



National Telecommunications Regulatory Commission (Grenada)

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Response to ECTEL Consultation on Universal Service Fund Consultation Document – December 4, 2015

Chapter 1: Universal Service Issues

- (i) The current scope of the Universal Service Fund (USF) places emphasis on expanding access to telecommunication services to enable access by the majority population. The evolution and dynamic of ICT call for Regulations which are flexible to address the shifting paradigm and convergence of technology. Hence, an expansion of the scope of USF is prudent to remove ambiguity in identification of fund projects. The USF should include supporting infrastructure/equipment which is required to expand telecommunications/ICT and provide services. Hence, the clause should emphasize that supporting elements (ancillary services, training) must complement the USF project and is mandatory to enable provision of the network/services to achieve the USF mandate, while these supporting elements may not be telecommunications in nature; it serves to complement and enable the delivery of services to USF areas.

A CTO meeting on ICTs for persons with disabilities addressed the issue of USF used to finance projects for persons with disabilities. A recommendation was made at the meeting to allocate a percent of the USF annually for projects targeting persons with disabilities, which is in keeping with the objective and mandate of USF. It was noted that these projects will have a significant impact because technologies can make a significant impact in their lives. Hence, NTRC Grenada recommends that the persons with disabilities should be included as a distinct element in the USF regulations and the annual allocations should be considered. Further, disabilities should be defined in the USF Regulations; reference can be made to TATT Draft Regulations.

- (ii) The market should be the first point to ensure uptake of services among the population. Where the competitive market forces have failed, then regulations should be utilized as a last resort to address the market gaps which exist. Therefore, USF Regulations should be utilized in the competitive market to supplement the market to address access challenges overlooked/not feasible for commercial market/entrepreneurs.

Where there are access challenges, the USF should be used to encourage up-take of services in rural areas/urban areas to incentivize the purchase of devices. These will support projects where USF were used to establish broadband infrastructure, promotion of adoption will enable residents in the USF areas to acquire services which were made accessible through the use of USF. (GSMA survey of Universal Service Fund key findings 2013)

- (iii) The intention and expansion of the scope of USF should be redefined. The scope should reference everyone having the opportunity to have access to affordable ICTs.

Chapter 2: Universal Service Fund Issues

- (iv) The USF should be expanded to incorporate Universal Access (UA). USF should emphasize the availability of telecommunication services beyond the household level to include access at the community level. UA will extend beyond the needs of the individuals and take account of the varying needs at the community level. The change to include UA will support projects which takes account of ICTs at public institutions, tele-centers etc. consistent with the current scope of USF. The name should therefore be changed to universal service and access fund (USAF). (Republic of Mauritius National Telecommunications Policy 2004)
- (iv) The definition of underserved areas should be redefined to encompass telecommunication services. This definition is not consistent with clause 2.4 which states that USF should also be about access to technology hence the definition of underserved should not be bias towards services, but should be open to include technology and other telecom (e.g. fixed voice) and ICTs.
- (v) The idea of VI is not clear given that 1 (ii) is similar. The universal service funds can be viewed as an option that compliments regulatory reform and developed as a mechanism within a broader market to achieve universal access and service.

- (vi) Telecommunication providers should be required to submit audited financial statements. However, a time period for submission of fund contributions following the end of the financial year should be stated. e.g. three (3) months following the end of the financial year. It should also be stated that the following contents e.g. interconnection chargers, media should be clearly stated in the financial statement.

Further, the revenue should be itemized according to their services as awarded in their licence. This is important given that USF contribution is based according to the licence and conditions attached to the licence.

- (vii) The NTRC agrees that there should be a penalty for non-contributors to the fund. However, any penalty for non-contributors should be stipulated and the timeframe after the deadline for submission of contributions should be stated as well as the penalty which will apply to non-contributors. For instance, 'where a public operator fails to pay its annual contributions it shall, in addition to the amount, pay a surcharge of X percent per the stated time period on the amount due. (TATT Draft Regulations)

- (viii) The purpose of the USF is to support projects which will facilitate the widest possible expansion of telecommunication services throughout the respective ECTEL member states. Therefore, emphasis should be placed on utilizing USF to support projects which fulfill the mandate. The establishment of a reserve fund reduces the funds available for projects which expand telecommunications/ICT infrastructure and services, which is the underlying objective and foundation for establishing a USF.

Therefore, the NTRCs should not propose to increase allocations of USF placing additional burden on telecom providers to contribute to USF while proposing allocation of contributions to accumulate a reserve fund without detailing the scope and requirement for reserve fund. The NTRC should be encouraged to utilize USF to fulfill its mandate rather than further accumulation of funds.

