

# Universal Service Policy

## **Table of Contents**

### **Chapter One**

- 1.1** Introduction
- 1.2** Overview

### **Chapter Two**

- 2.1** Universal Service Definition
- 2.2** "Basic Telecommunications Services" Definition
- 2.3** Definition of the economical price of the service
- 2.4** Selection criteria for project areas
- 2.5** Implementation Mechanism
  - 2.5.1** Universal Services Fund Process
- 2.6** General Obligation on Telecommunications Operators
  - 2.6.1** General Obligations
  - 2.6.2** Quality of Service (QOS)

### **Chapter Three: Universal Service Funding**

- 3.1** Funding Mechanism

### **Chapter Four: Strategy of Universal Service Policy Implementation**

- 4.1** Tariff Regulations
- 4.2** Free Competition Regulations
- 4.3** Allocation of frequency spectrum for USO
- 4.4** USO Programs Administration

### **Chapter Five: National Projects**

- 5.1** Roads Infrastructure National Project
- 5.2** El Million Fadan Project
- 5.3** National Telecom and Information Plan Projects
  - 5.3.1** Public Schools and libraries
  - 5.3.2** Funding Health Care Centers
  - 5.3.3** Services Provided to the Disabled
  - 5.3.4** Infrastructure of Digital Society and Digital Architecture
  - 5.3.5** Technological Areas
  - 5.3.6** Broadband Project

## **Chapter One:**

### **1.3 Introduction**

This policy paper determines the principles that guide the provision of funding through universal service fund as stated in Telecom Regulation Law No. 10/ 2003.

As the telecom services market has been witnessing constant developments and advancements, and due to the increasing diversity of users' needs, which requires the continuous update of the universal service policy on an ongoing basis to keep pace with these developments and become fully consistent with all the advancements taking place in the local and global markets, given that the development of the universal service policy should reflect the standards of the society community with regard to access to basic telecommunications services, personal safety and national security and affordability in order to provide fair and equal access of all members of society to basic telecommunications services, especially for individuals living in remote areas and the Disabled, which, in turn, enhances the telecom services penetration rates and boosts their development in a way that allows the occurrence of positive implications and impacts on society and promotes social and cultural integration and cohesion and the advancement of education and public health services.

### **1.4 Overview**

The NTRA set up the Universal Service Fund (USF) in 2005 to compensate the telecom services providers and operators for services provision to all citizens especially in the economically non-feasible regions, and the promotion of unserved areas in order to achieve the objectives of universal service. These objectives are based on guaranteeing all citizens' access to telecommunications services at reasonable prices as per fair and non-discriminatory rules. In addition, these objectives aim to ensure the provision of these services to remote areas, educational institutions, schools and general libraries, not to mention the observance of free competition and elimination of all monopolistic practices, taking all the necessary measures that should be taken to provide telecommunications services to the unserved areas with the aim of consolidating national and cultural cohesion.

It is worth mentioning that the telecom market is further regulated by Telecommunication Regulation Law 10/2003 that relies on four main pillars: information disclosure, free competition, the provision of ***universal service*** and user protection.

In accordance with Telecom Act No 10 of year 2003, universal service should be accessible and available to all citizens of Egypt at fair, reasonable and affordable prices, including low-income users, the Disabled and low-income users in addition to those who live in rural, remote, isolated, and high cost areas.

### **The Legal Framework of Universal Service:**

As per the provisions of Article (2) of Egypt's Telecom Regulation Law:

*"Telecommunication Services shall be in compliance with the following rules:*

- 1. Publicity of information;*
- 2. Protection of free competition;*
- 3. Provision of Universal Service;*
- 4. Protection of Users' rights."*

**And in accordance with the provisions of Article (9) of the said Law:**

*"The NTRA shall have an independent budget in accordance with the rules determined by its internal regulations and in compliance with the rules of the Unified Accounting System, without limitation to any governmental rules or regulations.*

*The fiscal year of the NTRA shall start and end at the same dates as for the fiscal year of the State.*

*The NTRA shall have a private bank account for the deposit of its resources. The budget surplus from one year to another shall be transferred to the Universal Service Fund except what may be allocated by the Cabinet in favor of the State upon proposition of the Minister Concerned following consultation with the Minister of Finance. Expenditures from the Universal Service Fund shall be done as per a resolution issued by the Board of Directors on the following aspects:*

