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12 November 2010

Intel Corporation comments on the Discussion Document to review the Universal Service and Access Obligations (USAOs)

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Introduction

Intel welcomes the opportunity to respond for Consultation on the Discussion Document to review the Universal Service and Access Obligations. If our comments is unclear in any area or if additional information is required we would be pleased to provide the necessary clarification or additional information in whatever appropriate format the ICASA desires.

Intel's general comments are contained in the subsequent pages.

Best Regards

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Intel's General Comments:

Broadband is key for economic growth: World Bank's report[1] and other studies clearly show this relation. Broadband allows more people to benefit from bandwidth intensive applications such as telework, telemedicine and online learning. Many of these new applications not only offer conveniences for consumers, but they also provide significant benefits to companies and society. For example, telework reduces transportation time and costs for commuters, creates a more productive workforce for companies, and results in lower amounts of traffic, pollution and oil consumption for society[2]. In telemedicine, a US government study shows remote monitoring of vital signs and electronic health records could save $700 billion over 15-25 years in US[3].

Universal Service Policy is an important element of National Broadband Policies.

The increasing importance of broadband in daily life indeed raises questions about the value of universal access to e-communications services in the future and specifically the role that universal service funds can play to introduce these benefits to underserved citizens. Therefore Intel generally supports including broadband into the Universal service program, and in particular, establishing a fair and transparent, market driven subsidy mechanism such as a universal service fund. Additionally, Intel recommends that any universal service program should focus on minimizing market distortions, and establishing a transparent and non discriminatory approach, as well as enabling the most cost effective means in assigning the undertakings,

Additionally, Intel recommends:

- Ensuring the process is fair, and competitively and technology neutral
- Establishing a universal service fund for broadband in a transparent manner preferably utilizing public funds generated from general tax revenues, or alternatively raised from a fixed charge on end users.
- Utilizing market based mechanisms such as reverse auctions to establish the undertaking, on a non-exclusive basis
- Defining the minimum level for broadband to ensure functional internet access, for example, in emerging markets, download speeds of 1.5 to 3 Mbps are generally deemed acceptable, although rates should become faster over time. Transparent management of the USF – Including providing annual reports of finances; money collected and dispersed projects funded, progress of projects, etc.

[1] http://siteresources.worldbank.org/EXTINFORMATIONANDCOMMUNICATIONANDTECHNOLOGIES/Resources/282822-1208273252769/Building_broadband.pdf

[2] www.itif.org/files/ITFA.pdf

[3] http://www.broadband.gov/issues/healthcare.html

a) Market mechanisms should first and foremost be used to enable and support telecom services. Free markets typically first serve the sectors offering potentially highest revenues. In the case of telecommunications, the operators may offer connectivity to the urban areas first. The rural areas, and in particular the most remote regions, may not be connected altogether without public initiatives. Additionally, citizens with low income, or those with disabilities can benefit from public initiatives as well. In the event of potential market failures, for example where the cost to provide a service is too high to attract a market solution, or to service those with low income or disabilities, universal service programs can be an effective means to enable the desired service.

As previously mentioned, the program should be developed in a manner which does not create market distortions, and provides a competitively and technology neutral process to ensure the optimum benefits are transferred to the consumers.

For example, if a reverse auction process were used, high cost areas that potentially would be unserved could be identified. Bids for a non exclusive Request for Proposal (RFP) could be solicited. This process would minimize cost, target subsidies to areas where bidders require payment and permit competitors to enter if technological innovation or changed circumstances make that possible. Of course, other market based approaches such as vouchers may be appropriate in this or other circumstances. Vouchers may even be the most appropriate means to increase adoption rates for low income citizens.

An example has recently been developed by US Federal Communications Commission (FCC) in their national broadband plan[4], which contains a proposal to "create a Connect America Fund (CAF). This fund is proposed to "support the provision of affordable broadband and voice with at least 4Mbit/s actual download speeds and shift up to $15.5 billion over the next decade from the existing Universal Service Found (USF) program to support broadband". In addition there are programs planned for enabling adoption, recognizing the challenges and importance of adoption as well as deployment.

