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The Changing African Telco Marketplace: Implications for Regulators

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Change is here



Picture Credit: www.dreamstime.com

- The African telecom market place is a scene of unprecedented change at policy, demand and supply levels
- New services like OTT and triple-play services are now a main stay in African markets
- The supply side is witnessing new business models like MVNOs, ESPs as well as tower leasing models among others
- Pricing conduct of players has taken new forms with hitherto unknown pricing models like the zero rating of services and hybrid post – pre paid schemes
- All these demand for a rethink of policy and regulatory positions by the African NRA

Fiber and Tower Leasing Models

Tower Leasing Models; e.g. Helios Towers Africa (Nigeria, Ghana, Tanzania, DRC), ATC & Eaton (Uganda), HTN Towers (Nigeria)



Fiber Backbones & Dark Fiber Leasing e.g. C-Squared (Google Uganda), Liquid Telecom (Uganda, Tanzania, Zimbabwe); NBI Initiatives (Kenya, Uganda, Tanzania, Gambia);



Regulatory Concerns:
Ensuring Fair,
Reasonable and Non-
Discriminatory access to
downstream actors,
Collaborative
frameworks/Synergies
with Environment
Agencies and City
Authorities, Rights of
Way issues

MVNOs, ESPs & thin SIMs

	MVNO	Host
Uganda	K2 Telecom	Africell
Kenya	Equitel	Airtel
South Africa	MRP Mobile	Cell C
South Africa	Virgin Mobile SA	Cell C
South Africa	Red Bull Mobile SA	Cell C
Cameroun	SMS Mobility	CamTel

The entry of these business models necessitate a rethink of regulatory and policy positions in;

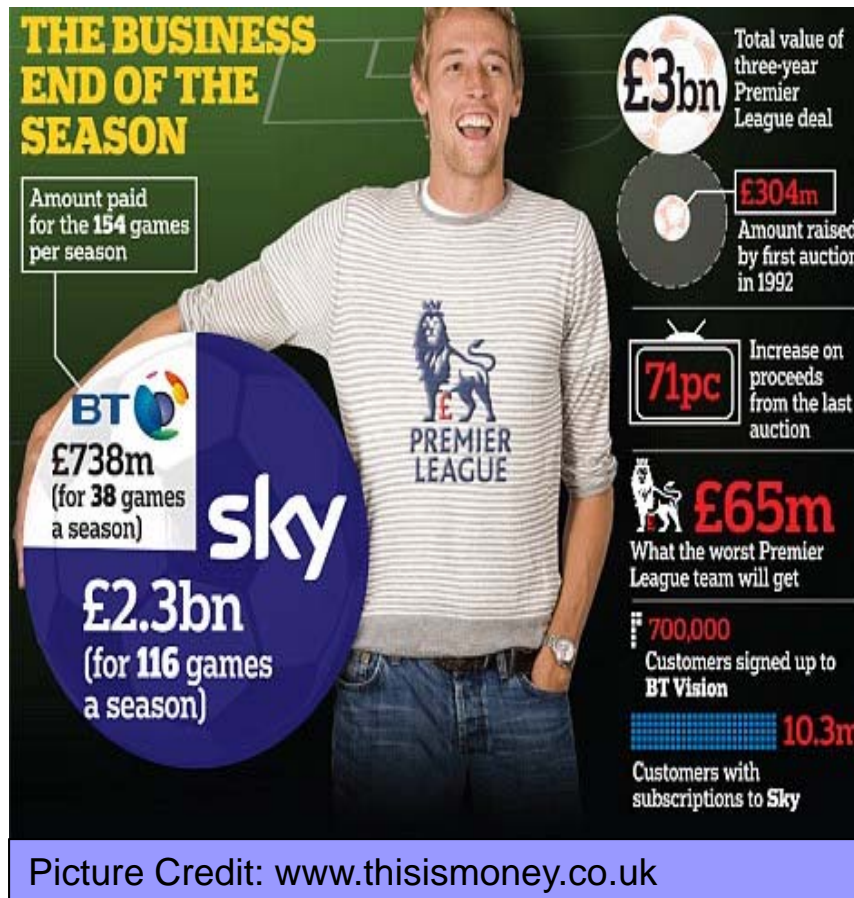
- Interconnection and Settlement Risk assumption for third party traffic
- Traffic Refiling and OI manipulation
- QoS oversight in multi player value propositions
- Consumer protection obligations

