



COMMENTS TO LTA CONSULTATION DOCUMENT ON UNIVERSAL ACCESS/SERVICE STRATEGY FOR LESOTHO

1. Achieving Universal Access

- 1.1. Network Coverage. Operators to build networks to cover the country. The focus should be on providing coverage to the largest percentage of the population. For example the Regulator should set a target of covering 80% of the population.
 - 1.1.1. It should be accepted that there will be areas of the country that due to economic, population density, topographical or other reasons it is not viable to provide coverage in developing markets like Lesotho.
 - 1.1.2. In developed countries there are areas of each country that due to economic, population density, topographical or other reasons do not have coverage.
- 1.2. Even where network coverage goals have been agreed between the Regulators and operators the regulator must bear in mind that there is a high cost to providing services in developing markets. Contributory factors affecting this high cost include infrastructure and economies of scale. Furthermore, subscriber use of telecoms services grows with subscriber maturity/familiarity/lifestyle with using the service. There is a natural progression from voice to voicemail to SMS and then to advanced services. Advanced services should be rolled out according to demand to ensure that investment is sustainable. Non-sustainable services/ networks will collapse with the consequent loss of other services provided by the networks. Competition amongst service providers is the best vehicle to create the demand for advanced services.
- 1.3. Promoting accessibility to telecommunications services. Accessibility should take into account that an individual has access, not ownership, to telecommunications terminal equipment. Traditional teledensity statistics are calculated based upon the number of lines or connections. This is a factor of economics and disposable income. The barrier to entry for cellular services is the cost of a handset or terminal equipment. However access for large numbers can be achieved by telecentres.



2. Definition of Access

2.1. It is true that the rural areas require access to communications but so do the Urban and semi urban areas. The objective must be to bring the largest proportion of the population under coverage as quickly as possible. This then leads towards covering in order of priority:

- 2.1.1. Urban areas
- 2.1.2. Semi urban areas
- 2.1.3. Rural areas

Coverage will spread out in a spider's web structure from the central urban areas to the semi urban then rural areas. This spider's web progression will ensure that the highest percentage of the population will be covered in the shortest timeframes and is also the most economic – the higher density population areas paying for the infrastructure necessary to reach the lower density population areas.

3. Affordability/Pricing

- 3.1. Pricing should be market driven and not regulated. Prices in Lesotho are already low. Prices should encourage uptake of services but provision of those services should be economically sustainable.
- 3.2. The price of a handset is the major factor affecting affordability or the barrier to entry. The price of handsets is not controlled by the networks. The majority of handsets, both new and refurbished are sold by retailers. The legal and banking structure restricts the sale of subsidized handsets

4. Investment

- 4.1. The Government as well as the LTA need to ensure that there are market incentives designed to attract the investment needed to expand coverage, increase capacity and deliver advanced services. Onerous or unrealistic obligations and price controls will deter investment in the sector.
- 4.2. The newly applied Royalty of 3.5% is excessive and places an unnecessarily high burden on operators. Telecommunications in Lesotho is in an immature but rapidly developing phase without the economies of scale. However it is constrained by practices from neighboring South Africa, a mature telecommunications market with economies of scale. Significant up front investment is required to build out network coverage and bring advanced communications services to the people.
- 4.3. Unilateral changes in licence conditions similar to the increase of Royalties from 1.5% to 3.5% raise serious concerns for potential investors.



4.4. Limited investment funds should not be wasted by operators building out the more than one backbone network. One backbone should provide connectivity for fixed, cellular, Internet and other data services. To maximize investment funds EEL suggests the following two options:

Option 1 – There should be one operator providing the infrastructure to all other operators

Option 2 – Each operator should have access to the infrastructure of other network operators.

Option 1 is preferable because it is easier to implement. Option 2 is more complicated to implement from a technical, financial, commercial and service standpoint.

5. LTA Proposed Funding Options

5.1. A Universal Service Fund should not be established in the foreseeable future. All telecommunications service providers, whether telebureaus, PSTN, cellular network or ISPs, should be financially viable and economically sustainable.

5.2. Operators should not pay into a USF.

5.2.1. These funds would be better utilized in the expansion and build out of their own telecommunications networks and services.

5.2.2. Funds collected from one operator and distributed to another is subsidization of one operator at the expense of another. There must be a fair and level playing field at all sectors and levels providing telecommunications. Such subsidization would be an incorrect and unacceptable practice.

5.3. We propose that there should be no USF, all operators to be established as commercially and financially viable in their own right. An operator that is only viable by means of a USF subsidy will cease operations once that subsidy is no longer available.