

## **DRAFT REPORT OF TRASA, ITU AND CTO – MODEL UNIVERSAL SERVICE FUND - REGIONAL WORKSHOP FOR SOUTHERN AND EASTERN AFRICA**

### **DAY 1**

#### **Opening ceremony**

The Convenor of the Committee on Universal Access/Service and Licensing, Mr. M.O. Tamasiga from Botswana, welcomed the participants to the workshop.

2. Col. A. N. Nalingigwa, Director General of Tanzania Communications Commission delivered an opening speech, which highlighted the Universal services obligations the operators have to comply with in Tanzania, where rollout targets are combined with other specifications such as quality of service. He noted that the policies are the terms of reference for regulators and that workable goals should therefore be set. He also emphasized the catalyst role that Universal service Fund serves. Universal service should be regulated to allow enforcement and monitoring of quality. Suitable technology should be applied for universal service. He finished by asking how to best make telecentres that are working well in Tanzania, sustainable at lowest cost?

3. Mr. F. Chate, from Mozambique gave vote of thanks.

4. The workshop objectives from the ITU/BDT Sector reform Unit were presented by Susan Schorr followed by Mike Nxele, a presentation from the ITU/BDT Centre of Excellence for East and Southern Africa.

5. Mr. Andy Dymond of Intelcon Research and Consultancy made a presentation on a strategy for Universal access based on the two-gap approach. He highlighted that universal access/service are a combination of regulatory measures and a funding mechanism offering the people the right to spend a portion of their income on communication. He indicated that people are ready to spend more on mobile communications and that they want the choice between fixed and mobile communications means (payphones, kiosks, etc.). He argued, in general, that universal service policies should start simple and add ICTs incrementally.

6. There are several Universal access dimensions such as:

Digital divide: between rich and poor, urban and rural areas

Two gaps: - market efficiency gap and real access gap

7. The market efficiency gap relates to the gap between achievements of an imperfect market in terms of reach and achievements of a perfectly liberalized market.

8. An efficient market is one where, the operator is privatised, and there is a level playing field and fair interconnection through asymmetrical interconnection. Asymmetrical interconnection provides for higher incoming call termination fees to rural networks. The principle is the same as for fixed-mobile tariffs where the fixed caller pays a higher tariff to call a mobile network. He argued that asymmetrical interconnection is not a subsidy but cost-based interconnection. He provided examples of countries in Latin America, which have implemented this practice. He also suggested that there could be separate area codes for rural areas to facilitate this practice. In order to have Asymmetrical interconnection the market needs to be liberalized.

9. The real access gap relates to areas and people that cannot be reached without intervention.

10. He emphasized on the importance of asymmetrical interconnection in sustainability of rural networks, as a mean to generate incomes, greater viability. The question is whether people would prefer to pay higher tariffs due to asymmetric interconnection, to call rural areas or not to call at all. He expressed his opinion that there is a demand for the ability to make calls in the rural areas even at a higher price. The question was left for discussion during the workshop.

11. Susan Schorr, the ITU/BDT/SRU representative presented the different regulatory approaches towards universal access in other regions. She highlighted the differences in definitions of universal access and services as well as the commonalities of universal service obligations. She pointed out the worldwide trends towards establishing a universal access/service Fund. She highlighted the features of an efficient universal access/service fund.

12. The second ITU/BDT/SRU representative, Nancy Sundberg drew the audience's attention to the fact that the regulatory data maintained by the Unit is based on countries responses to the annual regulatory survey which was sent out a week before the workshop. She informed countries that they were now able to complete the survey online or on diskette and urged them to respond.

13. Presentations were made by Botswana, Mozambique, Tanzania Uganda and Malawi on their universal access approaches.

14. Sonja Oestermann of Intelecon Research and Consultancy presented the role of mobile communications in universal access and services. It now appears that in many countries, the number of mobile subscribers have surpassed the

number of fixed ones and that prepaid users are more than 60% the number of post-paid ones. Why? Because of the lower starting costs of mobile, easy to use prepaid services, affordability of the service for low call volume, services that offer mobile on the cheap, such as beeping, sms, etc. Mobile operators are reaching low income, unconnected population who cannot afford a fixed line or do not have access to it. It seems that mobile operators are filling part of the communication access gap left by the incumbent and are de facto universal access providers for certain population (rural, remote and poor) Limits of mobile technology should not be forgotten, as it does not allow transfer of fax and might be a barrier to Internet take up. Interestingly, fixed network operators are now starting to provide prepaid services.