While the numbers presented by the FCC for CAF have been developed for application in the USA, the cited example may provide some insight into how to solve the challenge of broadband support for the persons with low incomes or with special social needs.

Intel believes given the benefits that broadband provides to global citizens, that the development of broadband Internet access, especially in the rural areas, could be

[4] (http://hraunfoss.fcc.gov/edocs_public/attachmatch/DOC-296858A1.pdf)

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incentivized by additionally considering it as "Internet functional access" and, implicitly, by including it in the scope of Universal Service programs.

Intel's Responses to Questions

Intel supports Model-2 in Section-14; WAY FORWARD: REVISED MODELS.

Model	Description of Model	International Examples	Tick Most Suitable Model
Model 2 (2nd best option) 'Pay and/or No Play' and more inclusive competitive tendering	Licensees have no USAOs attached to their licenses but and have to pay towards the USAF. All licensees can choose whether to participate in the competitive tendering process, whether they pay they pay towards the fund or nor, (and not only ECNS licensees). This opportunity can also be open to all qualified contenders (able to operate a network and get a license if they are successful). USAASA manages and administers the fund and ICASA has no further involvement in the USAF	Uganda (see country report) comes close to this option, however the USF is administered by' the regulator (albeit at arms' length) and not by a separate organization such as the RSA's USAASA. Uganda's US/UA programmes are regarded as a relatively successful case in Africa.	√

15. US/UA MODEL RELATED ISSUES

The questions that follow below are premised on the discussion above and the model that commentators would have chosen as their preferred model, taking into account the current legislative and policy background as applicable at the date of publication of this discussion document.

15.1 Legislative and Regulatory Issues

15.1.1 Must licensees continue to carry USAOs? (in answering these questions you are requested to comment on whether broadcasters must carry such obligations).

Answer: Ideally, Intel supports the funding of universal service with general tax revenues, or alternatively from a fixed charge on end users. As explained in Model-2

above Intel believes licensees should not have USAOs attached to their licenses, as it appears that according to section 13 (SUMMARY OF COMPLIANCE WITH EXISTING OBLIGATIONS), the current program is not successful, and conversion to a USF program would be generally more competitively neutral in nature.

15.1.2 If so:-

15.1.2.1 which factors/considerations must be taken into account in determining whether a particular licensee or category of licence must carry USAOs or not?

15.1.2.2. which licensees (electronic communications network service ("ECNSn), electronic communications service ("ECSn) and / or Broadcasting licensees (nBsn) must carry the USAOs, taking into account the answer to 12.2.2.2). You are requested to provide reasons for your answers;

15.1.2.3. should all licensees or some continue to carry USAOs (ECNS, ECS and BS) or which, if not all, must carry USAOs? Please indicate what the role of licensees no longer carrying USAOs) should be towards the goal of achieving US/UA. You are requested to provide reasons for your answers;

15.1.2.4.1 Do you submit that licensees falling within the same category of a licence, must carry the same obligations, including similarity in terms of nature and quantity? You are requested to refer to experiences encountered in the implementation of the existing obligations, if any.

15.1.3 What approach should be carried in respect of USAOs obligations imposed under the Telecommunications Act which were not carried over into the converted licences issued under the ECA? You are also requested to consider what should happen to such obligations which were not carried over into the converted licence.

Answer: No Comment.

15.1.4 What kind of obligations must be imposed on the licensees that you submit need to carry USAOs? You are requested to refer to experiences in implementing the existing obligations, if any, that you think must be taken into account in determining obligations that individual licensees or licences have to carry. You are requested to deal with BS licensees separately in your answer;

Answer: No comment.

15.1.5 Would you submit that there is currently a clear or sufficient link between USAOs and the processes undertaken by USAASA and the MDDA in terms of the ECA? You are requested to provide full details in your answer.

15.1.5.1 If not so what would you submit has to be done to improve the harmonization of those processes towards the achievement of the goal of USAOs?