- 1- *Infrastructure projects required for establishing the Universal Service rule.*
- 2- *Reallocation of the Frequency Spectrum.*
- 3- *Projects of the National Telecommunication and Information Plan.*
- 4- *Compensation of Telecom Operators and service providers for price differences between the approved economical price for the service and that which may be determined by the State in favor of the User."*

**Moreover, the provisions of Article (25) of the said Law stipulate that:**

"The license shall determine the licensee's obligations including, in particular, the following:

- 1- The type of the service and the used technology.
- 2- Duration of license.
- 3- The specific geographical boundaries for service provision, coverage plan by wired/wireless as well as the stages of implementation.
- 4- Measurements of the service quality and the efficiency.
- 5- Commitment to continuous provision of uninterrupted service and abidance by the procedures to be adopted in case of service disconnection or suspension.
- 6- Determination of the price of service, methods of its collection and the obligation of publicizing such information.
- 7- The accessibility to services by the public without discrimination.
- 8- Abidance by the NTRA National Numbering Plan.
- 9- Observance of *Universal Service* Obligations.
- 10- Provision of rescue and emergency call services free of charge and the provision of subscribers' directory. All of this shall be in accordance with the type of the licensed service.
- 11- Obligations and commitments related to National Security restrictions.
- 12- Obligations and commitments related to health and environmental safety, constructional and planning technical rules that should be applied in accordance with the standards set in coordination with the State's relevant Ministries and entities.

- 13- Contribution to scientific research and training.
- 14- Abidance by the commitment to pay the charges set by the NTRA for burdens sustained towards the verification of the licensee's fulfillment of his obligations as well as deposits and all periodical dues.
- 15- Provision of all information and data requested by the NTRA in connection with the license.
- 16- Settlement of financial penalties and compensations.
- 17- Provision of services within the frame of free competition rules.
- 18- Development of a system for receiving and investigating complaints and clearing efficiently the faults.
- 19- Preservation of the confidentiality of Telecommunications and calls of licensees' customers, setting rules to ensure such confidentiality.

Moreover, the provisions of Article (26) of the said Law specify that:

*"The NTRA shall determine the services considered as basic services for operating and providing Licensed Telecommunication Services and shall set their prices in consideration of the studies and recommendations submitted to the NTRA by the applicant.*

*In case the Cabinet sets the price of any of these services to be less than the approved economical price, the Operators and Service Providers shall be compensated for the difference from the Universal Service Fund. In the event of shortfall of the Universal Service Fund, it shall be supported by the State upon a proposal submitted by the concerned Minister, in consultation with the Minister of Finance and with approval of the Cabinet."*

#### **Guiding Principles for Universal Service Policies:**

- **Equal opportunity:** categories of customers and economically non-feasible areas are to be determined selected on the basis of objective criteria in order to implement for universal service programs.
- **Flexibility and adaptability:** the universal service implementation mechanisms must be susceptible to regular review in accordance with market trends, the needs of the population, and analysis of results obtained.

- **Transparency and stability:** universal service shall be financed through explicit, measurable, and auditable programs, for periods of no less than five years, to enable telecom service providers to make good plans for their investments and supply of services.
- **Quality and rates:** the services should be made available to all citizens at fair, reasonable, and affordable rates provided that the service quality conforms to the minimum levels of quality of service set by NTRA.
- **Efficiency:** the universal service should be financed from allocated resources and costs should be reduced, taking into consideration the competitive regime of telecom service provision.
- **Access to Telecom Services:** this will be attained through the provision of basic telecom services throughout the country.
- **Provision of Basic Telecom Services to National Entities (i.e. schools, health care providers, and libraries, etc.):** Elementary and secondary schools, classrooms, health care providers and libraries should have access to basic telecommunications services.
- **Competitive and technological neutrality:** means that the funding mechanisms and the rules of universal service should not provide any unfair or unsuitable advantage to one service provider over another, or prefer one technology over another.

## **Chapter Two:**

### **2.7 Universal Service Definition:**

Universal Service priorities pivot currently on the provision of public telecom services. Hence, Universal Service can be defined as "the provision of basic telecom services to all citizens especially in the economically non-feasible regions at affordable prices".

