

**Response to
Universal Service Consultation Document
Consultation Document
No December 4 2015**

Initial Comments

**Response from
Columbus Communications Limited**

Submitted February 22 2015

1. INTRODUCTION

- 1.1 Columbus Communications Limited thanks the Eastern Caribbean Telecommunications Authority (ECTEL) and the National Telecommunications Regulatory Commission (NTRC) of Grenada, St Lucia and St Vincent and the Grenadines for the opportunity to provide input to the consultation on proposed changes to the Universal Service Fund in ECTEL member states. The views expressed herein are not exhaustive. Failure to address any issue in our response, does not in any way indicate acceptance, agreement or relinquishing of Columbus' rights.
- 1.2 Historically universal service (US) and universal access (UA) policies and programmes sought to promote affordable access to telephone services. With industry trends such as increased access to mobile services, shift from voice centric to data centric communication, and convergence of underlying carriage technology for traditional telecommunications and broadcasting services, US and UA programmes have been extended to include broadband. As the market continues to change, the concepts continue to be redefined, particularly in developed markets where the level of access to broadband service is much higher than that which obtains in ECTEL states. Within this context, and taking account of the current state of broadband development in ECTEL States, and the required investments to expand infrastructure to unserved areas, we believe that at this stage the primary focus of universal service fund programmes should be;
- a. Availability – expand infrastructure to unserved areas
 - b. Accessibility - allow access to all citizens including those with disabilities
 - c. Affordability - pursue projects to defray the cost for citizens who live in high cost areas (i.e. where the cost to put in infrastructure and expected revenue areas makes it commercially uneconomical to provide services to the area
- 1.3 The existing legislative requirement stipulates that universal service should be carried out in a transparent, non-discriminatory and competitively neutral manner. It is also noteworthy that the legislation provides for contribution to the funds to be made by telecommunications providers, and the Fund is to be

used to compensate telecommunications providers that are required to provide or promote universal service.

- 1.4 Existing Regulations that give effect to the enabling legislation speaks to compensation to telecommunications service providers that are to provide universal service. They address the objectives of the Fund and how the Fund is to be managed.
- 1.5 The Fund is modelled on a competitive bidding process. Projects are to be selected based on criteria established in the legal framework, and the project is awarded to a telecommunication provider through a competitive bidding process. A key advantage of this model is that the outcomes tend to be more market based.
- 1.6 Regarding the management and performance of the funds to date, this merits further review. Based solely on the information provided for the financial year 2015 in the document [page 18 and Table 1], of the contributions collected for that year, the amounts allocated or committed to projects for the same period are 17%, 100% and 30% for Grenada, St Vincent and the Grenadines and St Lucia respectively. It is noteworthy that only St Vincent and the Grenadines utilized the funds collected for that period.
- 1.7 It would be helpful for the industry to have visibility of this analysis for prior years. In the interest of transparency, Columbus is requesting that ECTEL provides a similar assessment for the previous periods going back to the year each Fund was established.
- 1.9 It is against the background of the above assessment that Columbus provides our response to this consultation.

2. Universal Service Issues

- 2.1 In line with the general concepts of universal service and universal access, and the importance of setting and achieving targets in line with overall national development plans, Columbus understands the desire to extend the provisions to include universal access in addition to universal service. However this would first have to be set in enabling legislation.

2.2 Section item 1.4 (i) calls for the definition of universal service to cover access devices, power equipment, and ancillary services such as security and training. We do not see the need to explicitly define these items as part of universal service. The existing definition covers the provision of (a) public voice telephony; (b) internet access; (c) provision of telecommunication services to schools, hospitals, & other similar institutions and the disabled as well as (d) other services that provide access to efficient and modern telecommunications services. This definition is well aligned to the broad policy objectives and in line with definitions used in other jurisdictions. We believe this is adequate and do not support the proposed change.

Item 1.4(ii), advocates for the inclusion of programmes related to the promotion and adoption of services. Promotion and adoption of services is certainly key to ensuring that the society maximizes the benefits of the technology for social inclusion and economic advancement. Universal service policies and programmes are about ensuring that citizens have access to information and communication technology services (ICTs), but such programmes do not exist or operate in isolation. They operate alongside other inter-related government policies aimed at social and economic development.

On the supply side, the service provider through expanding infrastructure and providing new services promote service adoption. On the demand side, economy wide government policies and programmes e.g. E-government and E-commerce should be developed to promote adoption of service. Improved efficiency, productivity and the general wellbeing of the country is expected to flow from appropriate and well implemented national ICT policies.

