

## **Analysis of Contributions on the “Implementation of the Universal Service for ICTs in Mauritius” Consultation Document**

### **1.0 Introduction**

The ICT Authority launched a public consultation process on the Universal Service Fund in February 2004. A consultation document entitled “*Implementation of the Universal Service for ICTs in Mauritius*” was posted on the Authority’s web site ([www.icta.mu](http://www.icta.mu)) and views, contributions and comments were invited. The closing date which was initially scheduled for 22 March 2004 was subsequently extended to 12 April 2004. By the said date, six contributions were obtained from the following companies/institutions:

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

### **2.0 Summary of Consultation Document**

The consultation document starts by describing the traditional reasons for implementing a Universal Service Obligation (USO) and relates the history attached to this concept. In essence, the traditional reasons for implementing a USO is to increase the teledensity (number of telephone lines per hundred inhabitants) in a country. As is clearly explained in the paper, increasing the size of a network and therefore connecting more people to a network creates a network externality. This externality benefits the subscribers as they can reach more people in the network. However, the disadvantage is that it may not be economical to increase the network size especially if some people live in remote areas. Hence the role of a Universal Service Fund (USF) is to compensate the economic inefficiency so as to provide a Universal Service.

The paper also makes it clear that there is no reason why the objectives of the USO have to be the same for all economies. The paper mentions in section 3: “*In fact to be effective, the universal service/access policies should be sufficiently elastic to adapt to specific markets and the changing needs of the country in which they are to be applied*”. Also in section 3.2, while taking note that USO is to be applied to basic services, it is recognized that no exact definition of the term “basic” exists and according to paper, this definition is “*evolving as technology develops and countries come closer to reaching their goals for voice availability*”. Hence, as explained in section 5, “*the universal service for Mauritius needs to be geared towards other services (in contrast with basic telephony) which*

government intends to promote at affordable cost in the short and eventually the long run". As such the paper identifies several possible services and schemes that may fall under the scope of universal service:

1. Telecommunication services in outer islands
2. Specialist services for people with disabilities
3. Internet access and services
4. Higher bandwidth services
5. Public radio-based maritime distress and safety services

The paper proposes the creation of a USF to which operators holding a Category 1 licence, under the Act, would contribute. The proposed contribution amount for PSTN, PLMN and ILD licensees is equivalent to their respective annual licence fees. Also it is specified that the Authority and the Government may also be solicited to contribute in the fund.

### **3.0 Analysis of Contributions**

#### **MCS Ltd Contribution**

MCS Ltd in its submission argued that 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. The reason for this argument is that a new business in the telecom sector cannot expect to be profitable at least during the first three years of operation.

#### ***ICT Authority's Comments:-***

*It may be true to say that the break even point has to be reached by a new company before it can be expected to contribute into the USF, however, one possible difficulty in implementing the proposal of MCS Ltd is with respect to new companies which are now offering services not available during the monopoly period. The period of exemption for contribution in USF would be unknown. Also, it is to be noted that 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. One method of going around this problem is to have a graded contribution whereby a new entrant contributes in the first year of operation a symbolical percentage x% which is then subject to revision over Y years until the final contribution percentage z% is reached.*

#### **Mauritius Telecom Contribution**

Mauritius Telecom in its submission debates on what they view as being contradictory in the consultation paper, namely that while agreeing that USF is meant for basic services, the paper proposes that USF be used to foster broadband Internet access. MT believes that by "focusing on access to more advanced services, the regulator is shifting the Universal Service goals from basic telephone to other ICT services". In the same breath, however, MT questions the extent to which using USF for basic telephone service is applicable for Mauritius, given the high teledensity and high mobidensity.

MT argues that it is the only licensee with Universal Service Obligation and that “no calculation of the USO costs which is provided in the ICTA paper”. Also MT argues that rather than being a contributor to the USF, it should receive contributions. MT is also of the view that the group of contributors should be widened and not restricted only to public operators (Section 4 (a) of MT’s document).

Section 4 (b) of MT’s document argues that the measures proposed in the consultation paper are restrictive and arbitrary and suggests, inter-alia, that the Authority “*should adopt criteria which are more objective, transparent, fair and non-discriminatory in determining contributions to be made*”. There is also the request that projects have to be well defined and determined in advance and that the procedures for appointment of representatives to the Advisory Group should be defined and approved by all contributors to the fund.

### ***ICT Authority’s Comments:-***

***It is believed that MT has some good points and these are well noted, however, it is clear that the debate about basic services leads to nowhere and as explained in the consultation paper, 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. It is also believed that the argument raised by MT that it should not contribute to the fund but instead receive contributions cannot be considered.***

### **ACT Contributions**

ACT argues that the role of the USF is not to subsidise government policy of developing ICT as a pillar of the economy and not to take the place of government in dealing with security issues. ACT is also of the view that USF should ensure the promotion of basic services and that promoting broadband services instead is beyond the scope of the USF. According to ACT these can be taken care of by the market forces. It is also mentioned that the setting up and running of the NIXP does not require funding from the USF as these may be achieved at basically no cost. ACT also has provided its views with respect of the Access Deficit which according to them is a very inefficient system.

