

The More Things Change, the More they Stay the Same: Strategies for Financing Universal Broadband Access

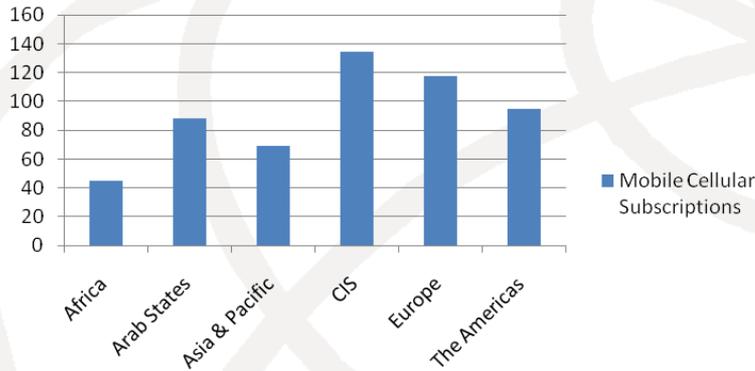
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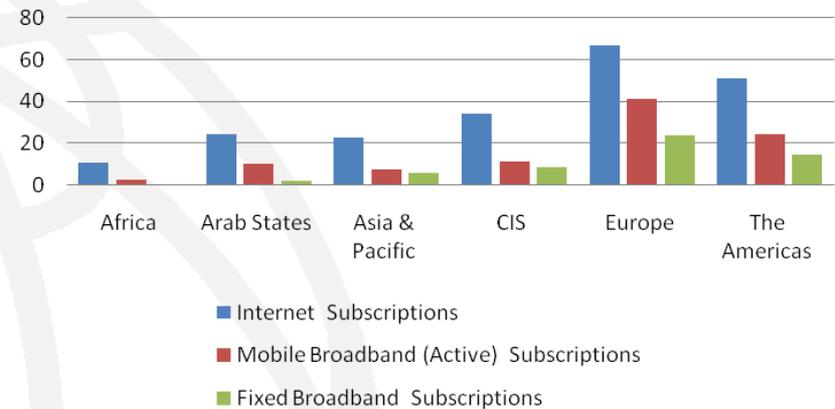


...the Broadband Revolution

Mobile Cellular Subscriptions



Internet and Broadband Subscription



- Mobile voice and SMS, non considered “basic” in many countries
- Access for:
 - 90% of global population,
 - 80 percent of people living in rural areas

- 1.6 b users globally are “chatting”, “tweeting,” “blogging” and browsing (i.e. have Internet access)
- >5 billion people have never experienced the Internet or have only experienced it through public/shared access

The more things change....

Basic Voice and Data

● **Internet and Broadband**

Focus on Supply

● **Focus on Supply and Demand**

USF

● **USAF and Output Based Aid**

**Affordability, Accessibility,
Availability**

● **AAA + Awareness, Ability**



The more they stay the same....

- Market reform and good regulation remain the foundations for UAS policy and strategy;
- UAS interventions have to be competitively and technologically neutral; and
- Availability, affordability and accessibility - still pillars of UAS;
- ***The UAS funding question persists (now for universal broadband access).***



Flavors of Funding

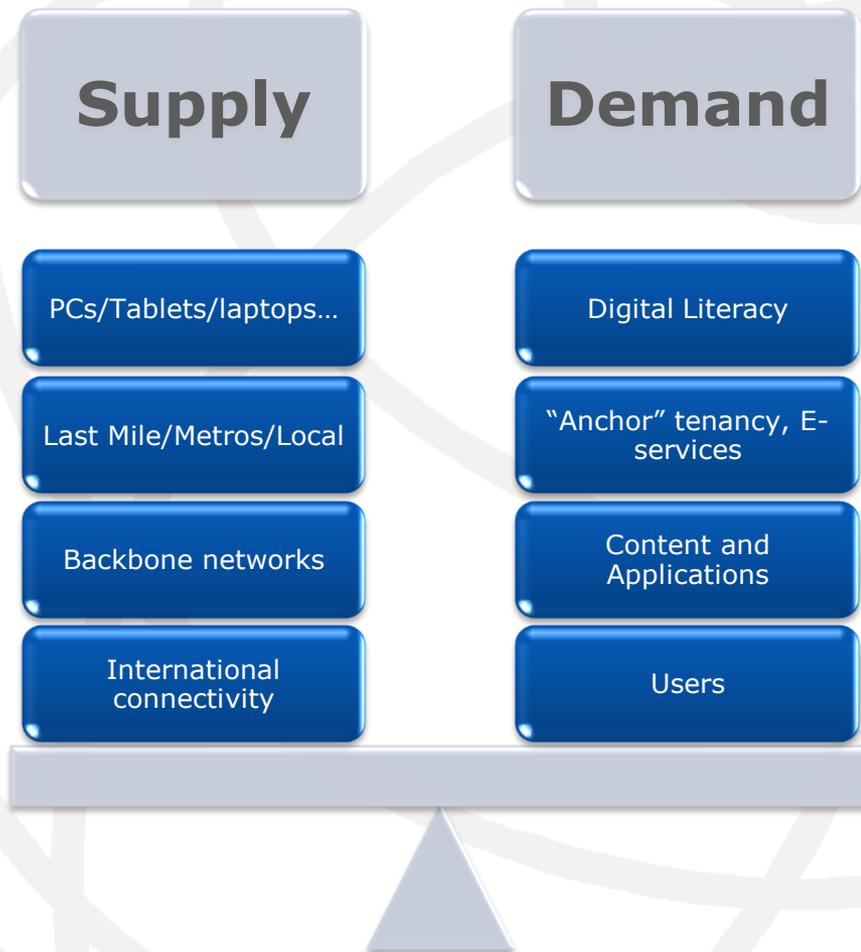
	CASH (DIRECT)	IN KIND (INDIRECT)
PRIVATE	<ul style="list-style-type: none"> Infrastructure rollout Device subsidies 	<ul style="list-style-type: none"> Mandatory USAF obligations
PUBLIC	<ul style="list-style-type: none"> Equity investment Private Public Partnership Disbursement of USAF subsidies Commitment of Stimulus plan funds 	<ul style="list-style-type: none"> Tax incentives Spectrum licensing Rights of way Infrastructure Sharing Risk guarantees



