



Cost and Tariffs Regulation in Ghana

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OUTLINE

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BACKGROUND & OBJECTIVES FOR REGULATING INTERCONNECT RATES IN GHANA

- INTERCONNECT RATES WERE MUTUALLY OR COMMERCIALY AGREED AMONG OPERATORS UNDER THE STEWARDSHIP OF THE NCA FROM 1992 TO 2006.
- IN 2007, OPERATORS FAILED TO REACH MUTUAL AGREEMENT ON INTERCONNECT RATES.
- NCA INTERVENED TO REGULATE INTERCONNECT RATES FROM 2008 BY ENGAGING THE SERVICES OF INTERCONNECT COMMUNICATIONS COMPANY (ICC) TO ESTABLISH A CHARGE MODEL FOR COST BASED INTERCONNECTION RATES FOR TELECOMMUNICATIONS NETWORKS IN GHANA.

THE RECOMMENDED INTERCONNECTION RATE ARRANGEMENTS WERE DESIGNED TO MEET THE FOLLOWING OBJECTIVES:

- ❑ PROVIDE ADEQUATE REVENUE FOR INVESTMENT;
- ❑ ALLOW STABLE AND PREDICTABLE REVENUES;
- ❑ ALLOW STABLE AND PREDICTABLE RATES;
- ❑ ENCOURAGE EFFICIENT USE OF SERVICES;
- ❑ FAIRLY APPORTION THE TOTAL COST OF SERVICES;
- ❑ AVOID UNDUE DISCRIMINATION.

INTERCONNECT RATES (2012-2014)

MTR/USD\$	2012	2013	2014
From mobile	0.026	0.020	0.012
From fixed	0.026	0.020	0.012

❖ 2011 MTR WAS USD\$ 0.034

IMPACT OF INTERCONNECT RATE POLICY (2012-2014)

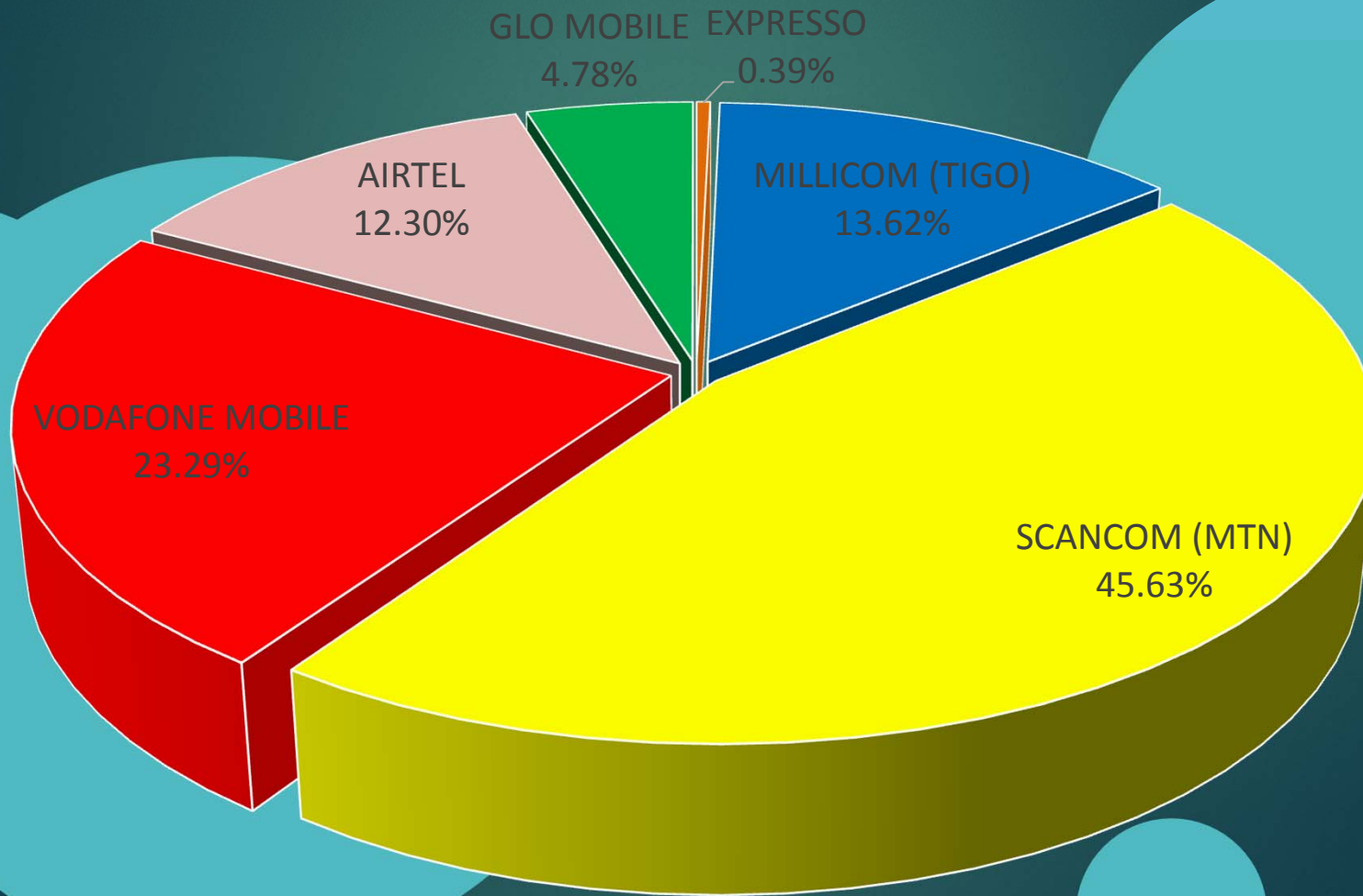
- INTERCONNECT RATE FELL BY 20% AT THE END OF 2014.
- AVERAGE PREPAID ON-NET CALL RATES INCREASED BY 25.15%
- AVERAGE PREPAID OFF-NET RATES INCREASED BY 21.29%
- AVERAGE ON & OFF-NET RATE DIFFERENTIAL DECLINED OVER 30.0%
- THE REDUCTION OF INTERCONNECT RATE BY 20% AT THE END OF 2014 DID NOT LEAD TO A DECREASE IN AVERAGE ON & OFF-NET RETAIL PRICES BUT RATHER RESULTED IN INCREASES IN CALL RATES.

