



**ANNUAL
TELECOMMUNICATION
REGULATION
AUTHORITY REPORT
2019**

This annual report covers the financial year ending September 30 2019.

Purpose of this report

This is the first of the TRA's annual reports. This report is released under section 319 of the FSM Telecommunications Act of 2014. Section 319 requires the TRA to produce an annual report on its activities of the previous financial year. The purpose of this report is to provide an update on the general activities of the TRA and the state of the telecommunications industry.

Foreword

Our first year: to start the journey towards an exciting long term goal...

- 1 The year ending September 30 2019 was the TRA's first year of operations. The TRA has been established by Congress to advance, through regulation, the long term interests of consumers of telecommunication services and products in the FSM.
- 2 The TRA believes those interests will be met when consumers have access to reliable, affordable, quality telecommunication services and the providers of those services (the telecommunication companies) are making a sufficient profit to enable them to continue investing in the FSM in modern telecommunication services and practises.

A future where the citizens of the FSM can be proud about their telecommunication services...

- 3 We are aiming for a future where the citizens of the FSM can be proud about the quality, accessibility and affordability of their telecommunication services and have confidence that there is no significant "digital divide" within the FSM or between the FSM and other countries. This will not only provide benefits to each individual customer in the FSM but also significant social and economic benefits for the FSM, enabling increased social services and business opportunities to be advanced through digital technology.

Competition between telecommunication providers will help achieve the long term goal...

- 4 Congress has identified, through the TRA's governing statute, that the long term interests of consumers of FSM telecommunication services and products will best be achieved through active competition in the FSM between two or more telecommunication providers. The TRA has been charged under law to establish and enforce rules that will encourage fair competition and otherwise regulate the protection of consumers.

The TRA's first steps in 2019 were to develop rules promoting competition...

- 5 As with any new organization the TRA's first year was focused both on building organizational resources and strength, while at the same time advancing its regulatory priority - developing the rules for an open and competitive market.
- 6 The TRA developed drafts of its rules in 2019 including the requirement for any operator in the market to be licensed by the TRA and operate in accordance with the rules of the TRA. The TRA consulted on the draft rules with the citizens of the FSM, the current FSM telecommunication operators (the FSMTC and the OAE), and sought comments from operators outside the FSM who might be interested in offering services in the FSM. The rules were brought into law on 1 October 2019.
- 7 The new rules not only regulate behaviour between market operators, they also set some basic customer protection standards. Operators must establish, among other things, transparent billing practises and a complaints process to address customer complaints about their services.

In 2020 the TRA is able to build on the new rules by encouraging competition...

- 8 The fruits of the TRA's work in 2019 are already having some impact in 2020. The TRA is seeing early signs of renewed interest in new providers entering the FSM

market. However the TRA is conscious that potential new entrants will not be influenced just by regulation, they will also look to the commitment of the Federal and State Governments to a competitively neutral environment.

- 9 The TRA is a small office, it operates on a small budget, and seeks to work collaboratively with the various stakeholders in the FSM and the telecommunications operators to progress the TRA's goal. I would like to thank all those who worked with the TRA in 2019 and look forward to your continued support in the future years as we all seek to enhance the FSM's social and economic potential.



Takuro Akinaga

Chair and CEO

Telecommunications Regulation Authority

Introduction

- 10 The Telecommunication Regulations Authority (the TRA) is an independent regulator, established in October 2018. We set the rules for firms that provide telecommunications services in the Federated States of Micronesia (the FSM). We are also tasked with enforcing those rules.
- 11 It is our mission to develop telecommunications in a regulated environment for the benefit and interest of all the citizens of the FSM. We were created and operate under the FSM Telecommunications Act of 2014 (the Act). The Act provides for up to 3 Board members for the TRA. Our Board members are appointed by the President with the advice and consent of Congress. We are currently made up of 2 Board members who collectively decide the TRA's actions. The TRA anticipates that the third member will be appointed in due course.
- 12 Our aim is to ensure all people in the FSM have access to good quality internet, phones and other telecommunication services. Our goal is to create a regulatory environment that enables telecommunications to be a key driver of economic and social growth for the FSM. In order to achieve this goal we set rules that require all firms to have a license to provide their services, facilitate competition between telecommunications services, promote efficient investment, require firms to clearly communicate to customers their terms and prices, require firms to provide a consumer complaint process and, if necessary, make rules on prices to ensure dominant firms are not charging prices we consider to be inappropriate.