In summary therefore, ACT is in favour of the establishment of a “fair” USF and the elimination of Access Deficit Charges and cross-subsidies. ACT is against a fixed contribution based on licence fees as this, according to them, will be to the detriment of new entrants. Instead, ACT proposes that “*in addition to government contribution... licence fees should be ploughed into the fund*” and that the remaining contribution should be based on a % of revenues derived from all services linked directly to the ICT infrastructure.

The comments of ACT on the contribution amount are described in section 7.4 of their submission. ACT also proposes that the managing committee for the USF has to consist of all contributors.

### ***ICT Authority’s Our Comments:-***

***It is believed that ACT has some excellent proposals with regard to the determination of the contribution amount and also to the administration of the fund. As highlighted***

*in the consultation paper however, the managing committee will have to consist of representatives of the government, public institutions and consumer representatives as well. As regards the funding of the NIXP, the ICT Board has decided that USF will not be used for that purpose and instead this project will be funded from the funds of the ICT Authority.*

### **ICT Advisory Council Contributions**

The ICT Advisory Council considers in its submission that the USF should be used to provide ADSL connections at affordable cost. Also, the Council agrees with the consultation paper with regard to funding the NIXP from the USF.

The Council proposes that new entrants be waived from contributing into the USF for the first three years as an incentive for investment. Also it is proposed that the USF be used in the development of new software at national level, computerization at schools and democratization of access to Internet.

### ***ICT Authority's Comments:-***

*It seems that the contribution of the ICT Advisory Council is at the other extreme when compared to that of operators. The Council would basically like to see different types of projects be implemented for schools, development of new software etc. This approach should be taken with care as supplies to the USF come essentially from operators and should legitimately go back to them with the proviso that only those who propose to offer services of a Universal Service nature or in the nature to widen accessibility at affordable cost qualify.*

### **Contributions from Mr. H.L. Mahinda de Silva, Advisor on Telecommunications (Commonwealth Secretariat Consultant)**

In these contributions, proposal is made that the Authority designates operator (s) to provide Universal Services and hence to impose a Universal Service Obligation. The designated USO providers then may apply to the Authority for funding from the USF.

It is also proposed that with regard to provision of Directory Services, a universal directory database has to be managed by the regulatory Authority.

The contribution also stipulates that Mauritius Telecom should be entrusted to provide Maritime Mobile Communications Services and also that MT has to be designated as the operator with the USO of ensuring that special measures are taken for disabled users and people with special needs.

According to this contribution, the NIXP should neither be owned nor be operated by the regulator even though it is agreed that the USF may be used for funding the NIXP.

It is also mentioned that the consultation document fails to suggest that Internet dial-up customers be charged on a flat rate basis rather than on a per-minute basis.

The contribution from Mr. de Silva also questions whether the USO should incorporate broadband services. It is believed that *“The issue needed to be kept under review alongside with other factors relevant to the future if the USO”*.

The contribution also mentions that the USF must also be used for provisioning areas which are currently served and not only for under-served areas such as Agalega.

With regard to the contribution to the USF, a percentage of the revenue levied from the operators is considered reasonable.

***ICT Authority’s Comments:-***

*The approach to the USO in this contribution is very much different from the one proposed by the ICT Authority’s consultation paper. Whilst the consultation paper proposes that a list of Universal Service projects be worked out and then allow operators to compete for the funds to realise the listed projects, the contribution from Mr de Silva proposes that operators be designated to carry out USO projects and then apply for the funds. The proposal of the Authority looks more appropriate in a liberalised environment.*

*It is believed that it is beyond the mandate of the Authority to manage a universal directory database. There are existing models including the clearing house model where a third neutral party, other than the regulator, may be designated for that purpose.*

**Multi Carrier (Mauritius) Limited (MCML)**

In its submission, MCML is of the view that the USF should not be used to finance basic telephony and that a different concept of Universal Service has to be worked out for Mauritius. It is proposed that the USF be used to fund the digital terrestrial broadcasting (DVB-T) project so that, among other suggestions, coverage of DVB-T may be extended to the whole island. Also it is suggested that the funds be used to provide radio and television services to remote islands. MCML suggests that contribution to the fund has to be a percentage of the annual turnover of operators. Finally, it is suggested that MCML be part of the USF Advisory Committee.

***ICT Authority’s Comments:-***

*The views of MCML are consonant with those expressed in the consultation paper inasmuch as the USF should not be used solely to fund basic telephony services. As far as funding the DVB-T project from the fund, it should be noted that, as at date, there is no obligation on MCML to contribute to the USF. In case MCML is exempted from contribution, the suggestion that the DVB-T project be funded from the USF may be difficult to implement.*