More specifically, the law adopted explicit goals for the implementation of universal service policy. These goals include:

- Promotion of the availability of high-quality telecom services at affordable prices.
- Increase in access to advanced telecommunications services throughout the nation.
- Promotion of the availability of such services to all consumers, including those in low-income, rural and high cost areas at rates that are equal to those charged in all other areas.
- Increase in access to telecommunications and advanced services in educational entities, libraries, and health care facilities in the rural and remote areas.
- Establishment of equitable and non-discriminatory bases for all providers of telecommunications services to provide contributions to the Universal Service Fund.

### **2.8 "Basic Telecommunications Services" Definition:**

- The ability to make and receive local, national and international calls especially in the border and remote areas.
- Access to data services at a sufficient transfer rate to ensure the functional access to the Internet and construction of the infrastructure of the digital society.
- Access to emergency services.
- Access to a customers' complaint service.
- Access to special programs (if adopted) for qualifying low-income consumers.



## **2.9 Definition of the economical price of the service:**

It is the guide price to be determined founded on a proposal from the service provider and based on economic studies on service costs so that it equals the cost of service provision according to an approved cost model (such as LRIC, LRAIC, FAC). This process should be approved by the NTRA's board of directors.

In case a decision is issued by the Cabinet and stipulates the provision of a basic telecommunications service at a price lower than the economical price approved by the Board of Directors, the telecom services providers and networks operators shall be compensated for the difference.

## **2.10 Selection criteria for project areas:**

The decision of selection of projects to be funded by the universal service fund depends on:

- The non-inclusion of the area in the coverage plan of the operators.
- The lack of economic feasibility of underserved areas (the economic feasibility criteria are determined according to an independent study conducted by the Universal Service Management Team of each project).

Then, NTRA surveys the underserved areas, enlisting them in the prioritized areas, as per the following:

- The national and sovereign projects.
- The location of that area (in a certain town, village, governorate).
- Institutions such as schools, hospitals, governmental entities and offices, police stations and post offices.

## **2.11 Implementation Mechanism:**

The primary execution mechanism for implanting the NTRA's universal service policy will be in a form of competitive tenders. Besides competitive tenders, other mechanisms may be used as supportive measures.

NTRA is committed to implement a universal service policy in a cost-effective manner, ensuring also that quality standards are achieved by providing services to all users in Egypt. The contracts shall be concluded as set forth in the NTRA's procurement regulations.

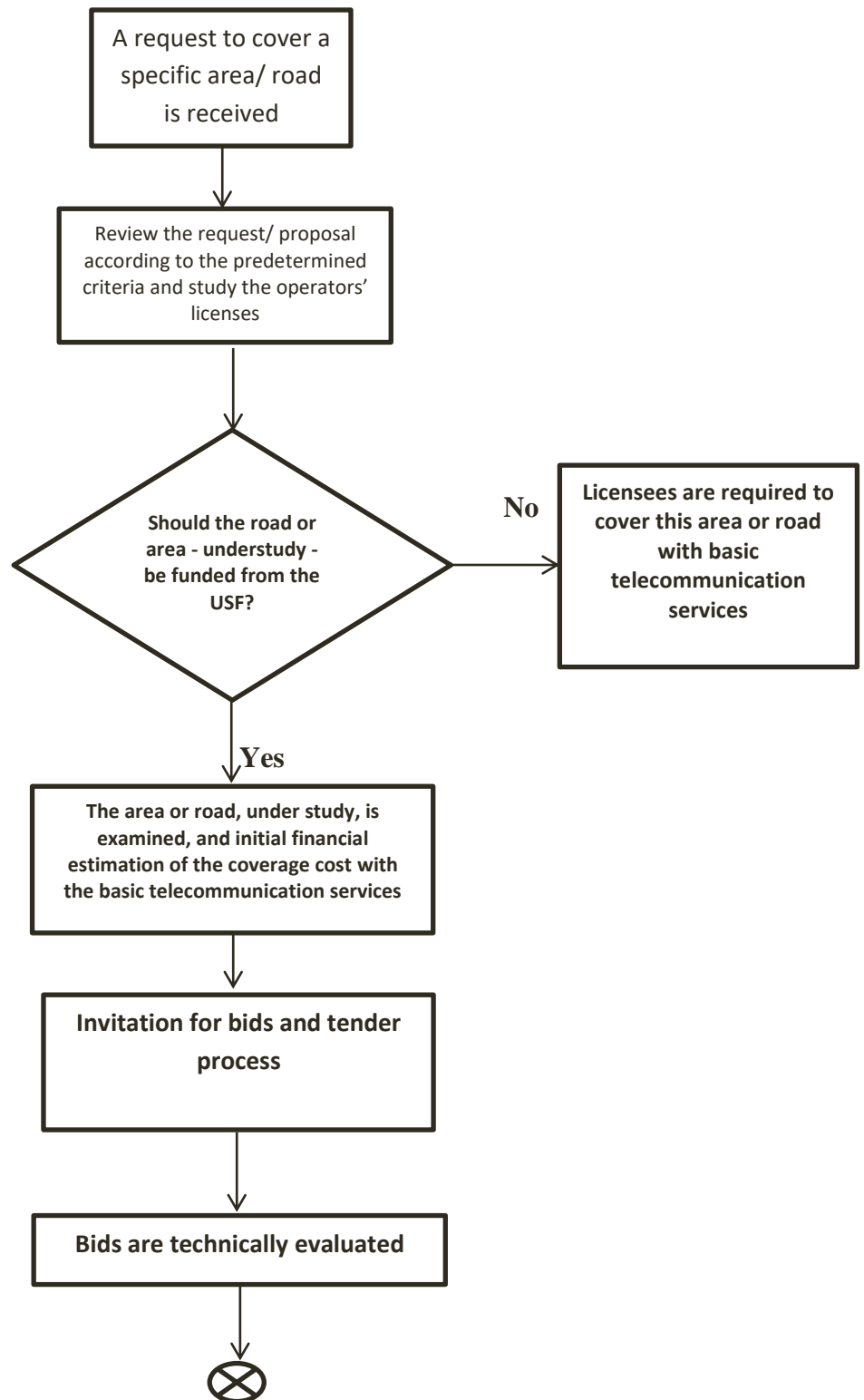
### **2.11.1 Universal Services Fund Process**

