

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

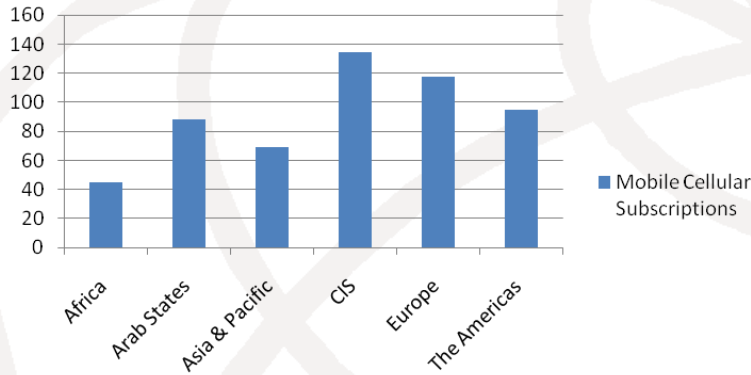
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11th Global Symposium for Regulators
"Smart Regulation for a Broadband World"
Armenia, Colombia, 22 September 2011

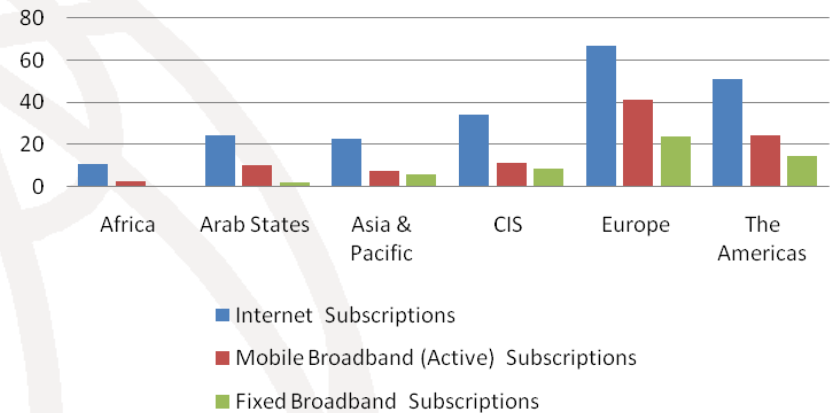


...the Broadband Revolution

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

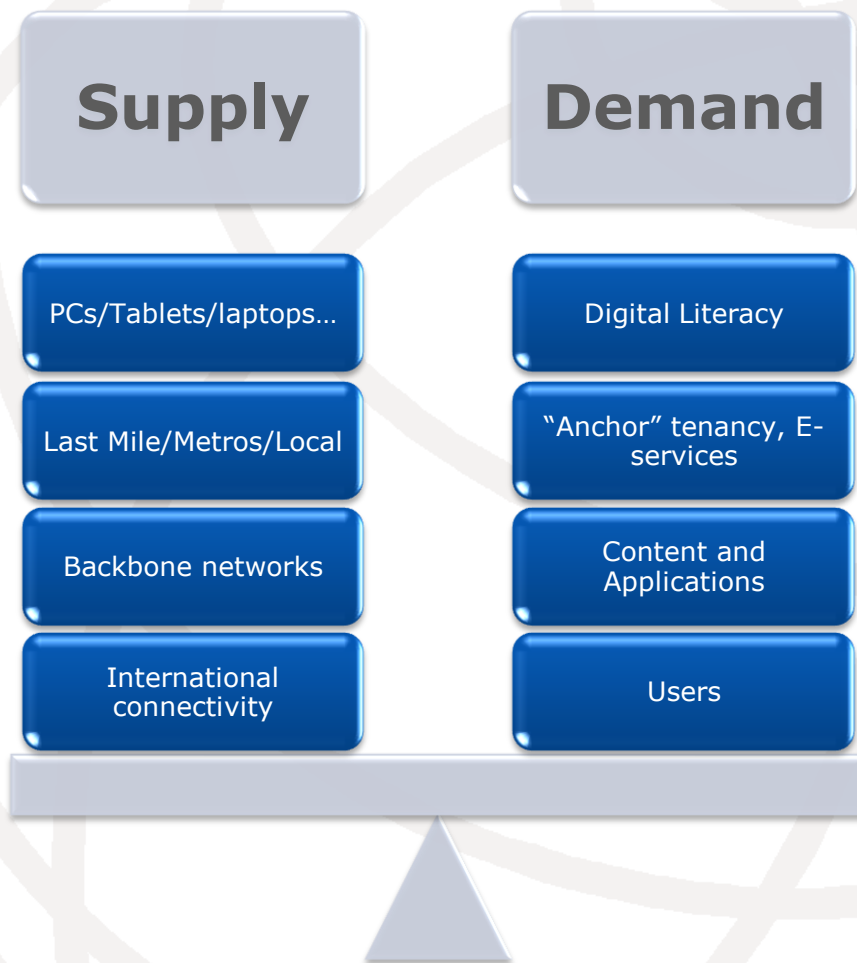
	CASH (DIRECT)	IN KIND (INDIRECT)
PRIVATE	Infrastructure rollout Device subsidies	Mandatory USAF obligations
PUBLIC	Equity investment Private Public Partnership Disbursement of USAF subsidies Commitment of Stimulus plan funds	Tax incentives Spectrum licensing Rights of way Infrastructure Sharing Risk 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

