

# The real competitive enablers

*Other regulations far more important to cut prices than self-provision*

**FORGET SELF-PROVISIONING:** there are far more important telecommunications regulations that need to be sorted out before consumers can experience real competition. That's the word from John Holdsworth, CEO of Electronic Communications Network (ECN), a value-added network service provider (Vans) that leases capacity from other networks to provide corporates and some consumers with cut-price voice and data services. ECN already counts 20% of JSE-listed companies as its clients and has become a meaningful player among the alternate telcos – almost overnight.

However, although ECN says it can build a good business providing clients with savings and good service under its current environment, Holdsworth's clearly frustrated by the pace of regulatory change that will enable competition. That's holding ECN and many other Vans back.

Holdsworth says at the top of his list is the set of regulations on carrier pre-select, which enables telephone subscribers to have their calls routed over a different network to that of the incumbent provider. Says Holdsworth: "Telkom will haemorrhage customers. It will bring down the cost to subscribers and break the stranglehold." Holdsworth says until that's been introduced to SA, Neotel and others won't be able to properly break into the consumer market.

Other key changes include the introduction of a cost-based interconnect regime (the cost to connect a call from one network to that of another operator, currently not set in terms of the actual cost incurred in providing that service). Regulator Icasa has already been through an extensive process in that regard and the market anticipates that it will impose price cuts.

Holdsworth says ECN will pass the benefit directly on to clients: "You can quote me on that."

The introduction of fixed line number portability is another "crucial" development, Holdsworth says. While mobile number por-

tability may not have had a significant effect on that market, the ability for fixed line operators to port their customers' numbers won't be a damp squib. He predicts that, in conjunction with Carrier Pre-Select, that will see Telkom losing 50% of its voice subscriber base within three to five years, as happened with BT in Britain.

The local loop – the so-called "last mile" connecting homes and offices to the transmission backbone network – should also be unbundled as a matter of urgency (the Department of Communications set 2011 down as the deadline), Holdsworth says. Icasa must also set out regulations guiding the release of facilities.

Holdsworth says another priority is implementing equivalence of inputs (EOI), or the splitting of Telkom's wholesale and retail divisions to prevent it from subsidising one with the other – to the detriment of other service providers.

Britain's widely respected regulator Ofcom defines EOI in the context of that country's former monopoly incumbent as the "undertakings in which BT provides, in respect of a particular product or service, the same product or service to all communications providers (including BT) on the same timescales, terms and conditions (including price and service levels)

by means of the same systems and processes and includes the provision to all communications providers (including BT) of the same commercial information about such products, services, systems and processes". Most Vans will tell you that currently that's not the case in SA.

The key regulations that Holdsworth cites are on the cards: in the queue of Icasa's "to do" list as contained in the Electronic Communications Act. Holdsworth describes that as an "excellent document" that lays out the framework for competition. "It just needs to be implemented."

He says it's inexcusable that almost two years after being promulgated, Vans such as ECN are still operating without their new Electronic Communications Services (ECS) licences. Those should give them more rights than the old licence category did (although it's still unclear what rights they'll have, as their future licence terms and conditions have only been released to the Vans in draft format).

Holdsworth says Icasa is taking far too long to convert the licences. It has until the end of June, in terms of the Act, but could also make use of a six-month extension beyond that.

He says it should be the first issue for all of the operators with ECS licences and later consider which ones should also qualify to build their own networks (giving them an Electronic Communications Network Service, or ECNS licence).

Holdsworth says far too much store is being placed on the importance of a handful of operators

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We'll pass the benefit on to customers.

John Holdsworth

65 – with the means to do so – to roll out their own niche wireless networks when other aforementioned regulations would go much further towards bringing down prices and improving access.

A potential spanner in the works was a recent High Court application by Altech Autopage Cellular to restrain Icasa from issuing ECNS licences to selected Vans players. Icasa initially said it would consider giving ECNS licences to up to six Vans, but Autopage wasn't on its list. Meanwhile, it's been trialling the use of mobile WiMax, and

CEO Craig Venter said recently it could be interested in building a national network in partnership with other investors. But it would need an ECNS licence to do so, as only those licensees can apply for spectrum (space in the airwaves, or frequency range).

Holdsworth says it supports Autopage's application, as long as it doesn't delay the issuing of other licences "by even one minute". Additional delays would further extend Telkom's effective monopoly.

Meanwhile, the Vans are being treated like second-class citizens after having been

issued telephone numbers – the 087 range – that many company switchboards (PABX machines) block calls to. That's largely because the 087 range was used for certain premium-rated services (including pornographic chat lines) in the Nineties.

ECN says Icasa must compel PABX vendors to unblock calls to those numbers – although it's unclear who would foot the bill – or issue the Vans with numbers on the geographic range.

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