Lower interconnect fees benefit consumers

Following months of talks between the Independent Communications Authority of South Africa (ICASA) and the telecoms industry, the regulator announced that mobile termination rates in South Africa would drop significantly.

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"ICASA said that the move aims to stimulate economic growth - and this can only be good news for consumers," said Mitchell Barker, MD of WhichVoIP. "The rates are on a downhill slide: from 1 March, they will drop from 40c to 20c, and then to 15c by March 2015. In 2016, they will reach an all-time low of 10c. This should put some money back in the pockets of South Africans."

Barker described termination rates, or interconnect fees, as the prices that mobile telephone operators charge other network operators to terminate calls on their network. "For many years interconnect fees have been a contentious issue, as there has been no standard method for charging interconnect fees among countries."

He said that some regions have only regulated interconnect fees for fixed-to-mobile calls, and others have had mobile networks having to apply a single regulated termination charge no matter where the call originates. "Ultimately, financial and technical deals among service providers are there to govern how they connect their networks, services and equipment to allow their customers access to those of other providers."

Interconnection, explained Barker, is vital to widening both the scope and efficiency of telecommunications in any country. "This is particularly true for operators wishing to enter a new market, who will piggyback on the existing facilities of another operator. In this way, it is also core to having a competitive market structure."

Understand what you are paying for

Barker said that interconnect fees have been high in the past and many customers do not understand what exactly they are paying for. "Over and above fees for collecting and delivering calls, the customer is also paying, albeit indirectly, for the installation, maintenance and operation of the points of interconnect, and for additional services that could include fault reporting, network assistance, billing, directory enquiries and suchlike."

He said that South Africa has followed the most common interconnection set up: a "calling party network pays" (CPNP), where the originating service provider pays a per-minute charge to the operator that terminates the traffic being exchanged.

Speaking of some of the benefits of lowered interconnect rates, Barker said that consumers are unlikely to see a benefit straight way, as the difference in call charges will be marginal. In addition, as the larger networks are still being stung by heavy fees, they won't be able to pass on the savings to their customers.

"The smaller networks, Cell C and Telkom Mobile, which are benefiting by paying less than their larger counterparts, are likely to use the money saved to improve and grow their infrastructure," he added.

However, by 2016, when the interconnect rates reach 10c, consumers are likely to see the difference in the prices of calls, he said. Over and above the benefits to consumers, Barker said that these lowered fees will benefit the country, particularly as it will encourage more firms to enter the market. "Moreover, the transparency will allow consumers to compare the different charges, and change service providers should they so wish."

Ultimately, for the consumer it's about value for money and good service. "ICASA's move will benefit the end-user, who will be able to make a more educated choice when selecting an operator. Healthy competition can only benefit the market and ensure better service. This, in turn, will boost economic growth and create opportunities."