Key developments

Rules and regulations

- 13 Over the course of the financial year ending 30 September 2019 we undertook the drafting of rules and regulations which apply to telecommunications services and radio spectrum. This has also involved a significant public consultation process and general oversight of their promulgation, by the TRA. The following rules were brought into legal force on 1 October 2019:
- 13.1 The Telecommunications Operating License Rules for operators of communication networks or services;
 - 13.2 The Telecommunications Spectrum License Rules for spectrum licenses which relate to the use of radio frequency spectrum for the provision of communication services and are designed to ensure that these limited resources are efficiently allocated to persons who will use them;
 - 13.3 The Telecommunications Interconnection & Access Rules which are designed to encourage competition by enabling fair access to, or use of, infrastructure networks and to advance consumer interests by ensuring that all users can communicate with each other or connect to all the services they demand regardless of which operator provides a service;
 - 13.4 The Telecommunications Schedule of Fees which outlines the fees payable for the application, renewal and annual costs (if relevant) for each type of license that we may grant; and
 - 13.5 The FSM National Numbering Plan which, among other matters, sets out the terms on which telephone numbers will be allocated.
- 14 Throughout this process, consultation with the public was a vital component. Over the course of the financial year ending 30 September 2019 we ran two consultation periods. During consultation we received feedback from the F.S.M.

Telecommunications Cable Corporation (the OAE),¹ an international operator, and various citizens of the FSM. We appreciated their feedback and their comments were taken into account in our decisions.

Granting licenses

- 15 In 2019 we issued licenses to Telecommunications Corporation of the Federated States of Micronesia (FSMTC) and the OAE so that they could continue to provide telecommunications services in the FSM.
- 16 The OAE is a Government owned corporation which now owns the undersea fibre optic pipelines that transport digital information back and forth throughout the FSM and between the FSM and the rest of the world. The OAE has been granted an individual operating license, effective from 14 October 2014. This will enable the OAE to ensure cable services reach all parts of the FSM.
- 17 FSMTC is the first retail operator in the FSM to be granted a license. FSMTC has been granted both an individual operating license, effective from October 14 2019, and a spectrum license, effective from October 14 2019.
- 18 These licenses are discussed further at paragraph 27.

Establishing an appeals panel of experts

- 19 Under the Act a person who wishes to dispute a decision made by the TRA can appeal to a panel of communication experts. The purpose of the appeals panel is to ensure parties can get cost effective and quick access to experts to resolve disputes involving the TRA.
- 20 In 2019 we worked with the Government to establish a register of experts who will be available to form an appeals panel if a dispute arises. A list of the available experts is set out in the appeals panel register, a copy of which is available on the TRA website <http://tra.fm/wp-content/uploads/2020/03/Publication-of-Register-of-Experts-.pdf>.

Establishing awareness of the TRA in the community

- 21 We were very conscious in our first year of operation that there was limited understanding of the TRA. We see the need to raise both greater understanding of the TRA, and more generally the telecommunications reforms, that Congress has promoted through the 2014 Act.
- 22 In 2019 we established an internet site to promote the work and role of the TRA (<http://tra.fm/>), we promoted the rule making work of the TRA through radio and newspaper advertisements as part of our rule making consultations, and presented at the FSM Digital ICT Conference in Pohnpei on June 2019.

Appointing TRA members and hiring staff

- 23 Two members of the TRA were both appointed in 2019. A third member will be appointed in due course. The current members are:

¹ The F.S.M. Telecommunications Cable Corporation is required by law to provide *open access* to its services to all other telecommunications providers on non-discriminatory and cost-based terms. This provides confidence to all operators that they are treated fairly and equally in getting access to the core telecommunication infrastructure held by the OAE. For this reason it is referred to in this report as the Open Access Entity.

- 23.1 The Chair of the Members, Takuro Akinaga. Takuro is also the Chief Executive Officer of the TRA and is responsible for the management of the TRA. Takuro was the former Chief Executive of FSMTC, finishing that role in 2010; and
 - 23.2 Mr Mathias Lawrence. Mathias is currently the Chief Strategy and Investment Officer for FSM Vital Energy.
- 24 We also hired three staff members to enable the TRA to undertake its activities.

Priorities going forward

- 25 Our priorities going forward include:
- 25.1 Working closely with the Government of the FSM to identify potential new entrants into the FSM telecommunications market and what they require in order to offer services in the FSM;
 - 25.2 To work with licensed operators in the FSM to ensure they understand what the law requires of them and that they meet those requirements;
 - 25.3 To develop the TRA, Government and citizens' understanding about the FSM telecommunications market including: the current state of services and prices in the FSM, customer experiences, how the FSM compares to other countries, areas for improvement and growth, and how improvement and growth benefits the economic and social development of the FSM; and
 - 25.4 To continue to raise awareness both with key stakeholders and the public more generally about the role of the TRA, the objectives of the 2014 telecommunications reforms, the current state of the market and potential for growth.
- 26 As per section 319(5) of the Act, the remainder of this report includes:
- 26.1 A list of the licenses issued under the Act and then in force;
 - 26.2 A list of the interconnection and access agreements then in force;
 - 26.3 A summary of any material litigation involving the TRA; and
 - 26.4 A description of the activities carried out during the year in respect of the universal access plan.

