ITU REGIONAL ECONOMIC & FINANCIAL FORUM OF TELECOMMUNICATIONS/ICT FOR AFRICA

COSTING AND TARIFFS IN SOUTH AFRICA

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CONTENT

- Vision & Mission of ICASA
- Overview of S.A market
- Why regulate?
- Regulatory approach
- Cost model used
- Cost standard
- Asymmetry principles
- Call Termination rates

VISION & MISSION

Vision

To advance the building of a digital society

Mission

To ensure that all South Africans have access to a wide range of high-quality communication services at affordable prices.

ICASA MANDATE

ICASA's mandate is derived from the following Acts:

- The Constitution of the Republic of South Africa
- The Broadcasting Act of 2002
- ICASA Act of 2000
- The Electronic Communications Act of 2005
- The Competition Act of 1998
- The Promotion of Administration Justice Act of 2000
- The Postal Services Act of 1998

SOUTH AFRICAN TELECOMS MARKET

Mobile market:

- Four mobile operators (and one MVNO)
- No of subscribers approx. 74 million
- Mobile penetration approx. 123%
- Mobile broadband penetration approx. 45%
- Population coverage >95%
- Mobile geographic coverage >75%

Fixed line market:

- Two fixed line operators
- No of subscribers approx. 4 million
- Fixed line penetration approx. 8%
- Fixed broadband penetration 2.1%

Consolidation in the ICT sector

WHY REGULATE?

ICASA may regulate tariffs and prices:

- where there is a lack of effective competition in a particular markets or market segments i.t.o Chapter 10 of the ECA

What process is to be followed?

- Define the relevant wholesale and retail markets or market segments;
- Determine whether there is effective competition
- Determine which, if any, licensees have SMP
- Impose appropriate pro-competitive licence conditions

HISTORY OF CALL TERMINATION

- 2010:
  - First cost-based regulation of termination
  - FAC cost standard
  - 30% asymmetry
- 2013:
  - Review of regulations:
    - Introduce LRIC +
    - Increase asymmetry to over 50%

2014 CHALLENGE

- Operators challenged ICASA process in court
- Court struck regulations down but:
  - Suspended order for 6 months
  - ICASA was given 6 months to redo cost modelling

PROCESS TO COMPLY WITH THE COURT

- Agreed with operators on market definition
- LRIC + cost standard
- Reconciliation of Top-down Accounting and Bottom-up scorched node models
- Asymmetry based on cost differentials
- Concluded in 6 months

ASYMMETRY PRINCIPLES

- Limit the disadvantages faced by later entrants & smaller operators and enable them to compete effectively with large operators
- Qualifying criteria for asymmetry is terminating minutes <20%
- Current small operators whose share of terminating minutes is <10% may to qualify for asymmetry after 2017

FINAL CALL TERMINATION RATES

Base call termination rates

	Mobile location	Fixed location W0N	Fixed location B0N
1 Oct 2014 - 30 Sept 2015	US$0.017	US$0.011	US$0.0013
1 Oct 2015 - 30 Sept 2016	US$0.014	US$0.010	US$0.010
1 Oct 2016 - 30 Sept 2017	US$0.011	US$0.009	US$0.009

Asymmetric call termination rates

	Mobile location	Fixed location W0N	Fixed location B0N
1 Oct 2014 - 30 Sept 2015	US$0.027	US$0.016	US$0.018
1 Oct 2015 - 30 Sept 2016	US$0.021	US$0.013	US$0.014
1 Oct 2016 - 30 Sept 2017	US$0.016	US$0.010	US$0.010

THANK YOU.