

# Training Workshop

## Day 2 UAS Implementation

Competitive bidding & field demand studies

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# Chapter 7 – Competing for UAS Subsidies

## A “how to” on UASF tender design & management

### **7 COMPETING FOR UAS SUBSIDIES**

#### **7.1 DESIGN OF THE UAS BIDDING STRATEGY**

- 7.1.1 Determining eligibility for UAS competitions
- 7.1.2 Developing UAS bidding strategy and deciding on bidding lots
- 7.1.3 Design of bidding process
- 7.1.4 Bidding documents
- 7.1.5 Competition and application procedures for smaller ICT projects

#### **7.2 BIDDING & SUBSIDY ALLOCATION PROCESS**

- 7.2.1 Publicizing the opportunity
- 7.2.2 Pre-bid meeting
- 7.2.3 Bid evaluation, selection of winning bid and bid award
- 7.2.4 Business or sustainability plans as pre-requisite for fund allocation

#### **7.3 INSPECTION, PAYMENT, MONITORING AND EVALUATION**

- 7.3.1 Inspection, payment and technical auditor
- 7.3.2 Monitoring and reporting requirements
- 7.3.3 Strategic reviews & evaluation studies

# Overview of presentation

## Competitive bidding

- Objectives & risks, bidding development steps
- Bidding strategy
- Design of bidding process
- Bidding documents
- Overview of tender process
- Technical audit, reporting, monitoring and evaluation

## Field demand studies

- Why important
- Scope and size
- Elements & process
- Determining objectives
- Community/ region selection
- Survey instruments

# *Objectives & risk of competitive bidding*

Main objectives are to select

- qualified organization (experience, personnel, track record)
- with necessary capacity (capital, manpower)
- With long-term motivation (through sustainability or profitable business), and
- the minimum requirements for funds

Potential risks include:

- Distorting the market
- Bid or project failures

# *Bidding process development steps*

- Formulate bid objectives and desired outcomes
- Develop bidding strategy
- Present UAS bidding strategy and detailed projects to potential bidders for discussion & feedback
- Prepare detailed design of bidding process
- Prepare detailed bidding documents, and
- Ensure a transparent bidding process

# *Bidding strategy – key decisions*

- Eligibility of bidders
  - Government owned company – conflict of interest?
  - New entrants vs existing operators – increase competition
- Grouping of areas – bidding lots
  - Understand commercial interest
  - Marginal areas with more attractive ones – Brazil, Uganda
  - Economies of scale vs choice & flexibility - Mongolia
- Limit dominant position of winning bidder
  - Reducing dependence on single operator
  - No major operator can dominant bid
  - More interest from all players

# Bidding strategy (2)

- Separate or bundled service provision
  - Separate tenders
    - allows spacing them out over time
    - Reduced complexity of bid
    - More players can be involved
  - Bundled service provision
    - Increases economies of scale
    - More appropriate in converged world with unified licences
- Other aspects
  - Increase attractiveness through spectrum or new licence - Chile
  - Mandating infrastructure sharing/ open access

# *Design of the bidding process*

- Prequalification stage or not (doubts over potential bidders)
- One or two-stage bidding approach
  - Clear outcome vs exploring solutions and options
- One envelope vs two envelopes
  - Two envelopes – technical evaluation independent of price
  - One envelope – high transparency; financial bid important
- Bidder eligibility
  - Conflict of interest
  - Joint Ventures (responsibilities, ownership, management control, financing obligations)



# *Design of the bidding process (2)*

- Financing capacity (net worth, cash flow, two years financial statements)
- Operational experience (min. 2 years, similar service, similar size of operation)
  - New entrants need to partner
- Bidder selection method
  - Based on price, after bidder has qualified
  - Based on price plus investment/ coverage/ additional features (more complex, weighted point system)
- Licence, spectrum & international gateway
- Bid bond and performance bond

# *Bidding Documents – key information*

- Context and background of the bid (e.g., the UAS policy, overall programme, government commitment)
- Detailed description of the particular UAS project
- Detailed requirements and obligations of the UAS service provider (i.e., the winning bidder);
- Rules and procedures of the bidding process itself
- Draft contract and draft license if required
- Specific forms, or templates, to be completed by participating bidder