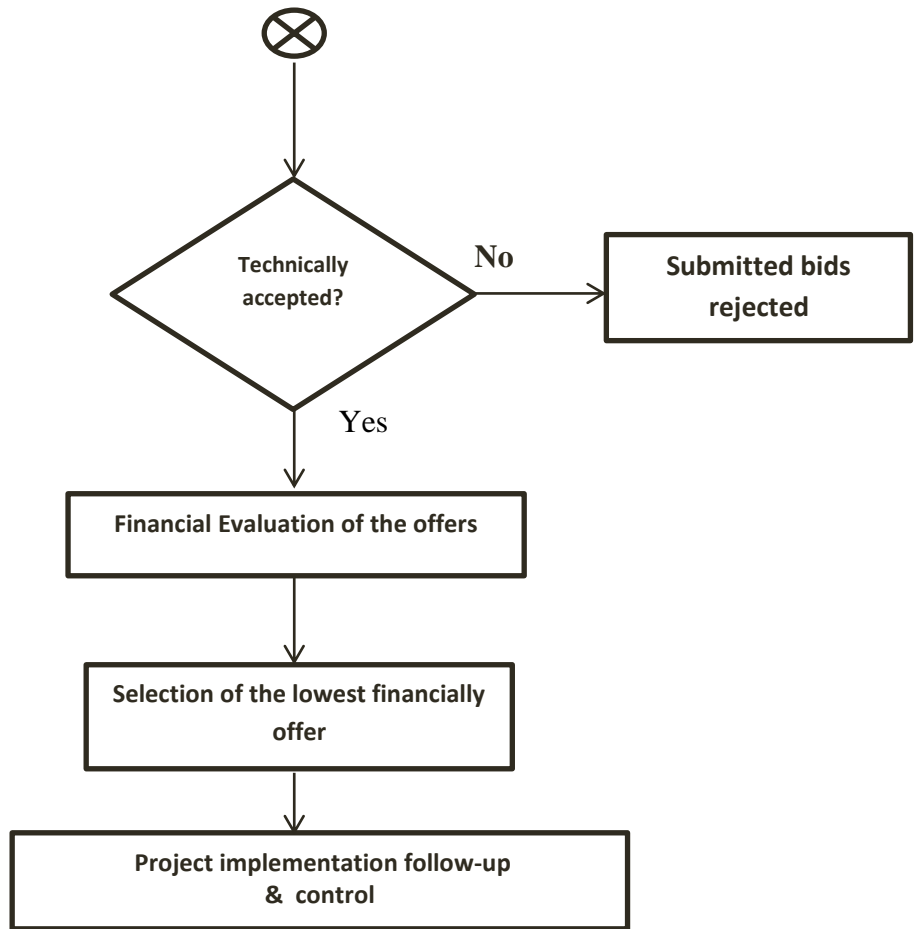
The Universal Service Department receives formal requests for the coverage of areas or roads that lack basic telecommunications services. The department reviews these requests in accordance with established standards and in accordance with the licenses issued by NTRA for the operators. Then it issues recommendations regarding the eligibility of the coverage of these areas or roads from the universal service fund.

