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Telkom Issues Counter-Proposal to ICASA

Telkom today issued a counter-proposal to telecoms regulator, the Independent Communication Authority of South Africa (ICASA), following the publication of a new proposal which would see Telkom continue to effectively subsidise the larger mobile network operators.

Despite being one of the smaller operators, Telkom is a disruptive operator in the voice market which offers lower prices and better value. However, ICASA continues to require what amounts to a subsidy for large mobile operators through regulation. The latest such requirement is the proposals around call termination rates. These are the rates paid by operators to each other when a consumer makes a call to someone who is on a different network and which form part of the overall call cost.

"ICASA's decision to reduce fixed termination rates at a faster pace than the reduction in mobile termination rates would entrench the duopoly of the largest mobile operators and reduce competition. It is also out of kilter with convergence in technology," said Telkom Group CEO Sipho Maseko.

ICASA has proposed that fixed termination rates (FTRs) should fall by 70% compared with a reduction of only 31% in base mobile termination rates (MTRs). The small reduction in MTRs represents a missed opportunity to reduce the cost to communicate for the large majority of South African telecoms users and disproportionately targets Telkom, said Maseko.

ICASA should review termination rate setting to align with the South African market reality and the global convergence in technology which no longer distinguishes between fixed and mobile. South Africa should be working towards symmetry between fixed and mobile termination rates in a manner than enables fair competition and reduces the cost to communicate, according to Telkom.

Telkom's counter-proposal is that ICASA continue to maintain higher levels of asymmetry as it continues a review of the cost modelling and other regulatory streams such as the determination of South Africa's priority markets. The proposed FTRs require cost reductions that are not feasible within a three-year time frame without significant job losses and do not recognise that the telecoms landscape has changed to such an extent that there is one converged voice market, rather than separate fixed and mobile markets.

The lasting impact of these decisions could well be working against ICASA's objectives to promote competition and continue to reduce the cost to communicate for South African telecoms users, Maseko concluded.

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