# Request for Proposals (RFP)

- RFP is the primary document governing the competition process, and the award of Subsidy and Service Contract

<b>Introduction and Overview</b>	
<b>Purpose of bid</b>	e.g., to bring phone service or Internet (or both) to certain areas/ communities; to provide broadband throughout the country
<b>Background</b>	e.g., UAS Policy, government strategy or commitment, overall UAS programme, source of funds
<b>Project overview</b>	Area/ communities to be served, maximum subsidy, services to be provided, tariffs if relevant, time period and other requirements
<b>Time schedule</b>	For bidding process, contract award, project implementation & completion
<b>Contact</b>	Contact persons and details, communication protocol

# Request for Proposals (RFP)

<b>Requirements, obligations and rights of UAS service provider</b>	
Market rights	Extent of freedom, additional services, future liberalization dates
Specific licensing provisions	Information for new entrants on what licence they could obtain, to which conditions
Operating area	List the specific areas(s) for the project(s), incl. roll-out period
Minimum service obligations	<ul style="list-style-type: none"><li>• e.g., number of community centres</li><li>• e.g., broadband fibre links, interconnection points</li><li>• e.g., coverage or private service requirements</li></ul>
Quality of service specifications	<ul style="list-style-type: none"><li>• Service availability requirements, time to repair</li><li>• Upload and download speeds for Internet</li><li>• Bandwidth capacity of broadband networks</li></ul>
Maximum subsidy	Maximum subsidy allowable for each project or area, incl. subsidy payment schedule
Demand data	Information on available demand data or study

# Request for Proposals (RFP)

<b>Requirements, obligations and rights of UAS service provider (2)</b>	
Technology specification	While tenders should be technology neutral, in some cases some minor technology requirements might be necessary
Radio frequencies	Clearly state the policy on radio spectrum usage and the process required for radio frequency approvals
Tariffs	Statement of the tariff regulation and rules – typically maximum allowable tariffs
Interconnect	State the physical interconnect rules/rights, and any other details of interconnect agreements and regulation
Monitoring and reporting requirements	Format and timing for reporting of in-service and operational statistics
Regulation of UAS provider	Any other relevant regulation such as numbering and type approval
Other legal provisions	Transfer of ownership or change of control of the UAS service provider

# Request for Proposals (RFP)

<b>Rules and procedures of the bidding process</b>	
<b>Proposal preparation Content &amp; format of proposal</b>	<b>Part 1 – Qualification and service proposal (Technical proposal)</b> <b>Part 2 – Subsidy proposal</b> <b>Compliance checklist</b> <b>Period of validity of proposals</b>
<b>Qualification of bidder</b>	
<b>Bidding process</b>	<b>Pre-proposal (or pre-bid) meeting</b> <b>Communication, comments &amp; requests for clarification</b> <b>Submission of proposal</b> <b>Opening of proposals</b> <b>Evaluation period &amp; Award</b>
<b>Evaluation of proposal &amp; selection of successful applicant</b>	<b>Responsiveness of proposals</b> <b>1) Demanded requirements; required information and bid bond (pre-qualification)</b> <b>2) Least subsidy request</b> <b>Grounds for rejection of proposals</b> <b>Fraud and corruption</b> <b>Subsequent disqualification and ineligibility</b>

# *Request for Proposals (RFP)*

<b>Rules and procedures of the bidding process (2)</b>	
<b>Other provisions</b>	Confidentiality of proposals Use of proposals Cost of proposal and bidding Reservation of rights Legal and formal requirements
<b>Annexes</b>	Proposal forms Bid bond form Compliance checklist Dispute resolution terms Draft contract – UAS Services and Subsidy Agreement