In case of eligibility to receive funding from NTRA's universal service fund, the department will prepare a technical and financial study to estimate the cost of coverage of these projects with basic telecom services, then the department prepares a memo to be submitted to NTRA's board of directors for approval. After getting this approval, the department shall announce a tender where all licensed operators and service providers submit their technical and financial offers for the coverage of those areas or roads under study.

Then the department tests the offers both technically and financially in order to provide funding from the Universal Service Fund to the company that submitted the lowest financial bid. Then the department follows up on the implementation process progress, controlling and supervising the operation and providing the service by the

executing company. (The following diagram shows the implementation process flow chart).





## 2.12 General Obligation on Telecommunications Operators:

### 2.12.1 General Obligations:

Operators should abide by their rollout obligations as stated in their licenses.

1. Ensuring non-discrimination among consumers according to their location, health status, race, color, religion or ethnicity.
2. Providing free emergency calls.
3. Submitting bills to the users in accordance with the basic rules of bills collection in the State provided that they include detailed information about the usage and in accordance with the rules and policies issued by NTRA.
4. Providing maintenance services for their equipment.

5. Taking all necessary measures in order to ensure the network integrity, and the provision of network services in the event of occurrence of serious chaos or disorder that might affect the network functioning.
6. Publishing information regarding service disconnection policy (if any), tariffs, subscription and connection fees.

#### **2.12.2 Quality of Service (QOS):**

Telecommunications operators must abide by the pre-set QOS parameters as stipulated by NTRA in their licenses and/or as set by NTRA rules and regulations.

## **Chapter Three: Universal Service Funding**

### **3.2 Funding Mechanism**

1. Operators in Egypt contribute a percentage up to 1 % of their adjusted gross revenue (as specified in the license) in the implementation of universal service. This amount is paid as a contribution to the NTRA universal services fund. This contribution comes besides NTRA's surplus budget as per the Telecom Regulatory Law, whereby the projects of universal service obligations are financed by the universal service fund, where the relevant agreements are concluded by NTRA in accordance with its procurement regulations. The due amounts are paid to the operators according to the determinants, benchmarks and quality of service levels as determined by NTRA.

## **Chapter Four: Strategy of Universal Service Policy Implementation:**

### **4.5 Tariff Regulations:**

Tariff of telecom services in the relevant areas must not differ (exceed) from the tariff in the economically feasible areas.

### **4.6 Free Competition Regulations:**

Projects are funded by the Universal Service Fund within a free competition framework, that's why competition is a crucial factor in implementing the Universal Service Fund mechanisms as monopolistic practices lead to inefficiencies and turbulence in the market.

### **4.7 Allocation of frequency spectrum for USO:**

The NTRA believes that the availability and optimal use of suitable spectrum is crucial for the development of Universal Service Policy. NTRA will provide Microwave backhaul to enhance the economic feasibility of universal services projects.

### **4.8 USO Programs Administration:**

Universal Service department within NTRA is the competent department responsible for determining universal service projects, issuance of recommendations for prioritizing projects, amounts that should be allocated to each project from the universal service fund, calculating the costs and subsidy requirements associated with such projects, issuing of tender documents, the selection of operators, and the disbursement of funds to the concerned operators. Universal service Department's responsibilities also include the observation and implementation of projects and reporting.

The universal service department prepares quarterly reports to be presented to NTRA's Board of Directors. These reports include the completed projects and stages of implementation, the completion rate, the budget for these projects and the methods



of payment, taking into consideration that universal service policies will be updated periodically in accordance with new global trends in communications and global universal service rules.



