

Submission to the Parliamentary Portfolio  
Committee on Communications

# ***MOBILE INTERCONNECTION RATES***

***October 13 - 14, 2009***

*Tony van Marken, Chief Executive Officer  
Jacques du Toit, Managing Director, Vox Orion  
Murray Steyn, Chief Commercial Officer*



***Be heard***



# Agenda

- > *Introduction*
- > *Overview of Vox Telecom*
- > *Vox Telecom's Impact on SA market*
- > *Key Submissions*
- > *Regulatory Failure by ICASA*
- > *Flaws with Chapter 7 of ECA*
- > *Flaws with Chapter 10 of the ECA*
- > *Summary*
- > *Q&A*

## *Group Overview*

### *Overview of Vox Telecom:*

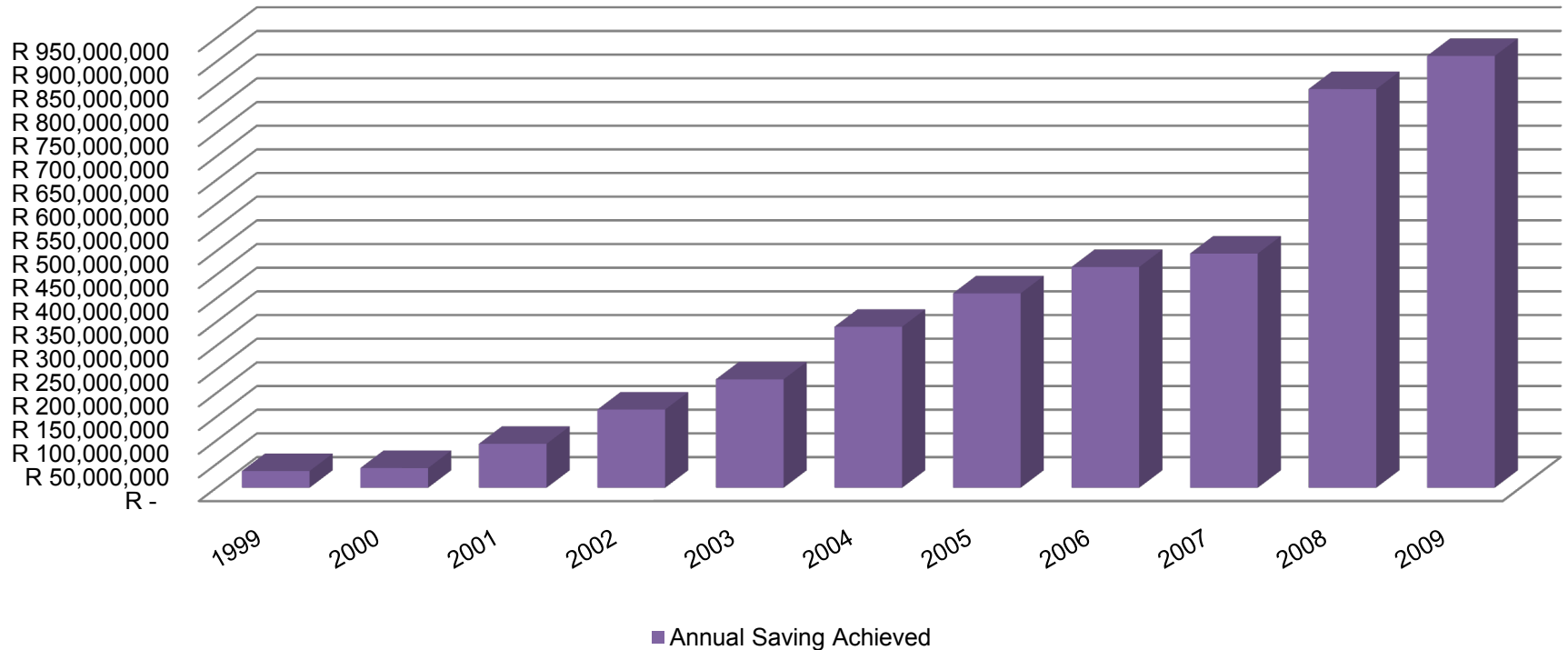
- >Founded 1997 - leading independent, alternative supplier of voice and data services to the South African and Namibian market*
- >ECNS license holder*
- >Provide critical telecommunications products and services to over 18,000 corporate customers and over 135,000 consumers*
- >737 highly skilled employees*
- >Listed on Alt-X Exchange of the JSE*
- >BEE shareholding of 47,6% - the largest black owned telecommunications company in SA*
- >Leader in the delivery of competitively priced telecommunications products and services to SA telecommunications market*

