

MB BUSINESS

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Call it crazy

Lloyd Gedye reports on government's drive to cut call rates

Government is leaning on South Africa's large mobile companies to bring down interconnection rates, according to industry insiders — a move that could dramatically lower call costs.

Although the Independent Communications Authority (Icasa) has admitted that flaws in the legislation are preventing it from regulating bottlenecks, such as interconnection rates, it appears that government is exerting pressure on the mobile companies to reach consensus on an industry-led reduction in interconnection rates.

This week former Vodacom chief executive Alan Knott-Craig entered the fray by stating at the Internetix Technology Conference that, in his view, interconnection rates could be cut by consensus, rather than intervention, to about 60c a minute.

Meanwhile, Namibia's telecoms regulator, which has only seven full-time

employees and makes Icasa look overstuffed, has managed to drop interconnection rates by 43% in a nine-month process, something Icasa has been attempting to do for more than five years.

The Namibian Communications Authority (NCC) dropped interconnection rates from N\$1.06 to N\$0.60 this month and has implemented a sliding scale that will see Namibian interconnection rates set at N\$0.30 by January 2011.

But it was the uncertainty caused by the lack of telecoms legislation in Namibia and the weak state of the regulator that allowed Namibian Communications Minister Joel Kaapanda to get the mobile companies around the table to agree to the new interconnection regime.

Christoph Stork, who acted as a consultant for the Namibian government, said the use of the benchmarking approach to bring down its intercon-

nection rates was the reason for its success.

"Benchmarking provides a fast, feasible solution if cost data and support are available from other jurisdictions," said Stork. "It is something that regional regulatory bodies should look into."

Interconnection tariffs are the portion of a cellphone call rate that the major networks charge one another for callers to make contact with their network. For example, a call from a Cell C subscriber to an MTN subscriber will net MTN R1.25 in interconnection revenue.

Analysts estimate that mobile call costs could be slashed by 30% if Icasa manages to regulate interconnection tariffs to a cost-based rate. Interconnection fees were 20c in 1994, but were raised by MTN and Vodacom by a whopping 635% to R1.25 shortly before Cell C entered the market.

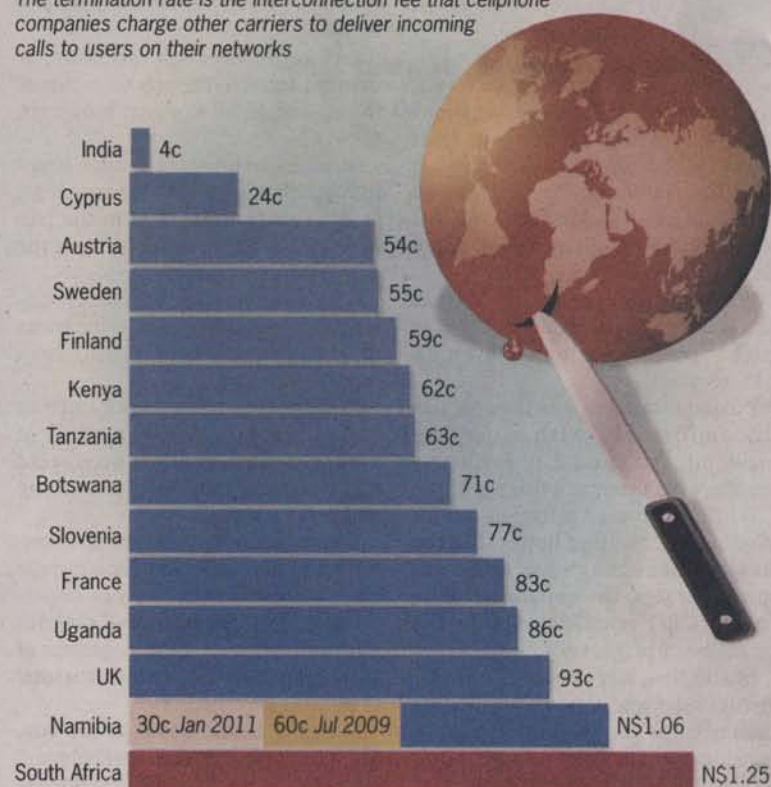
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Bleeding SA callers dry

Comparison of cellphone termination rates

April 2009, in Namibian dollars

The termination rate is the interconnection fee that cellphone companies charge other carriers to deliver incoming calls to users on their networks



Graphic: JOHN McCANN Source: RESEARCH ICT AFRICA

Call it crazy

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Although South Africa's Electronic Communications Act (ECA) might be fundamentally flawed and in desperate need of an amendment, there is hope within the sector that with enough political will a solution can be reached.

Industry insiders have informed the *Mail & Guardian* that there have been informal meetings between major telecoms operators and Communications Minister Siphwe Nyanda at which the possibility of an "industry solution" — which would take the form of a voluntary lowering of interconnection rates — was discussed.

"This is a political hot potato," said one industry insider. "Government could move very swiftly on this.

Everyone is hoping that there will be a move on a voluntary basis."

Another industry insider said that there was talk that some of the mobile operators had mentioned dropping the interconnection rate from R1.25 to 90c, but the general consensus is that this is still way too high.

Yet another industry insider said that if there was going to be an industry deal on interconnection it would be led by Vodacom. There was a feeling that government may have Vodacom in its pocket after it approved the Vodafone takeover deal without raising concerns about its 65% shareholding as a foreign entity.

"They had their deal approved — something's got to give," said the insider. "What was the deal? There

must have been an agreement with government."

But not all industry stakeholders who spoke to the *M&G* were happy with the behind-the-scenes negotiating that is thought to be occurring, with some calling for the minister to be transparent about this process.

"It will be really unfortunate if the minister met operators behind closed doors to bring interconnection prices down," said an insider. "The implications of such an agreement would be very serious. It would be better to get the law amended and allow Icasas to deal with the bottlenecks."

Meanwhile, a group of academics, former regulators and telecoms law experts, with funding from the Shuttleworth Foundation, has prepared a

draft amendment to the ECA that has been handed to Nyanda.

Professor Allison Gillwald of the University of the Witwatersrand's Link Centre, who was involved in the process, said the group felt it was a matter of urgency to get the amendment completed to see if it could be included on the parliamentary roll for this year.

Members of Icasas and the department of communications have seen the draft amendment.

Vodacom South Africa managing director Shameel Joosub said that he could not comment because the Competition Commission was investigating interconnection rates and therefore the matter was sub judice.

The commission's principal inves-

tigator, Avish Kalicharan, said an ongoing investigation into interconnection rates was launched following complaints received in 2004 and 2005.

This week Independent Democrats leader Patricia de Lille announced that she was meeting Shan Ramburuth of the Competition Commission and Icasas chairperson Paris Mashile to discuss high mobile call and interconnection rates.

This follows a complaint De Lille has lodged with the commission, requesting that it investigate interconnection rates and possible collusion between mobile companies.

Attempts to get responses from Nyanda and MTN were unsuccessful at the time of going to print.

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