## **Chapter Five: National Projects**

### **5.3 Roads Infrastructure National Project:**

This project aims to improve and enhance the efficiency of the existing roads, besides the construction of new roads that will manage traffic, open new horizons for investment, develop infrastructure and connect governorates, building new urban communities for the development and construction of 4800 km, representing 20.4% of total existing road network. The basic telecommunications services must be available in these ways, and the universal service shall be responsible for the financing of this project for the benefit of the national economy and the Egyptian citizen.

### **5.4 El Million Fadan Project:**

This ambitious project aims to expand the agricultural area in order to attract capitals to invest in this vital sector, which leads to an increase in the GDP of the country, which necessarily reflects its impact on the per capita income and leads to the expansion of Egypt's prospective agricultural land by 20% in Egypt. The project aims to reduce the food gap and increase the populated area through the establishment of new urban communities and cities. Therefore, the availability of telecommunication services in these areas is one of the attractive factors for the success of this project and the universal service is responsible for funding the mobile coverage for these areas.

### **5.4 National Telecom and Information Plan Projects:**

#### **5.4.1 Public educational institutions and libraries**

Eligible public educational institutions and libraries can receive discounts on all available telecommunications services and Internet access based on the National Plan for Communications and Information Technology as provided by the Ministry of Communications and Information Technology (MCIT). The annual budget for this project is 50 million Egyptian pounds to fund universal service for the eligible educational institutions and libraries.

#### **5.4.2 Funding Health Care Centers**

Any health care provider, accredited by the Ministry of Health, located in a rural area, is eligible for universal service funding. This will be based on the National Plan for Communications and Information Technology as provided by the Ministry of Communications and Information Technology (MCIT).

#### **5.4.3 Services Provided to the Disabled:**

Universal service department targets the Disabled individuals in Egypt. The department seeks to involve these individuals in the usage of information and communication technology to contribute to and enhance their integration and full participation in society in order to benefit from them. Disabilities range from lack of mobility to visual and auditory or mental disability. In view of the definition of universal service beneficiaries, all citizens in Egypt are entitled to access basic telecommunications services regardless of shortcomings, imbalances or any type of disability.

#### **5.4.4 Infrastructure of Digital Society and Digital Architecture:**

The construction of a robust telecom infrastructure of Digital Society and Digital Architecture with high speeds and capabilities similar to those of the developed countries is a significant and vital target in any country. The Egyptian administration has realized at an early stage the urgent need for an advanced infrastructure of next-generation networks (NGNs) that links it both domestically and internationally, which in turn contributes to the creation of a digital society, in which all members receive equal opportunities for access to information services, in a community that witnesses an increase in productivity and reduction in the cost of voice calls, and broadband services.

#### **5.4.5 Technological Areas:**

The Egyptian administration is keen to establish technological areas throughout the country to provide a supportive environment for the development of the ICT industry and boost the State's reputation as a world-class ICT service provider. In fact the technological areas promote the growth of ICT-related areas at the domestic level, while providing several advantages to member companies and organizations. These include access to shared resources such as uninterruptible power supplies, high-speed telecom network links, security, parking, retail outlets, recreational facilities and sports not to mention the reduction of the overhead costs borne by the host companies. These technological areas improve the linkages between industry and academia, and provide an ideal environment for technology incubators centers.

#### **5.4.6 Broadband Project:**

The project aims to increase the deployment of high-speed internet in Egypt and support the development of the digital community. The deployment plan proposes different strategic directives that aim to meet the needs of high-speed Internet services in Egypt as it places the country in a leading position in the field of digital communications, creating jobs, encouraging the utilization of information and communication technologies in various governmental sectors, thus improving the quality of life for citizens and reducing the digital divide between urban and rural communities. The National Telecom Regulatory Authority (NTRA) has announced a tender for broadband Internet pilot project in 2014. The project aimed to provide high-speed Internet services to about 1,600 entities and institutions affiliated to eight ministries and governmental agencies, including the Ministry of Education, Health, Youth, Scientific Research, Justice and Agriculture , Manpower and Civil Aviation, as well as the Public Prosecutor's Office, the Central Administration of the Central Agency for Public Mobilization and Statistics, and the Information Technology Institute. The project's scope includes high-speed Internet connection and coverage of all Egyptian governorates grouped in five geographical regions.