15. During the discussion that followed, Edgardo Sepulveda recommended that regulators coordinate with national statistical institutes to survey availability, type and number of phones as well as expenditure patterns in every household.

## **DAY 2:**

16. The proceedings of the day started with a country presentation from Mr. Manzini of Swaziland who gave an overview of the country's telecommunications market and how they tackle issues relating to universal access/service. The presenter deliberated on Universal service obligation committee, which consists of telecom industry stakeholders who are to ensure that obligated operators such as MTN contribute to the Universal service obligation fund. The Government of the Kingdom of Swaziland has not yet set up an independent Telecommunications Regulator however a draft telecomms policy proposal is being considered by the Government.

## **Emerging lessons and new approaches for telecentres and policy recommendations**

17. The presenter, Sonja Oestermann, gave an overview of key issues for telecentres. The telecentres are thought to be the best and may be the only model to provide universal access through public call offices, phone shops and Internet Kiosks. In some cases these are commercially viable and they spread rapidly. Telecentres are crucial as facilitators of information access and communications. However in many cases telecentres fail due to sustainability problems. Therefore new models need to be tried which are private sector and business oriented.

18. She highlighted the policy options for the development of commercial telecentres, which include:

- Removing any barriers;
- Develop public services online;
- Develop internet infrastructure first;

- Promotion and awareness creation;
- Develop assistance to the users;
- Develop partnerships guidelines and requirements; and
- The support of telecentre start-up with smart subsidies.

### **TRASA draft policy guidelines on universal access/service**

19. The Chairman of the Committee on Universal Access/Service, Mr. Mphoeng Tamasiga presented the draft guidelines to the workshop participants highlighting the essential guidance towards the harmonization of policy across SADC Member States.

20. The presenter deliberated on the purpose and objectives of the guidelines. The objectives were centred on the promotion of private sector participation, achievement of social and economic development, and expansion of the telecommunications network and empowerment of disadvantaged people. The distinction between access and service was elaborated on. The principles of the guidelines are on liberalization; affordability; quality of service; geographic access and availability. He also highlighted that the strategies are based on effective competition, creation of the universal service fund, obligations on licensed operators, encouragement of telecomm services e.t.c. Member States were encouraged to scrutinise their respective legislation in light of the policy guidelines.

### **Universal access and rural connectivity**

21. Mr. David Townsend presented the Model Universal Service Fund Policy and procedures, where he outlined key authorizing and enabling laws and policies for the development of programs. He emphasized issues related to the following key areas: -

21.1 Contributions to the fund; management and administration of the Fund; Fund Mission objectives and priorities; competitive neutrality and transparency principles; review and revisions of Fund activities. He also touched on issues of organizational structure of the fund, the accounting standards and procedures, procedures for determining funding allocations, project definitions and criteria, proposal evaluation and approval.

22. The meeting debated a number of issues arising from the presentations, which included the following;

- Administration of the fund;
- Ultimate control of the disbursement of funds;
- Transparency of the Administrator;
- The importance of proper consultative process in order to ensure buy-in by affected stakeholders;
- Emphasis on socio-economic priority criteria i.e. who should really get the service first. These could be based on market related solutions, relative incomes, population with low access to infrastructure, disadvantaged groups etc. Some participants alluded to the fact that priority should be on basic telephone access and target the marginalized people; and
- Consideration of whether other ICT services should be supported by the Fund.

### **Day 3**

23. Mr. Edgardo Sepulveda made presentations, which covered the following main topics:

- (i) Development of Projects; and
- (ii) Bidding process

### **Development of projects**

24. He looked at the principal steps that the USF Administrator has to take in order to design, develop and implement telecommunications projects in fulfilment of the concept of universal access. The steps include the following:

- Programme Design;
- Key Programme Parameters;
- Determining the subsidy;
- Net expenditures to be financed;
- Selection and sequencing of projects; and
- Consistency with Existing obligations

### **Programme design**

24.1 The emphasis here was that in designing a programme the USF Administrator has to take into account the Governments universal service and Universal Access Policy. Also equally important is that the Administrator must first carry out a study of the present and future state of the universal service and universal access.

### **Key Programme Parameters:**

24.2 Mr. Edgardo presented six key parameters that the USF Administrator must define in order to design and implement the programme. These are: geographic population coverage; service coverage; technology neutrality; duration; selection and sequencing of localities and size of the projects.

