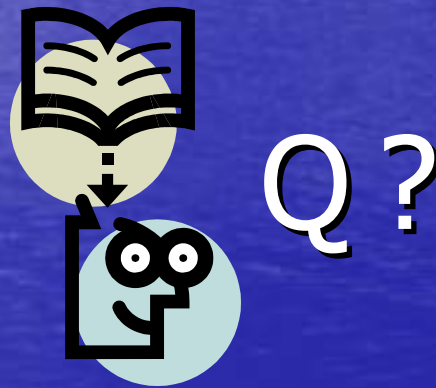
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# Acknowledgements

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# Thank You for your attention



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