In the publication Universal Access and Service Module 4 ICT Regulation Toolkit, the ITU states,

“UAS policies should ideally be designed in co-ordination with, or at least with consideration of, other government policies, including those for computer applications, health, education, government, and rural livelihoods (including electricity, infrastructure, etc.). Countries require overarching national ICT policies that address the sectors impacted by ICT and outline ICT development in all sectors of the economy and society. UAS policies are typically a sub-policy to the national ICT policy with the focus on areas and services that cannot be reached by the market alone. However, UAS policies aimed at increasing telecommunications infrastructure and access should not be impeded if other sectors are slower.”

To ensure the efficient use of funds and to avoid issues of competitive neutrality we are of the considered view that funds should be targeted at the core universal service goals. We remind the Commission that promoting efficiency and ensuring competitive neutrality are key regulatory objectives.

3. Universal Service Fund Issues

- 3.1 On the question of renaming the Fund to incorporate universal access, we refer to comments in paragraph 2.1 above.
- 3.2 We support the objective of defining underserved areas. We note references to various studies in other jurisdictions. We recommend that such a definition should be informed by studies / data from individual markets. Such efforts could leverage related work done in other national and regional projects such as Caribbean Communications Infrastructure Project (CARCIP) & Broadband Infrastructure Inventory and Public Awareness in the Caribbean (BIIPAC). This could be done as part of separate industry consultation.
- 3.3 ECTEL recommends the implementation of a penalty for non-contribution to the Fund. The Guidelines [Section 3.2] already provides for sanctions for non-payment of contribution. We do not see the need for an additional penalty.
- 3.4 On the question of the reserve fund, it is unclear what is being recommended and how this is related to universal service funding. We request further clarification on this item. However we strongly disagree with any measure that would facilitate funds collected for universal service initiatives being set aside or accumulated in an account for future use. We believe this is contrary to the spirit, aims and objectives of universal service. Further, this could potentially have negative implications for the efficiencies achieved in the industry, as funds that could otherwise have been available to the private sector to reinvest is sitting in some kind of fund. This and other aspect of the proposal [e.g. inclusion of programmes for the adoption of service] have the potential to reduce funds available for needed network expansion.

- 3.5 On the question of a regional UFS to cover cross border activities, it is unclear whether this is even legally allowable given the current regime.

4. Accounting Requirements Issues

- 4.1 Columbus does not support the use of funds for market surveys, consultancies or for funding startups. While such initiatives could be related to supporting the larger universal service goals, we consider such expenditure to be outside the scope of what one would consider integral to providing universal service.
- 4.2 In the interest of transparency it would be helpful if the industry to provide information on the current level of expenditure for administrative expenses. ECTEL provides no justification for the recommendations to increase the proportion of the funds allowed to support administrative expenses. We can only assume it would be to accommodate funds being spent on surveys consultancies etc.

5. Fund Project Issues

- 5.1 We support the recommendation to include the process for determining the scope and nature of projects that may be eligible for funding in the Regulations as opposed to the Guidelines. We believe this would increase transparency and accountability.
- 5.2 Given that content is not covered by the telecommunications legislation under which universal service falls, we question the basis on which these funds could be legitimately used to support content related projects.

6. Procurement Issues

- 6.1 ECTEL makes a very broad and unsubstantiated statement that globally state owned entities, and non-licensed companies are eligible to bid for universal service projects. We request that ECTEL substantiate this statement by providing specific example of funding models where contributions are made by licensed operators in the industry, but other parties are eligible to bid for projects to be funded by such contributions.
- 6.2 Columbus does not support the recommendations related to procurement. We believe such provisions could reduce the level of resources needed to fund expansion of network infrastructure.

7. USF Contribution

- 7.1 Just based on the information ECTEL provided which shows that in four of the five markets, just looking at data for 2014, the percentage of the funds spent or committed to projects range from 17% to 56%. It is inconceivable that against this background ECTEL would propose to increase the level of contribution to the fund. Columbus strongly disagrees with any proposal to increase to current levels of contribution.
- 7.2 In fact we would recommend that where funds collected for the year is not used providers should be refunded, or percentage contribution for the following year is decreased. Such an allowance is provided for in Trinidad and Tobago where allowance is made for contributors to be provided relief where the funds collected in a year exceeds the cost of funding universal service initiatives for that year.

8. Review of Universal Service Regulations

- 8.1 We do not see the need to set a specific timeline for review of regulations.

Concluding Comments

In general we find that the proposals seek to widen the scope for which funds can be used, increase the entities that would be eligible for funding while at the same time increasing the contribution from the industry to fund these efforts. We question whether the general direction would deliver results that are consistent with the aims and objectives of universal service policy as well as ensure the robust and efficient development of the industry.

We look forward to providing further comments to this process. Kindly direct any communication in relation to this response to:

Opal Neil
Director Regulatory Affairs Columbus Communications
Phone (1)876.620.3620
Email okneil@cw.com