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Press Statement

Determination on Interconnection Service Charges

Policy makers throughout the world have recognised the importance of ICT as a critical factor for promotion of rapid growth and development in an economy. It releases people's creative potential and knowledge thus enabling change, growth and development. It does not do it by themselves but creates transformations in society. ICT are best regarded as the facilitators of knowledge creation in innovative societies. The new economics looks at ICT not as drivers of change but as tools for releasing the creative potential and knowledge embodied in people.

Policy makers in Fiji have long back realised the potential of ICTs for development, and recognize that ICTs can be harnessed for great socio-economic benefits. Underlining this recognition is the realization that the existing digital divide has to be bridged, as nations can no longer risk being excluded from the process and progress of economic development taking place worldwide. ICTs are no longer just a socio-development tool, but a prerequisite for participation in the new digital, interconnected economy.

Realizing this critical position of ICT in the Economy, the government resolved to provide access to more players in the telecommunications sector. This saw the entry of Vodafone and then Digicel, two of the more major network operators in Fiji. To deal with regulatory issues, Government also established the TAF and Fiji Commerce Commission each tasked with a defined set of objectives.

With this broad objective in mind, the Commission, in March, 2009, undertook a detailed study to identify if any operators had Substantial Market Power (SMP). Those operators holding SMP could, by virtue of having this power, abuse that power and thus not only engage in anti-competitive behavior, but also create impediment to the growth and development of the economy and cause hardship to the consumers as well. Following the findings of the Substantial Market Power Study, the Commission submitted to the Minister that the Wholesale Interconnection Rates in the Telecom sector be subject to a Price Control Order. The Order came into effect on the 17th of November, 2009.

Since then, the Commission has been setting the Interconnection Rates of the Telecom Operators in Fiji. In doing so, the Commission notes that interconnection is a critical feature of telecommunications networks, as it enables subscribers on one network to call and to be called by, subscribers on another network. In the absence of interconnection, a small network operator is unlikely to be attractive to potential customers as they would be unable to communicate with a significant proportion of other subscribers. The control has resulted in fall in retail rates, but not to the expectation of the Commission (see Table 1).

Table 1: Telecommunications Voice Traffic Retail Rates

| | 13 January, 2010 | | 22 October, 2011 | |
|-----------------------|---------------------------|-------------------------------|---------------------------|-------------------------------|
| | Peak Hour (F\$/minute) | Off Peak Hour (F\$/minute) | Peak Hour (F\$/minute) | Off Peak Hour (F\$/minute) |
| <i>Vodafone Rates</i> | | | | |
| Voda to Voda | 0.50 | 0.36 | 0.44 | 0.36 |
| Voda to Digicel | 0.50 | 0.41 | 0.45 | 0.41 |
| Vodafone to TFL | 0.50 | 0.30 | 0.45 | 0.30 |
| <i>Digicel Rates</i> | | | | |
| Digicel to Digicel | 0.50 | 0.35 | 0.36 | 0.36 |
| Digicel to Vodafone | 0.50 | 0.40 | 0.40 | 0.40 |
| Digicel to TFL | 0.50 | 0.40 | 0.40 | 0.40 |
| <i>TFL Rates</i> | | | | |
| TFL to Digicel | 0.55 | 0.55 | 0.44 | 0.44 |
| TFL to Vodafone | 0.55 | 0.55 | 0.44 | 0.44 |

Note: These rates are those which are not part of any particular plan.

This determination is delivered, as required by the Commerce Commission Decree 2010, has the following objectives:

- a) To direct a reduction in wholesale and thus retail call rates to convergence with market rates;
- b) Support Governments plan to accelerate ICT penetration in Fiji by outsourcing that charge to callers from outside Fiji;
- c) To reduce ICT costs components of Business, Government and the Household sector in Fiji;
- d) To ensure that network operators, who have made substantial investment into their network are able to receive a stable and predictable source of revenue *vis a vis* the light infrastructure operators.

Keeping these objectives in mind, the Commission has today undertaken the following determination:

- a) **For all calls terminating into a mobile network, the interconnection rates is reduce by 23.5% (from F\$0.17 to F\$0.13 per minute);**
- b) **For all incoming international calls, the terminating rate onto a local network operator is increased from US\$0.165 to US\$0.220);**
- c) **Of the above rate, F\$0.06 will be paid by the operators to Government in the form of ICT levy to support Governments ICT Penetration work. For the last 10 months, with an ICT levy of F\$0.03, we collected F\$3m. With the increased rate, we expect a total of F\$8m for next only. This is from parties calling from outside Fiji.**
- d) **For incoming international calls, which one operator hands over to another operator, apart from the interconnection rate, the handing over party must also pay a Special International Call Handling Levy of F\$0.09 to the network operator on which the call is terminated. This additional revenue can be used to build new network infrastructure and also maintain existing infrastructure.**

With these changes, we expect:

- a) Those operators bringing in international minutes to make increased revenue and thus profit;
- b) Network operators gaining additional revenue from international calls over and above the interconnection rate as Special International Call Handling Levy. This additional revenue can be used to build new network infrastructure and also maintain existing infrastructure.
- c) The network operators bringing in international minutes will pay Government an ICT levy which will boost government financially to undertake its ICT penetration activity.
- d) The reduction in mobile termination rates by 23.5% will bring down retail rates, if not by that rate, but close to that rate thus reducing ICT costs of business.

This determination will go a long way in reducing ICT costs thus boosting growth and development of Fiji's Economy. Later this week, we will formally write to all stakeholders in the industry to allocate technical staff with whom the Commission can work with to identify the rogue elements in the industry who would attempt to undercut the rates set by Commission thus depriving the country of millions of dollars of foreign exchange. In that letter, we will outline a methodology that we will adopt to deal with this issue.

Thanks you.

Dr Mahendra Reddy,

Chair, Fiji Commerce Commission.