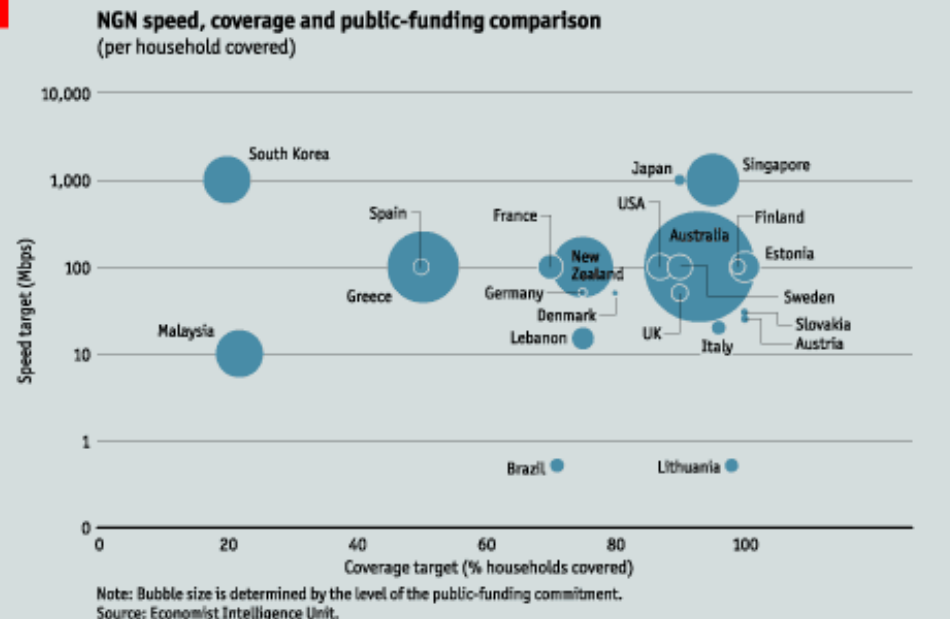
- Australia, Brazil, New Zealand, Malaysia, Sweden and South Africa;

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.

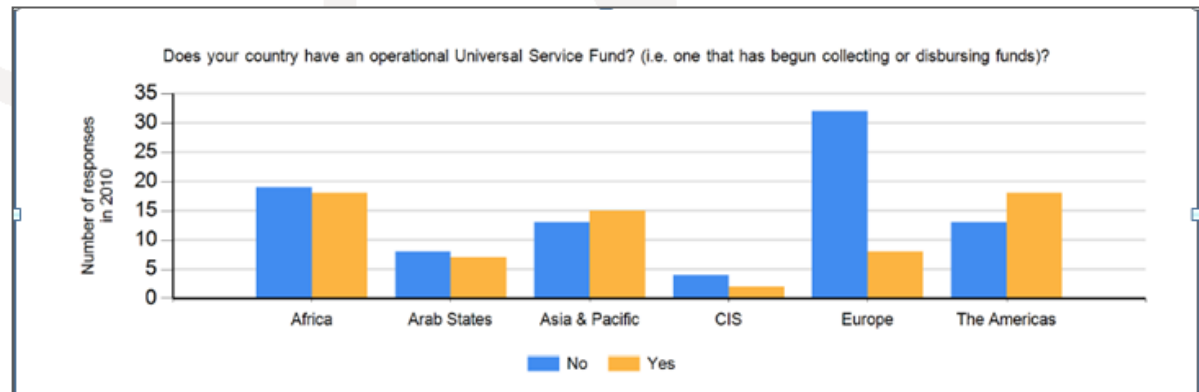
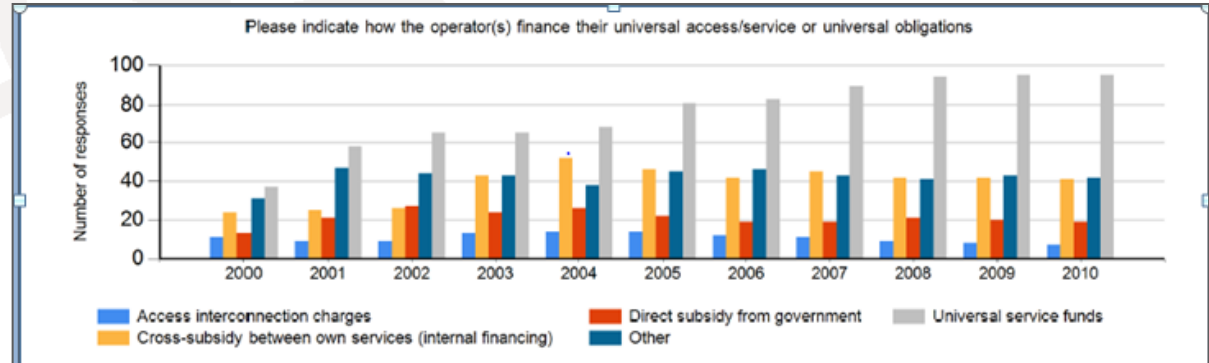




USAFs Still a Popular Approach

■ **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