# Vox Telecom's Impact on SA Market

- > Vox has been a pioneer in providing cheaper voice, data and internet services to SA market since 1997
- > Vox pioneered Least Cost Routing into the SA market to address pricing imbalances saving government and business over R4.1 Billion since 1999
- > Vox has a history of taking on the incumbents to reduce pricing for consumers and businesses (Fought Telkom on the legalisation of Least Cost Routing)
- > Vox pioneered VoIP technology even though the incumbent operator prevented its implementation
- > Vox has been a driver of deregulation on all fronts
- > Vox is also currently calling for carrier pre-select, local loop unbundling and full local number portability
- > Vox is the first supplier to offer rebates for incoming calls through our Telepreneur offering

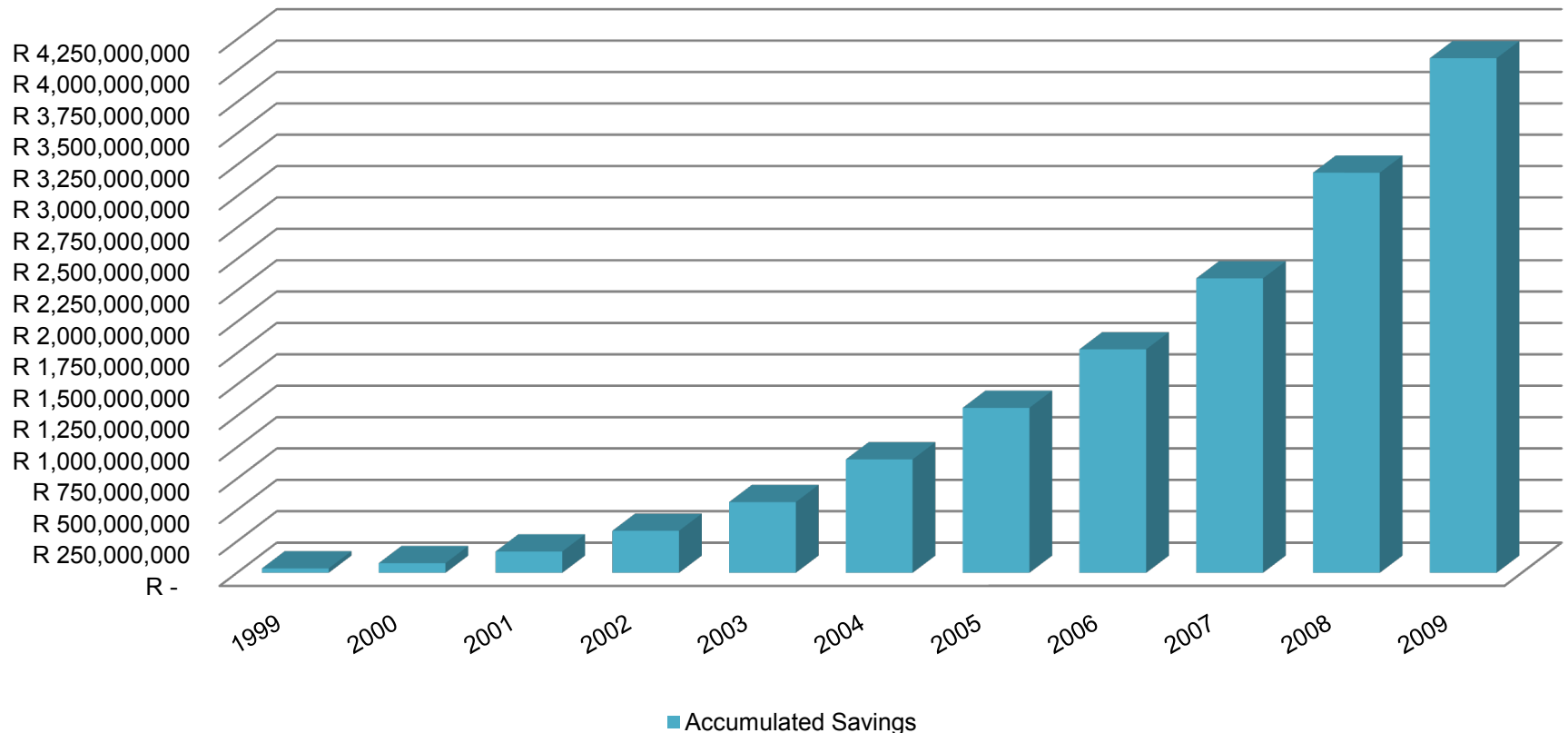
# Vox Telecom's Impact on SA Market

LCR : Annual Savings Delivered



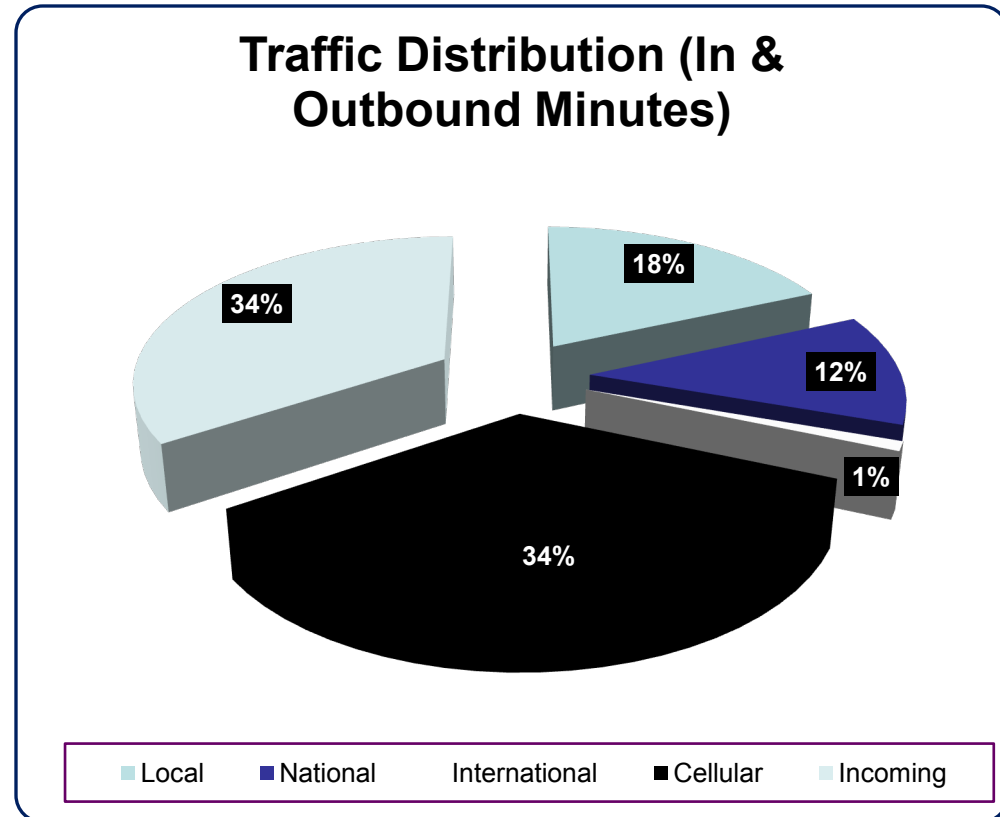
# Vox Telecom's Impact on SA Market

LCR : Accumulated Saving Delivered



# Alternative Telco Voice Value Proposition

- > Key Challenges :
  - > Interconnect Agreements
  - > Interconnect capacity – based on volume and minimum billing
  - > Geographical Number Portability
  - > Facilities leasing and co-location
  - > Existing SP agreements with MNOs
  - > Commercial arrangements with dealers and partners





# Vox Telecom's Impact on SA Market

**Save money on your phone bill**

**Free Vox-to-Vox calls**

**Get money back on incoming calls**

**VOX ADSL PHONE**

- Save up to 50% on your phone calls
- Earn rebates from incoming calls on your Vox number
- FREE Vox-to-Vox calls
- No contracts
- Surf the net and use your phone at the same time
- The Vox ADSL Phone costs R300 to set up (once-off) and R49/month rental
- An additional 4 handsets can be added
- Additional handset costs R60 to set up (once-off) and R29/month rental

**VOX ADSL PBX**

- The Vox ADSL PBX offers voice, PBX and data functionality – all in a single unit
- Perfect for small offices and home users with up to 8 users
- Offers the same benefits of the Vox ADSL Phone, including cheaper call rates, FREE Vox-to-Vox calls and rebates on incoming calls