# Service Agreement & Subsidy Contract

**Table: Draft contract – UAS Service and Subsidy Agreement**

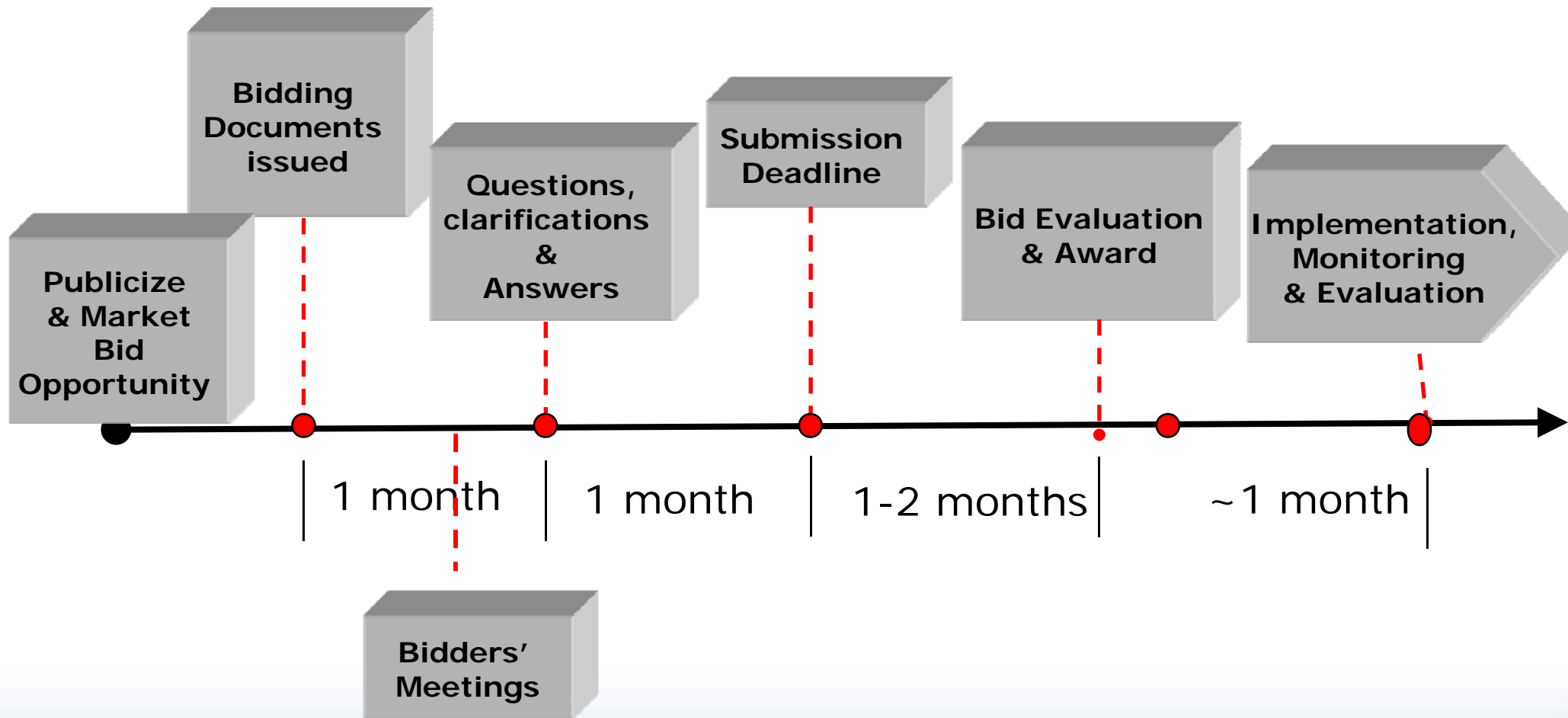
Provision of UAS services (Implementation arrangements; service availability, quality, tariffs)
Ownership and control
Implementation and service failures (penalties, remedies)
UAS subsidy payment
Performance bond
Insurance
Technical auditor (appointment, role and co-operation)
Reporting
Dispute resolution (escalation process, arbitration or court proceedings, costs)
Force majeure
Term and termination (bankruptcy, material breach, remedies)
Mandatory services, availability and quality specifications
Tariffs and other charges
UAS service area
Implementation and subsidy payment schedule
Material events of default
Performance bond
Other standard legal requirements



# *License to Operate New Network*

- The License - operational rights and obligations of the operator of the new network
- The License is supplemented by the Subsidy Contract and the applicable laws and regulations
- There are 3 main possible approaches to the License:
  - Create and issue an entirely new licence that is unique to the project
  - Adapt and use a standard form of licence
  - Amend the licence of an existing operator, if an existing operator should win the competition for the subsidy contract