#### **Determining the subsidy:**

24.3 Two approaches that could be used in order to determine the maximum subsidy required were highlighted. The first approach is to estimate the amount of the maximum subsidy by using a financial cost model. The second one is by letting the market determine the financial amount of the required subsidy.

#### **Selection and Sequencing of Projects**

24.4 In order to select the order of projects to be financed, it was stated that a net present value (NPV) analysis is one of the methods that could be used by the USF Administrator

#### **Consistency with Existing Obligations**

24.5 In designing the programme, the USF Administrator must take into account existing service and/or rollout obligations that have been imposed before the implementation of the programme.

### **Bidding process**

25. Mr. Edgardo presented the key elements in the design and implementation of a competitive process. Some of these elements, which were discussed, at length during the session include:

- Competitive bidding
- Bidding strategy and execution design
- Transparency
- Marketing the bid opportunity
- Services contracts; and
- Bid performance and other guarantees.

26. The participants were further taken through the contents of detailed example of an ordinary Request for Proposal (RFP).

27. Participants debated the pitfalls of the USF in certain regions and highlighted controversies between the following: Law; Policy and Regulation. In

some cases Regulations are there to implement policy directives. This leads to a situation where discretion occurs at the Law and Policy level not the Regulation.

Day 4

### **Consumer Tariffs and Interconnection Charges**

28. Mr. Edgardo Sepulveda gave a detailed analysis of issues related to the level and structure of consumer tariffs and interconnection charges. The analysis included among other things, a discussion of economics of rural telecommunications network and a review of whether the applicable consumer tariffs and interconnection charges should be regulated.

29. The presenter went on to argue and demonstrate that the level of interconnection charges paid by the operator plays an important role in determining the financial viability or otherwise of the universal service project. He concluded by providing recommendations on consumer tariffs and interconnection charges that are applicable to the provision of the designated mandatory services.

### **Telecentre Options and strategies**

30. Mr. David N Townsend described telecentres as one of the important models that can be used to increase access to telecommunications as well as to a wider range of Information and Communications Technologies. He analysed in detail the objectives and vision for the development of the telecentres as well as the economic factors that will influence their operations.

31. He underscored the importance of government as a partner to ensure the sustainability of the telecentres. The presenter went on to highlight some of the key areas that the Universal Service Fund Administrator can undertake to promote coordinated national telecentre programme and these include: Publicity and Outreach; business plan assistance and certification; financial support; training support services; research and development; and monitoring and evaluation. The South African case was cited as an example and analysed with a view to identifying the reasons why the model was not successful and what lessons could be drawn from it.

### **Identification of Training needs**

32. Participants were divided into two groups and requested to identify their training needs from the workshop deliberations. The following were identified as key areas for training:

- *Project design, implementation and management*
- Licensing obligations and policy formulation

- Tariff setting and interconnection charges
- Management of Universal Service Fund
- Cost benefit Analysis
- Needs Analysis
- Prioritisation
- Implementation Skills
- Institutionalising USF
- Resource mobilisation
- Regulatory Accounting models
- Universal Service Methodology

32.1 The following were identified as priority areas :

- Project design, implementation and management
- Institutionalising USF
- Regulatory Accounting models
- Resource mobilisation
- Universal Service Methodology
- Tariff setting and interconnection charges
- Licensing obligations and policy formulation

## **Day 5**

### **Closing Ceremony**

33. On the fifth day of the workshop, the moderator, Susan Schorr requested participants to point out priority areas where they would like similar models to be developed. Participants suggested that the models should be developed in line with the sequencing of priority areas as outlined during group discussions in day four of the workshop.

34. The moderator posed a question as to whether workshops of this nature should be held exclusively for regulators or other stakeholders or the telecommunications industry should be invited. It was concluded that the composition of participants of such workshops should depend on the subject of the workshop, for instance, on strictly regulatory matters like licensing it was agreed that regulators and policy makers should always be the target group. While for those issues that would have a direct impact on the operations of the respective telecommunications operators like tariffs, interconnection and numbering, it was agreed that operators should be invited.

35. The last question raised by the moderator was to find out from the participants on the approach to be adopted in preparing workshops. That is, whether emphasis should be on models or procedures. The general consensus

was that procedures were preferred to models since the former gives one a better appreciation of how to go about dealing with specific issues.

36. The workshop ended with comments from various countries expressing their appreciation for the workshop. Generally participants indicated that they have immensely benefited from the workshop. However one of the participants requested that in future, efforts be made to bring more examples from the region. Participants pointed out that indeed such models are very important but it would help to know what problems are faced in the region and how some countries have gone about those difficulties.