**VOX ADSL PBX OPTIONS**

Basic Five User Solution	Flexible Wireless Five User Solution	Full Feature Eight User Solution
Per month rental: <b>R499</b>	Per month rental: <b>R699</b>	Per month rental: <b>R799</b>
Once-off product pack purchase: <b>R900</b>	Once-off product pack purchase: <b>R900</b>	Once-off product pack purchase: <b>R900</b>
On-site installation and custom configuration: <b>R800</b>	On-site installation and custom configuration: <b>R800</b>	On-site installation and custom configuration: <b>R800</b>

**vox telepreneur**  
Your telco

**A Vox Telepreneur Dealer**

**START SAVING**

Contact G&J TELECOMS to start saving!

SMS VoIP to 0847838527 or 0727864433

[g&jtelecoms@voxtelcom.co.za](mailto:g&jtelecoms@voxtelcom.co.za)

**Cash back on calls received**

**Phone Vox to Vox Free on the Vox network.**

**vox**

To find out more about the Vox ADSL Phone visit [www.vox.co.za](http://www.vox.co.za)



# Key Submissions

## > *Parliamentary Subcommittee Proposal :*

- Mobile network operators (MNOs) should drop wholesale call termination fees to 60c / minute during peak times from 1 November 2009
- Interconnection rates should be further reduced by 15c / year for each successive year until 2012
- Progressive reductions in interconnection rates should yield concomitant reductions in retail prices

# Case Study : Namibia

Change in Interconnect	Fixed to Mobile	Mobile to Fixed
Original Interconnect (N\$)	1.06	0.66
New Interconnect (N\$)	0.60	0.60
Reduction in interconnect (N\$)	-0.46	-0.06
Reduction in interconnect (%)	-43%	-9%

Change in Retail	Fixed to Mobile	Mobile to Fixed (Handsets)
Original Retail (N\$)	1.75	2.03
New Retail (N\$)	1.48	2.03
Reduction in retail (N\$)	-0.27	0.00
Reduction in retail (%)	-15%	0%



Welcome to the future leo™ website.