Funding Parameters

- **Competition** as a starting point for funding broadband
- Public broadband funding to be supported by minimum policy and regulatory decisions:
 - Any **legal requirements** relating to public financing mechanisms should be considered
 - EU State Aid Rules, South Africa's PPP Manual
 - the legal scope and mandate of a USAF if one is in place, and
 - national or municipal supply chain regulations that would apply to ICT sector procurement;
 - Country specific **definition** of "universal service" and "universal access;"
 - Determination of national **targets** with respect to UA and US; and
 - Determination of **access gaps** and a related decision on what constitutes "underserviced areas" and who are eligible **beneficiaries.**

Ensure Adequate "ROI"



The strengths of a funding mechanism can be assessed relative to:

- economic efficiency
- equity
- competitive neutrality
- technology neutrality
- certainty
- Transparency
- cost effectiveness

Increasing reliance on *Public Funding* for high cost broadband networks

3 Main Public Funding Models:

Ownership or Equity Participation in broadband projects

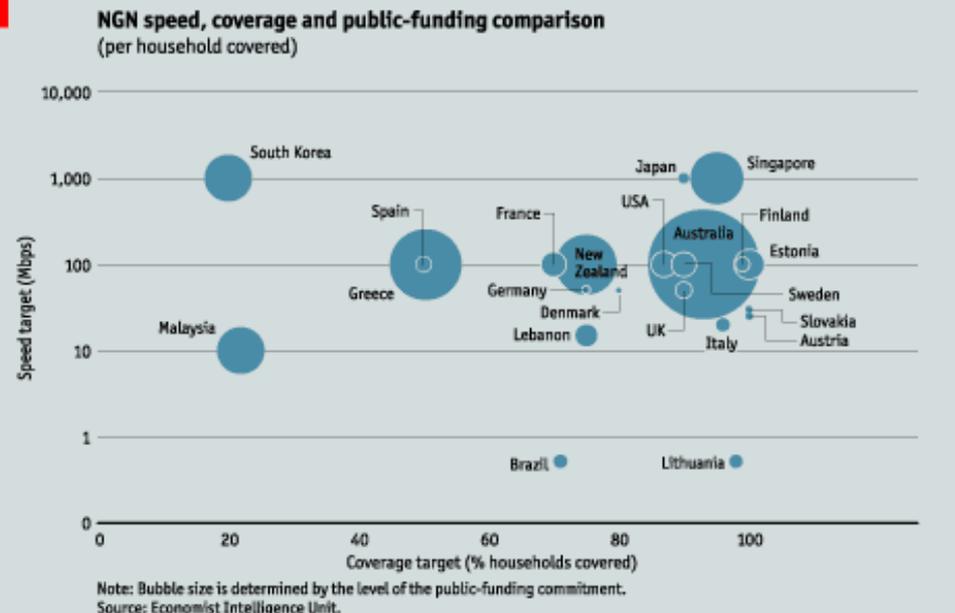
- Australia, Brazil, New Zealand, Malaysia, Sweden and South Africa;

Public Private Partnerships

- broadband infrastructure deployment projects undertaken in France, Thailand, Kenya and Tanzania;

Provision of financial incentives and subsidies

- Latin American countries through the use of first-generation Universal Service Funds
- China, Japan, the USA and EU through broadband stimulus packages.