# Overview of the Tender Process



# *Technical audit, reporting, monitoring & evaluation*

- Subsidy is typically paid in installments, over 1 to 2 years, against milestone completion
- Independent technical auditor contracted to certify milestone achievement which will release payment
- Reporting requirements in RFP and service contract
  - facilitate monitoring
    - Network roll-out progress
    - Service quality
    - Usage

# *Technical audit, reporting, monitoring & evaluation*

- Evaluation of project, e.g.,
  - Impact on poverty reduction
  - Improved government services provision
  - Impact on education
  - Impact on macro-economic situation
  - Social diffusion and use of ICT services
  - Financial sustainability
  - Social development impact
  - Stakeholder impact e.g., on organizations that manage or own the project; and
  - Impact on entrepreneurship and innovation

# Field demand study

# *Field demand studies – why important ?*

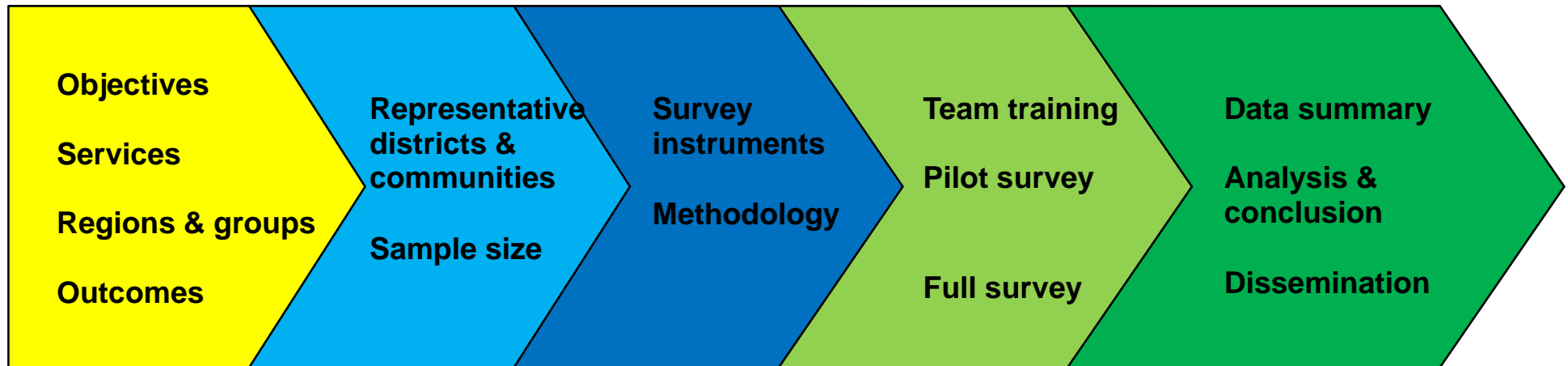
- Desk-based data and industry interviews – there might be gaps on demand information
- Modeling assumptions can be validated, refined
- Thorough investigation inspires trust and credibility
- Planned elements of project can be tested
  - What is current broadband awareness?
  - What are required broadband speeds?
  - What are people actually able to afford?
  - What services are actually wanted?
  - Which public access models are acceptable?

# *Deciding on scope and size of field demand studies*

## Influencing factors

- Size of country; regional diversity, social cohesion
- Quality and reliability of existing data
- Type of project planned
- Pilot project planned?
- Money and time
- Have industry player a good understanding of demand?

# Elements & process of field demand studies





# *Field demand study objectives*

## Determine objectives

- Which services to investigate (broadband, applications? )
- Which regions (rural, underserved, particular parts of the country?)
- Which target groups (household head, small business, institutions, local government, youth?)
- What is to be investigated (demand, ability to pay, preferences, needs, planned project elements ?)

# *Selection of representative areas and communities*

Does sample cover

- all typical or key regions and districts?
- gender and age groups representation?
- typical sizes of villages or towns?
- both areas with services and areas without?
- various economic situations (e.g., poor to more affluent areas)?
- different population densities
- different terrain (mountainous or plains, etc.)?

*Careful selection allows smaller survey*

# *Survey instruments and questionnaires*

## Important considerations

- Length of interview
- Self-administered vs through interviewer
- Open and closed questions

## Types of questionnaires/ instruments

- Focus group discussion
- Key informants
- Household, small business & institutional questionnaires
- Control groups
- Rapid community assessment

# *Questions, Answers & Discussion*

# *Thank you*

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