INTERCONNECT RATES POLICY AND MOBILE MARKET SHARE

- MARKET SHARE OF MTN FELL BY 6.23% FROM 52.03% TO 45.63%.
- DURING THE SAME PERIOD MTN'S INTERCONNECT REVENUE AS A % OF TOTAL REVENUE HAS FALLEN BY 3.63% POINTS FROM 31.09% IN 2009 TO 27.46% IN 2014.
- VODAFONE HAS INCREASED ITS MARKET SHARE BY 6.66% POINTS FROM 13.87% IN 2009 TO 23.29% IN 2014.

MOBILE VOICE SUBSCRIPTION GROWTH

MARKET SHARE (VOICE)- DECEMBER, 2014



WHOLESALE INTERCONNECTION REVIEW-2015-2017

- Considering that the current Wholesale Interconnection Rate(WIR) cycle will end IN 2014, the Authority embarked on this exercise to review the WIR for the next three years i.e. 2015-2017.
- The objective of the WIR determination exercise is to review and update the cost model (Bottom-Up Long Run Average Incremental cost model) and set a new WIR for fixed and mobile operators for the period 2015 to 2017.

THE COST MODEL –LRIC+

- ONE COST MODEL, NOT ONE PER OPERATOR
- BOTTOM-UP MODEL – SIMULATED, NOT ACTUAL COSTS
- PRINCIPLE OF COST CAUSATION
- LRIC+ - AVERAGE-COST METHODOLOGY
- NETWORK, NOT RETAIL COSTS
- THE MODEL IS BASED ON A HYPOTHETICAL OPERATOR ENTERING THE MARKET IN THE BASE YEAR AND GAINING A 1/N% SHARE OVER A PERIOD OF 7-8 YEARS
- BASED ON A MODERN, REASONABLY EFFICIENT, NETWORK AT CURRENT INPUT PRICES

METHODOLOGY

THE REVIEW OF THE COST MODEL TOOK INTO CONSIDERATION THE FOLLOWING:

- ❑ GROWTH IN THE TELECOMMUNICATIONS INDUSTRY IN THE PAST THREE YEARS (2010-2012) AND FORECAST FOR GROWTH FOR THE PERIOD 2014-2018
- ❑ MARKET AND ECONOMIC TRENDS RELEVANT TO THE TELECOMMUNICATIONS INDUSTRY
- ❑ BENCHMARK STUDY
- ❑ INDUSTRY ENGAGEMENT ON MODEL INPUTS AND OUTPUTS
- ❑ WEIGHTED AVERAGE COST OF CAPITAL (WACC)-29.87%

IMPLEMENTATION OF MTR FOR 2015-2017

The NCA, having considered the output of the model, current economic conditions in the country, industry parameters as well as submissions made by all Operators ,has determined the interconnect termination rate for VOICE and SMS for the period 2015 to 2017, effective January 1, 2015 as illustrated in the table below;

MTR-USD\$	2015	2016	2017
Mobile/FIXED	0.012	0.015	0.018
SMS/GH	0.001	0.001	0.001

ASYMMETTRIC POLICY

From 2016, an asymmetric rate shall apply in the case where the outgoing traffic is equal to or greater than 60% of the total traffic exchanged between two operators in a calendar month. An asymmetric rate discounted at 20% of the symmetric rate shall be paid on the difference in traffic to the receiving operator as indicated in the table below:

Mobile and Fixed Voice -\$ USD	2015	2016	2017
Symmetric Rate	0.012	0.015	0.018
Effective Asymmetric Rate	N/A	0.012	0.014



THANK YOU!