- (ix) The details of cross border projects should be further stated to provide justification to the NTRCs. While cross border subsidy can create economies of scale, the management, administration and scope should be clearly stated.

Chapter 3: Accounting Requirements Issues

- (x) The NTRC agrees that USF should be used for demand studies as already included in the guidelines. This component of the guidelines should be included in the USF Regulations, while still including reference to the USF Guidelines. Further, the NTRC recommends the following changes:

Firstly, the definition of the administrative budget should be properly defined to prevent ambiguity in what constitutes the administration budget. This will then assist with the proper/consistent application of the allocation of 10% for administrative purposes as outline in the USF guidelines. Further, this will help guide the NTRC's agreement/support for increase to 15% allocation of expenses for administration of fund, recognizing the increase administrative expenses of USF e.g. additional support staff, increase consultancies/committee expenses with increase project roll-out

- (xiii) The USF should be seen as encouraging the market through regulations and projects which can create an enabling environment for telecommunication providers as well as small/medium enterprises through network and service expansion. Therefore, the NTRC should not assume the role of micro-financing enterprising or venture capitalists but should leave this to financial sector. The application for micro-financing will have to be subject to different criteria with respect to risk and will have to include provision for failure and default. Instead the USF should be used to create an enabling environment through the expansion of telecommunications network and services in keeping with the scope of USF.

Chapter 4: Fund projects issues

- (xiv) The use of USF to support content development as a component of USF should be stated in the USF regulations as stated in the USF guidelines. The advancement and sustainability of any USF infrastructure and service project will depend on the information, content and applications which is available via the new networks. This is just as critical as the availability of the infrastructure and services on which the content runs.

Many USF projects focus on deployment of broadband services; the development of content projects will serve to complement these projects. The NTRC

questions the use of the fund for the development of course content, there should be more specific guidelines on the intention of this element. While USF should not be too restrictive, we must at the same time ensure that any change in scope is in keeping with promoting universal access and services, broadband adoption and telecommunications/ICTs service uptake. Some elements should be left to other agencies, with USF used to create the enabling environment.

- (xv) The scope and nature of projects should be included in the USF Regulations as the legal document governing the USF management and administration and project implementation. However, it should also be included in the USF guidelines as the supporting framework to provide more depth to USF Regulations.

Chapter 5: Procurement Issues

- (xvi) USF should be open to allow for local entrepreneurs etc to be part of the bidding process. This will increase the competitive bidding process. Moreover, given the nature of USF and expansion of scope to include ICT, training etc, many of the services extend beyond the licenced telecommunication providers whose field of expertise does not reside in these areas. Hence an extension to the persons who can legally bid will increase the number of companies/persons skill in these areas increasing the efficiency of USF projects, particularly with regards to cost.

The USF should be expanded to include any person(s) who meet the criteria (financial, experience) outlined by the Commission to bid on USF projects. USF projects are no longer restricted to telecommunications infrastructure, but also incorporate ICTs projects

Phasing the project according to lots will provide the opportunity for persons skilled in the area to bid on the phase/component which applies to their scope of service e.g. telecom infrastructure project to licenced telecom providers and equipment/IT Service Level Agreement to local IT companies.

Chapter 6: USF Contribution

- (xvii) NTRC seeks clarity to the following:

Firstly, does 6.3 (the first point) replace the existing USF contribution of .25%, .5% and 1%. An imposition of 1% on a new provider for the first year of operation should be reviewed.

Secondly, the contribution order should be amended to refer to the year of operation and not the year of the licence. Currently, if a licensee renews its licence the existing contribution rate may revert to the 1st year of contribution.

The USF is meant to divert funds into uneconomically feasible areas where the commercial telecommunications market may be unable to serve these areas. It is not intended to place undue burden on the telecom providers. Clause 6.3 provides a mechanism for USF administration to increase fund contributions further beyond 2%, this proposed increase in USF contributions seems to be onerous.

Further, will there be a mechanism to lower contribution in cases where rates were increased beyond a threshold which will be established by the Regulators e.g 1% of 1.5% in years where the implementation rates are low for consecutive period e.g 2 years.

Chapter 7: Review of Universal Service Regulations

(xviii) The NTRC supports a period review of the USF Regulations in accordance with developments in the market. USF Regulations should provide a periodic review and adjustment of the overall vision, policy and administration of USF. We however believe that a 3 year period will should be set as the review period.

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