List of Licenses Issued under the Act

- 27 Section 319(5)(a) of the Act requires the TRA annual report to list the licenses issued under the Act and then in force. The licenses issued under the Act during the year ending 30 September 2019 include:

Licensee	Type of license	Date issued	Effective date	Duration	Specifics
FSMTC	Individual Operating License No IL-001	10am, 14 October 2019	14 Oct 2019	20 years	This license allows FSMTC to have a communication network including terrestrial cable transmission facilities, terrestrial radio

Licensee	Type of license	Date issued	Effective date	Duration	Specifics
					communication transmission facilities, submarine cable and cable landing station facilities, and international gateway services facilities. The license also authorizes FSMTC to provide certain types of communication services including wireless connectivity and data transmission services, fixed and/or mobile public voice services, and public internet access services.
The OAE	Individual Operating License No IL-002	10am, 14 October 2019	14 Oct 2019	20 years	This license allows the OAE to have a communication network including submarine cable and cable landing facilities. The license also authorizes the OAE to provide wholesale connectivity and data transmission services on a wholesale basis to an individual or class license on non-discriminatory and cost-based terms.
FSMTC	Mobile Cellular License No FL-MC-001	10am, 14 October 2019	14 Oct 2019	20 years	This license authorizes FSMTC to provide services at certain frequencies and to specific spectrum blocks.

List of Interconnection and Access Agreements

- 28 Section 319(5)(b) of the Act requires the TRA annual report to list the interconnection and access agreements then in force.
- 29 The only interconnection and access agreement in force (and which pre dates the establishment of the TRA) is the Irrevocable Use Deed relating to certain strands of the Hantru Cable, entered into between the OAE and the FSMTC dated 2 February 2018.

Disputes

- 30 Section 319(5)(c) of the Act requires the TRA annual report to outline a summary of material litigation involving the TRA. There was no material litigation involving the TRA in the year ending 30 September 2019.

Universal Access Plan Activities

- 31 The purpose of Universal Access policies, plans and funding is to address the provision of telecommunication services to those parts of the population that might not otherwise get access to telecommunication services or services of a reasonable standard. An example is communities that live in more distant or remote areas where the provision of a telecommunication service is uneconomic and as a result, unless the service is supported by public funding, the people will not be able to access services of a reasonable standard.
- 32 Section 319(5)(d) of the Act requires the TRA annual report to outline a description of the activities carried out during the year in respect of the Universal Access Plan. Under section 367 of the Act the TRA must prepare and publish a Universal Access Plan, once the Secretary for Telecommunications has issued a Universal Access Policy and sent the TRA a list of geographical areas that are eligible under the Universal Access Policy for universal service obligations and funding. To date the Secretary has not issued a Universal Access Policy.
- 33 The Act also requires any licensee of the TRA to have an obligation to provide services under the Universal Access Policy in the eligible geographic areas. One of the ways this can be achieved is through the inclusion of a Universal Access obligation in the license. The TRA Individual Operating Licenses include a condition requiring the licensee to comply with any directive issued by the TRA relating to the licensee's compliance with any universal access service obligation. This lays the foundation for the TRA and licensees to respond if a Universal Access Policy is issued in the future.
- 34 The FSM Government and the World Bank have agreed on project funding to enable the FSM Government to support the provision of telecommunication infrastructure and services to remote communities. This digital connectivity project is being delivered through the OAE and is currently in the early design stage. We also anticipate that increase competition in the market due to entry into the market by new licensees will stimulate the provision of additional services with a wider geographic scope. Once the details of the types of infrastructure and services that will be provided are published (expected to be in 2020/21), then the Government and the TRA will be better able to assess whether there is a need for a Universal Access Plan and what it would need to address.

Annex – List of defined terms

The TRA	The Telecommunication Regulations Authority
The FSM	The Federated States of Micronesia
The Act	The FSM Telecommunications Act of 2014
FSMTC	Telecommunications Corporation of the Federated States of Micronesia
The OAE	F.S.M Telecommunications Cable Corporation

Annex – Register of Consultants

36 There are several consultants who are advisors to the TRA. As of the year ending 30 September 2019 these were:

Name	Position Held	Area of expertise or project responsibilities
Daniel Leza	Technical Assistance	Telecommunication Regulation
Frank McLaughlin, Chapman Tripp	Technical Assistance	Law, Governance and Policy