

Reduction in interconnection rate could see rise in costs of mobile calls

According to Graeme Victor, CEO of voice-based telecommunications solutions company Du Pont Telecoms, political pressure on ICASA to force a reduction in the interconnection rate between the various telecommunications networks will not reduce the costs of cellular calls but could well increase them.

He says that a drop in interconnect rates does not necessarily lead to a reduction in retail call charges. This was the case in Kenya, Tanzania and Ghana, according to a 2006 report "Setting Interconnection Prices in Africa," authored by international telecoms researcher and consultant Robert Hall.

"In Israel, a government-led cut in interconnect rates actually resulted in a rise in overall call costs as operators scrambled to make up for lost revenues. One of the larger mobile operators clearly attributed the record gross margins it achieved in the year following the reduction in interconnect rates to the fact that 'lower interconnect charges have improved service margins'. There is no reason why the same could not happen here," Victor says.

He points out that the high cost of cellular calls has little, if anything to do with the current interconnect rate R1.25 operators charge each other to carry calls from other networks.

At present, prepaid Vodacom subscribers can pay up to R2.99 per minute for peak off-network calls (from Vodacom to another network). Yet prepaid subscribers pay just 10c per minute less for on-network (Vodacom to Vodacom) calls, despite the fact that the R1.25 interconnect charge is not payable by the operator.

Cell C, on the other hand does not differentiate in the standard cost of prepaid on-network and off-network calls. MTN charges its prepaid customers a premium of just 25c for off-networks calls - R2.75 for off-network against R2.50 for on-network.

"This indicates that even if the interconnect rate is dropped to 60c as some commentators have suggested it is unlikely to result in a similar decline in prepaid call costs, or indeed, in call charges in general.

"Should government and ICASA be serious about reducing cellular rates, they should probably investigate the real impact of interconnect pricing on call rates and why 'on-network' calls are not significantly less expensive than 'off-network'," he concludes.