Mobile operators await termination fees ruling

By Franny Rabkin

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Mobile operators MTN and Vodacom will know by today (31 March) whether they will have to cut their interconnection fees in half.

Judgment is expected today on whether interconnection rates will have to be lowered in line with Icasa's recommendation. Image: Andrey Burmakin Fotolia

After two-and-a-half gruelling days in the Johannesburg local division of the high court, Judge Haseena Mayat said last week that she would make a court order on Monday (31 March) at 3pm - just a few hours before the regulations are due to come into effect.

The two big operators in the mobile sector went to court urgently to prevent regulations that would have them reduce their interconnection fees by half from 40c to 20c. MTN and Vodacom said the regulations were unlawful.

Reduction of the fees will significantly lower cellphone rates and make communication much cheaper. The Independent Communications Authority of South Africa (Icasa) told the court that if the regulations did not come into force it would mean a totally unregulated market - a "significant and damaging" gap that would prejudice consumers.

Interconnection fees, also called "mobile termination rates" are the fees cellphone operators charge each other when calls are made from one network to another.

Cell C, South Africa's third-largest mobile carrier, said its ability to repay debt could be affected and planned capital boosts could be at risk if regulators failed to cut mobile termination rates.

According to Bloomberg, uncertainty related to whether the fees would be lowered was creating difficulties for Cell C to comply with debt covenants, the company said in a court document dated March 11.

Icasa has been trying to drive down interconnection fees through regulation to reduce costs for consumers.

It has also been seeking to create a more competitive environment by making the big companies, Vodacom and MTN, drop their rates faster than the smaller operators, Cell C and Telkom Mobile, through "asymmetrical rates".

The idea of the regulations was that operators gradually reduce their termination rates every year in what Icasa calls a "glide path" to eventually arrive at a target of 10c - an amount Icasa said was based on the actual cost of interconnection.

The court has a number of options. First prize for MTN and Vodacom is that the judge set aside the regulation as unlawful permanently, either leaving the market unregulated or forcing Icasa to extend the 2010 rate at 40c and then re-examine the regulations.