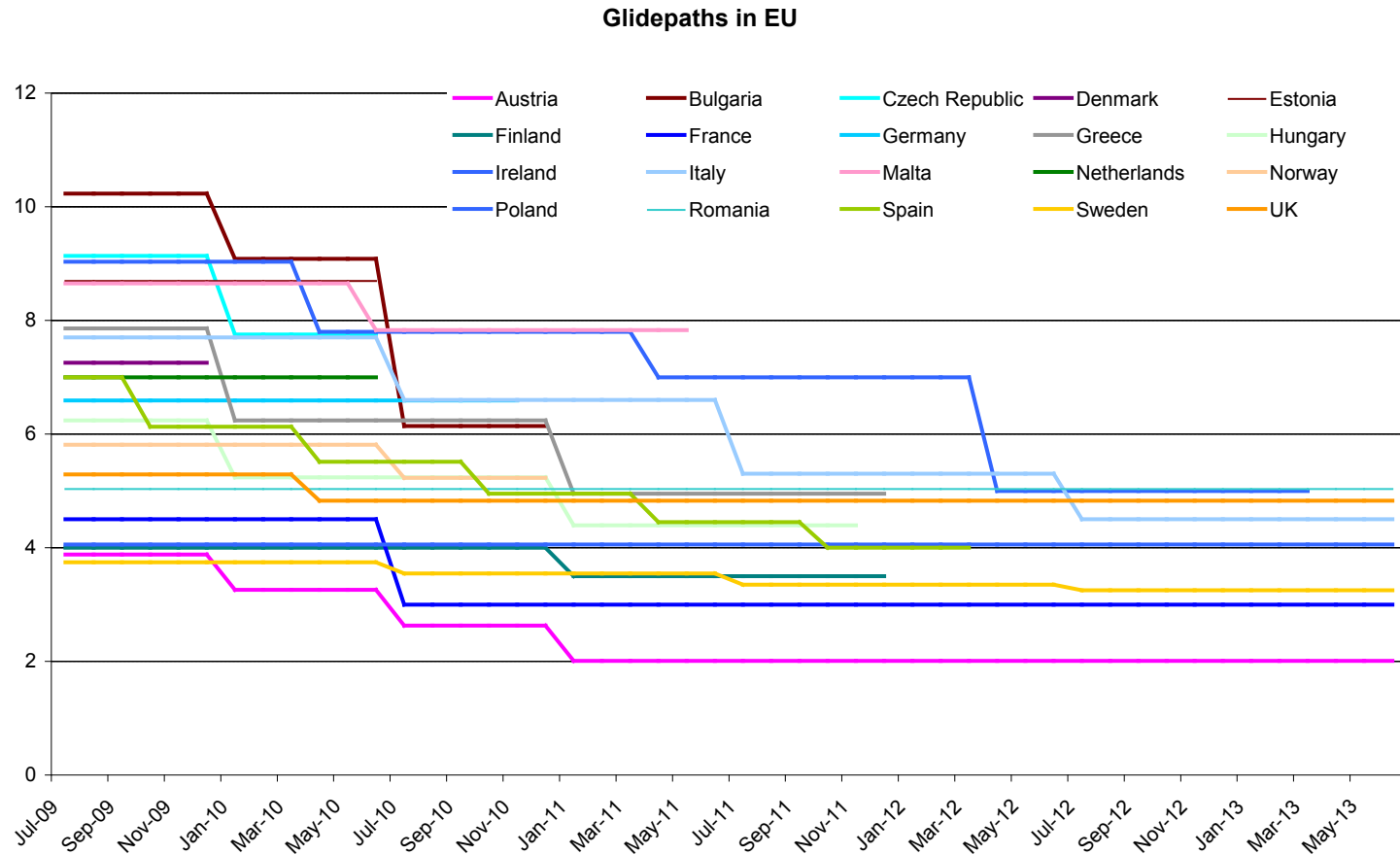


# Key Submissions

- > It is the role of ICASA to regulate interconnect rates, but the legislation needs to be amended to facilitate this
- > Interconnect rates should be reduced incrementally on a glide path :
  - Glide paths have been used in developed countries and developing countries
  - Minimise disruptive side-effects associated with a sudden drop in prices and avoid *unintended consequences*
  - SA should follow international best practice in managing reductions in interconnect pricing
  - New challengers need asymmetrical interconnect agreements
  - The reduction should be implemented more evenly across a 2 - 3 year period to allow the economic models of all industry players to be adjusted

# Key Submissions

- > SA should follow international best practice with respect to regulating Interconnect



# Key Submissions (Continued)

- > Implement complementary measures to facilitate interconnect and stimulate competition :
  - introduce strict rules relating to geographic number portability (so as to counteract present abuses by dominant players)
  - implement local loop unbundling (so as to allow alternative providers access to the last mile)
  - Implement carrier pre-select to ensure level playing field for all
- ⇒ *Needs to be holistic approach to deregulation and level playing field for all market participants*
- ⇒ *The PPCC cannot just focus on a single issue without taking into account the big picture*

# Regulatory failure by ICASA

- > The Committee has acknowledged that it is not Parliament's place to set telecommunications prices
- > However, the Committee has proposed to set an indicative tariff as ICASA has failed to regulate wholesale mobile call termination rates to date, even though the ECA has been in force since 2006



# Reasons For ICASA's Failure To Regulate Interconnect

- > Flaws in Chapter 7 (*interconnection*)
- > Flaws in Chapter 10 (*competition matters*)
- > ICASA lacks institutional capacity:
  - the process for appointing ICASA councillors is too politicised, and appointments are not sufficiently technocratic in nature
  - there are ineffective dispute mechanisms for resolving pre-interconnection disputes





# Summary

- > The regulator (ICASA) must be allowed to manage the deregulation of the telecom industry in accordance with international best practice
- > ICASA should analyse the telecommunications cost structure of the MNOs and regulate interconnection
- > ICASA needs to be structured in accordance with best practice to ensure its' future success
- > Intervention in the telecom market without proper analysis can have unintended consequences and disrupt the market



# Summary

- > Vox has been a pioneer in providing cheaper voice and data services to SA market
- > Vox supports a reduction in interconnect rates which should be implemented evenly across a 2 - 3 year period to allow economic models to be adjusted accordingly
- > A reduction in interconnect rates must be accompanied by a simultaneous implementation of Geographic Number Portability, Local Loop Unbundling and Carrier Pre-Select to ensure a level playing field for all market participants
- > Ensure a holistic approach to deregulation of the market that supports all market participants



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*Thank you*

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*Be heard*



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