Answer: Intel recommends the implementation and provision of Universal Services through USAASA. A universal service fund should be established, ideally funded from general tax revenue, or a fixed charge on end users.

15.1.6 What should happen to the obligations which were not completed or implemented at the time of the conclusion of the licence conversion or were not carried over into the converted licences and those that were carried-over into the converted licences, where applicable, and new ones which were imposed upon conversion of the licence, where applicable)?

15.1.6.1 Would you submit that licensees should carry an obligation to maintain the obligations that have already been implemented? Please provide reasons for your answer.

Answer: No Comment.

15.1.7 Must licensees continue to make a contribution into the USAF?

15.1.7.1 If so taking into account your answers above on whether licensees should carry or not carry USAOs, would you submit that the existing amount of contribution is or would be sufficient?

Answer: Licensees should not carry USAOs. But, they could help through annual contribution to Universal Service Fund based on their tax revenue paid to government. Government could also provide additional direct financial sources for universal services.

15.1.7.2 If not so from which sources do you think the USAF should be funded?

15.1.7.3 If you submit licensees should not continue to carry USAOs, what would you submit the role of licensees should be towards contribution to the goal of US/UA?

Answer: They may help for the provision of universal services by participating in a technology and competitively neutral bidding process established for US projects.

15.1.7.4 If you submit that licensees should continue to carry USAOs, would you submit that such obligations must be adjusted up in view of the relief from contribution into the USAF?

15.1.8 Which concepts or terms used in the ECA that have a bearing on USAOs and/or the USAF must be defined or amended? You are requested to refer to difficulties encountered in implementing or interpreting such terms and/or concepts, if any.

Answer: USAOs application should be removed and a USF program established. A practical way to implement this change would be to set aside the amount of taxes paid by the operator as contributions for the USF. Existing ECA should be defined accordingly.

15.1.9 Which method has to be used in defining or amending such terms and/or concepts, including whether in the ECA itself, by ICASA, USAASA or any other relevant body?

Answer: No comment.

15.2. Implementation Issues

15.2.1 Would you submit that the current USAOs' implementation system needs to be maintained (in the absence of a move towards a new model)? in this regard, you are requested to express your views also on the initial processes for the development and determination of the USAOs and the processes for the co-ordination and actual rollout of the USAOs.

Answer: Intel recommends the removal of USAOs system, and converting to a competitively and technology neutral award process utilizing a universal service fund.

15.2.2 If so are there any areas that need improvement in the:-

15.2.2.1 determination of USAOs? Please provide full details.
15.2.2.2 coordination of USAOs? Please provide full details.

15.2.2.3 monitoring and evaluation of USAOs? Please provide full details.

15.2.3 If not so please identify the shortcomings and/or problems associated with the current system.

15.2.4 As stated in the ECA, should only the ECNS licensees be eligible for the competitive tendering process for US and UA projects?

15.2.4.1 If yes, state why

15.2.4.2 If no:-

(a) should any other licensees who carry USAOs also be considered?

(b) should this be broadened to include other non licensed qualified contenders as a way of opening up the market further?

Answer: Intel supports the allocation of US and UA projects utilizing a transparent, technology and competitively neutral process, for example using reverse auctions to award the financing for US/UA projects.

15.3. Policy Issues

15.3.1 As regards the recommended model, can it be implemented under the existing provisions of the ECA?

15.3.1.1 If so, please provide full details.

15.3.1.2 If not so, please indicate whether a legislative amendment would be required and identify provisions of the ECA that need to be amended and/or new provisions that need to be introduced.

Answer: No comment.

15.4 General

Interested persons are requested to provide any information or raise any issues not covered above, that they submit are relevant and need to be taken into account for the purposes of this enquiry.

Answer: Intel's general comments are included at the top of our letter. Additionally, through national broadband and ICT plans, governments can take several critical steps to utilize USF more effectively. One is to establish or expand the pool for USF distributions beyond traditional telecommunications to include broadband/ICT adoption, training and deployment. Countries can also correct USF inefficiencies and establish a USF specifically to support broadband service and equipment.