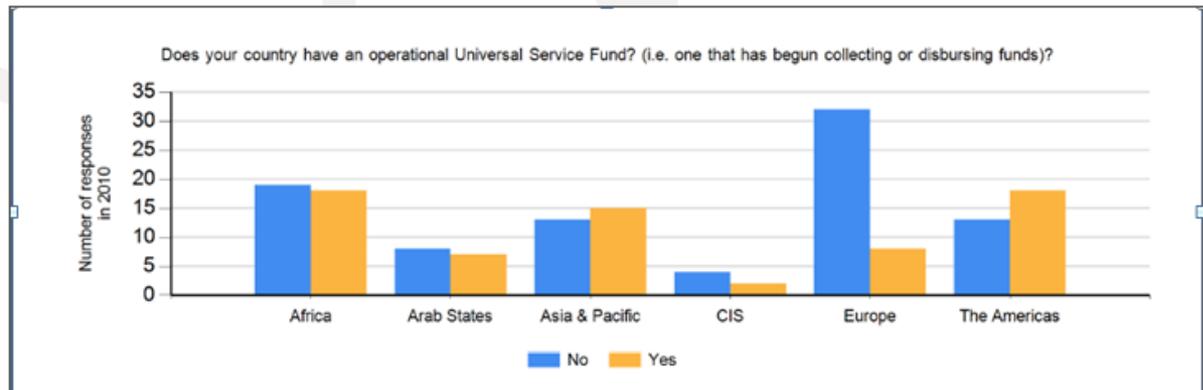
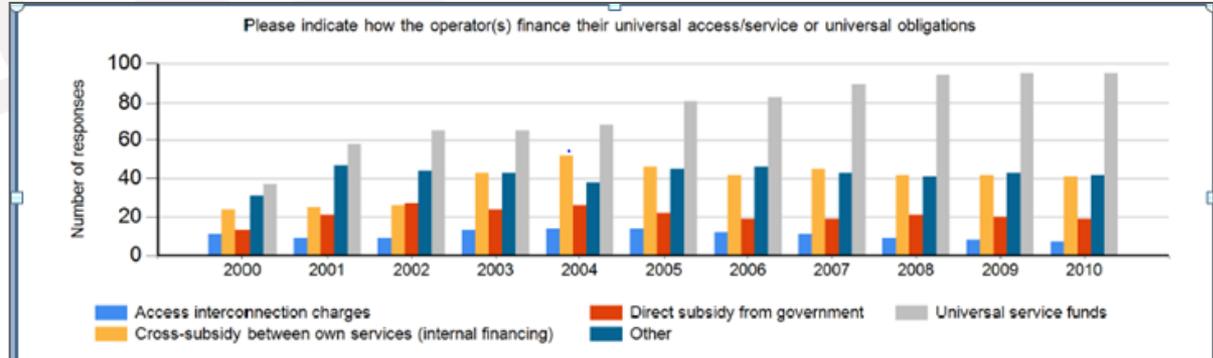




USAFs Still a Popular Approach

■ **Increased role:**

- Facilitator to stimulate the market,
- Creating demand for advanced ICT connectivity and services (e.g. school connectivity, user support)
- rural/underserved broadband networks



Funds: Lifting the Main Roadblocks

Some Mistakes

- over-collected and under-spent;
- overspent, i.e. provided subsidies for unsuccessful projects, or for inefficient use in projects;
- become involved in project *implementation*;
- have not made their collections, and disbursements public;
- submitted funds to central fund in Treasury/Ministry of Finance where ICT sector contributions have been used to subsidise non-ICT sector projects (e.g. road projects, property projects)
- Implemented projects that distort the market;
- Created dependence on on-going funding (subsidies that are not “smart”);
- Favoritism
- Mismanagement of Funds

And Some Successes

- Clear rules,
- Effective public consultation processes, and
- Transparent administrative processes.

- Sweden (recognition that demand is unclear), financing of rural broadband networks is linked to the following conditions:
 - a requirement for non-discrimination, and open access basis to third parties for 7 years;
 - a requirement to provide passive and active infrastructure (incl. ducts, dark fibre, bitstream access)
 - a requirement to provide access to at least 3 operators at infrastructure level
 - claw back condition in contracts avoids “overfunding” (maintained for 5 years).



Conclusion

- Achieving high “ROI” which is aligned with public interest relies on:
 - Having clear universal broadband access strategies and definitions
 - Having the right policy and regulatory framework in place – one that does not distort the market
 - Relying on a combination of equity investments, financial incentives and subsidies, PPPs, etc, as appropriate, applied only where the market is well understood,
 - Clear idea of supply side and demand side levers that need to be pushed in order to get the desired result.
 - Good governance and good project design, monitoring and evaluation