2014 Call Termination Regulations

Presentation to the Parliamentary Portfolio Committee on Communications

Cllrs Nomvuyiso Batyi and Katharina Pillay
7 November 2014
ICASA is established in terms of the ICASA Act of 2000

ICASA is mandated to amongst others:

• Regulate electronic communications, broadcasting and postal sectors in the public interest
• Ensure affordable services of high quality for all South Africans
  - Reduction in Cost to Communicate
In June 2013 ICASA developed a Cost to Communicate Programme designed to:

- address concerns regarding the cost to communicate in South Africa
- stimulate enhanced competition in the telecommunications sector
- intervene at wholesale level
1. ICASA conducted a review of the 2010 Call Termination Regulations in terms of section 67(8) of the Electronic Communications Act.
2. ICASA was taken to court by MTN (and then Vodacom).
3. MTN and Vodacom were of the view that ICASA did not follow the correct process to determine the rates.
4. 2014 Call Termination Regulations were declared “unlawful and invalid” by the South Gauteng High Court.
5. Declaration of invalidity suspended for 6 months.
6. Adopted a robust consultative process to determine rates.
7. ICASA met the court imposed deadline and published final regulations on 29 September 2014.
What is voice call termination?

• The movement of voice calls from one telephone company to another.

• It is a wholesale service NOT retail service

What is a termination rate?

• A rate which one telephone company charges another for terminating calls on its network.

• Focus on wholesale costs
BASIS FOR THE RATES

• Pre-2010 rates were commercially negotiated and far removed from costs

• The current termination rates are cost-based

Cost Standard
• ICASA adopted the LRIC+ cost standard
• Transitional methodology from Fully Allocated Costs (FAC) to Pure LRIC

Cost Models
• ICASA used two cost models to determine the rates
  – A Top-Down model uses each operators’ data to determine their actual costs
  – A Bottom-Up model for hypothetical operators based on efficiency – projects the costs of an efficient operator
• Role of Asymmetry:
  – Later entrants into mobile and fixed telephony markets face cost and competitive disadvantages that warrant differential treatment for a finite period of time.
  – They must be able to:
    • compete on price
    • grow their volumes & market shares
    • achieve economies of scale that reduce their overall unit costs including termination costs
    • reduce their cost-base
    • increase competitiveness

• Basis for Asymmetry:
  – Cost Differences (Globally accepted & objective measure)
RELATIONSHIP BETWEEN TERMINATION RATES AND RETAIL TARIFFS

Effective tariff per minute

Mobile termination rates

ICASA presentation to PPCC on Call Termination – November 2014
## Base Tariff (Prepaid) Comparison

<table>
<thead>
<tr>
<th>Name of operator</th>
<th>Name of tariff plan</th>
<th>Billing</th>
<th>Voice calls to own network</th>
<th>Voice calls to other networks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cell C</td>
<td>66c</td>
<td>Per second</td>
<td>R 0.66</td>
<td>R 0.66</td>
</tr>
<tr>
<td>Telkom Mobile</td>
<td>SIM-SONKE</td>
<td>Per second</td>
<td>R 0.29</td>
<td>R 0.75</td>
</tr>
<tr>
<td>Vodacom</td>
<td>Daily Free Calls*</td>
<td>Per second</td>
<td>R 1.20</td>
<td>R 1.20</td>
</tr>
<tr>
<td>MTN</td>
<td>MTN Pulse**</td>
<td>Per second</td>
<td>R 0.29</td>
<td>R 0.79</td>
</tr>
</tbody>
</table>

* first 3 minutes billed at R1.20/minute, next 57 minutes free

** voice calls to **other Pulse customers** are billed R0.79 for the 1st 60 seconds, thereafter R0.29

voice calls to **other MTN customers** are billed at R0.79/minute
## Base Tariff Comparison

<table>
<thead>
<tr>
<th></th>
<th>Vodacom</th>
<th>MTN</th>
<th>Cell C</th>
<th>Telkom Mobile</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>500MB</strong></td>
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<td></td>
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<tr>
<td>Bundle fee</td>
<td>R 39.00</td>
<td>R 59.00</td>
<td>R 41.58</td>
<td>R 69.00</td>
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<tr>
<td>In-bundle rate</td>
<td>R 0.08</td>
<td>R 0.12</td>
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<td>R 0.14</td>
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<tr>
<td>Out-of-bundle rate</td>
<td>R 2.00</td>
<td>R 2.00</td>
<td>R 0.99</td>
<td>R 1.00</td>
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<tr>
<td><strong>1GB</strong></td>
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<tr>
<td>Bundle fee</td>
<td>R 69.00</td>
<td>R 89.00</td>
<td>R 74.92</td>
<td>R 119.00</td>
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<tr>
<td>In-bundle rate</td>
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<td>R 0.07</td>
<td>R 0.12</td>
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<tr>
<td>Out-of-bundle rate</td>
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<td>R 2.00</td>
<td>R 0.99</td>
<td>R 1.00</td>
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<tr>
<td><strong>2GB</strong></td>
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<tr>
<td>Bundle fee</td>
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<td>R 129.00</td>
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<td>R 149.00</td>
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<td>In-bundle rate</td>
<td>R 0.05</td>
<td>R 0.06</td>
<td>R 0.05</td>
<td>R 0.07</td>
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<tr>
<td>Out-of-bundle rate</td>
<td>R 2.00</td>
<td>R 2.00</td>
<td>R 0.99</td>
<td>R 1.00</td>
</tr>
</tbody>
</table>
The End … Thank you!