Broadcast – Telecom Convergence

- The continued proliferation of broadband services has further narrowed the gap between broadcast and telecommunications markets
- Triple-play (voice – data- broadcast) services formally the preserve of a few European markets are becoming more prevalent in African markets
- At a policy level many African governments are merging the regulatory functions of the telecom and electronic media services
- Besides the unprecedented content regulation obligations, NRAs have to pay attention to emergent issues like;
 - Amendment of licensing regimes
 - Mobile TV and content regulation oversight (Airtel TV) and



Football is the Content King



Broadcast Rights

- Despite the new mandates by African NRAs in the broadcast space, we largely remain ill prepared to address the bundling and excessive pricing abuses that may be perpetuated by the holders of foreign issued premium content rights.
- To date NRAs have limited visibility in the issuance of both domestic and international premium content broadcast rights.
- Cases in point is the allocation of rights to key sporting events like the World Cup and European football leagues
- Often times these are issued to single carriers conferring upon them dominance in the retail markets that they operate.
- In the advent of the DTT migration, a number of local broadcasters are appealing to the NRA to force the rights holder to make available the premium content

- A number of African markets have put in place surcharges on International Incoming Voice traffic. In the EA region Rwanda, Uganda and Tanzania all have special surcharges on international incoming traffic.
- These charges and the inherent refile arbitrage opportunity they present coupled with technology advances in gateways have resulted in previously unseen levels of traffic OI and CLI manipulation.
- The net effect is;
 - Loss of revenue for both government and domestic carriers
 - Cyber security threats
 - Degraded Quality of Service
- The typical NRA has to confront new challenges in tax policy, collaboration with Revenue Authorities as well as ensuring compliance with the CLI obligations in the ITRs



Emerging Services and Impact of Market and Dominance Assessments

- A well articulated set of markets is fundamental to any dominance assessment
- This in turn is often times obligatory in the assessment of abusive conduct by SMP holding actors or the development of ex ante regulations to prevent the occurrence of abusive conduct.
- New business models and services like the proliferation of OTTs, Tower and Fiber Lease Models as well as USSD based Financial services have challenged traditional market definition approaches
- These new retail and wholesale services demand that candidate markets may need to be rethought keeping in mind the new services on the market
- In a recently concluded market definition exercise in Uganda, the following new markets have been identified and are the subject of proposed new regulations
 - Tower Space Rental market
 - Dark Fiber market
 - Wholesale USSD market

- The USSD has emerged as a medium of choice for nascent services like Mobile Financial Services
 - However given the fact that MM and other VAS in many African markets are telco-led, there has arisen potential to abuse the privileged control of these resources by vertically integrated MNOs
 - The abusive conduct has been manifested in;
 - Service provisioning delays
 - Excessive Pricing
 - Refusal to Supply
- Probable Regulatory Interventions;
- Account separation obligations for USSD Services
 - Must offer obligations for wholesale USSD
 - Cost oriented pricing obligations
 - Model USSD Access Offers



- Rapid technological advances mean that hardware becomes obsolete ever faster than before.
- Developments like migration to digital broadcasting, a thriving used handset market the emergency of low useful life feature phones in the African market place imply that Africa is faced with a peculiar waste disposal nightmare
- In a 2012 ILO publication on the Global Impact of e-waste, the ILO posited that an estimated 80% of developed country e waste was shipped to developing markets
- There remains a general lack of policy direction by most regulatory authorities.
- In the EAC, the EACO has established a task force on e-waste. However many regional NRAs have paid limited attention to the economic and commercial considerations in developing national e waste strategies.
- Discussions on matters such as tax to promote newer electronic imports could go a long way in controlling the growing e waste dilemma.



Broadband Pricing Regimes and the Net Neutrality Debate

- Amidst the raging international debate on the matter of net neutrality and impact on competitiveness, affordability and innovation, Africa remains on the fence.
- To date, Africa is home to a number of pricing schemes in some cases offering zero rated apps.
- The indecision has largely been driven by the peculiar affordability constraints in the retail market as well as limited regulatory dialogue on competitive effects of discriminatory pricing practices.
- Some thought leaders (like Mark Zuckerberg) have called it a first world problem
- Either way, African NRAs need to consider and make deliberate decision on the net neutrality discussions

Positives

The BDT Regional forum provides an opportunity for a broader regional dialogue on these emergent issues.



What next for SG3 – AFR?

