

ITU Workshop on “Taxation of Telecommunications Services and Related Products”

(Geneva, Switzerland, 1 – 2 September 2011)

FALLOUTS OF LIBERALISATION: The Need for Telecom Taxation

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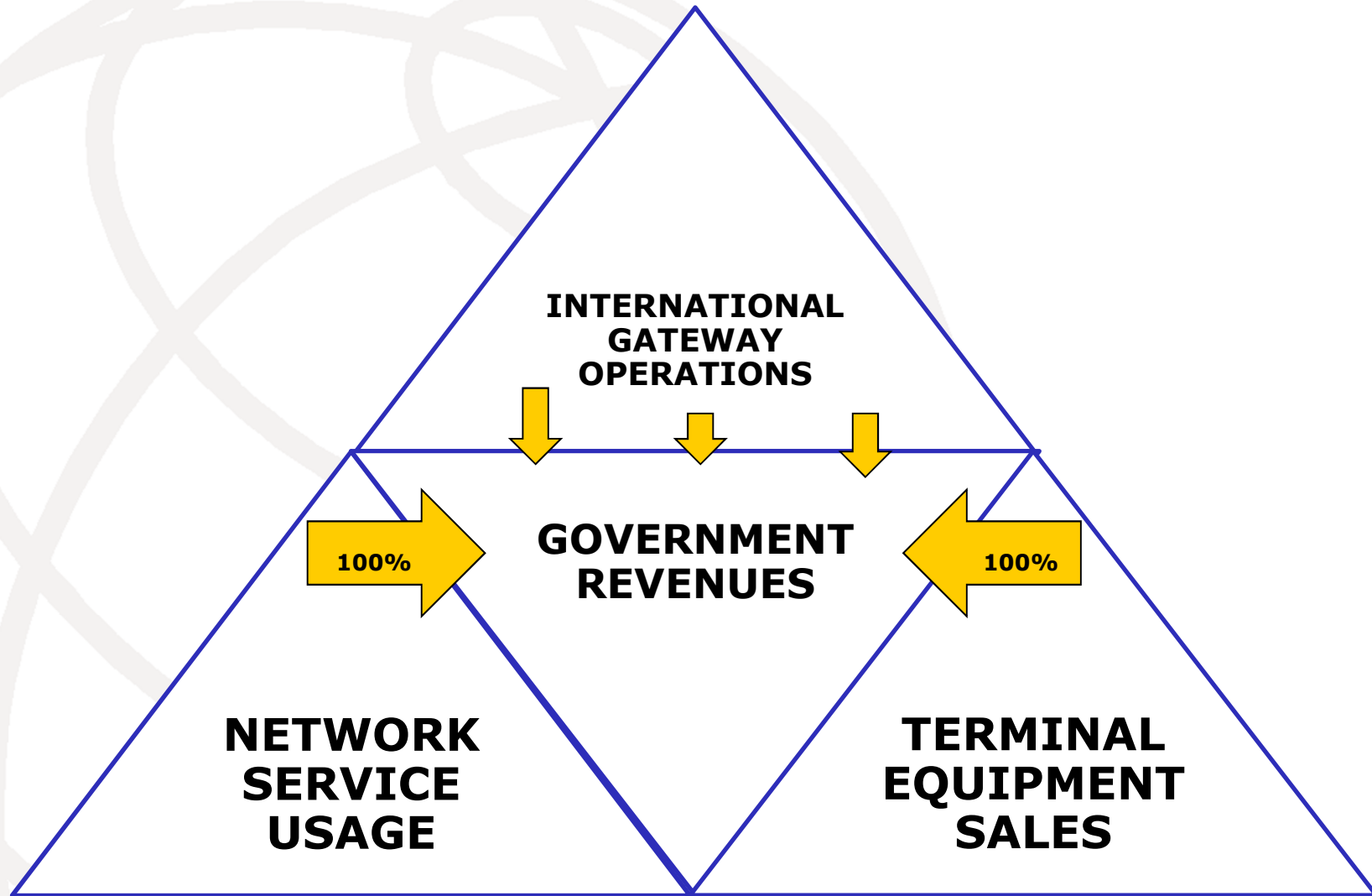
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Outline

- Sources of Government revenues from telecommunications
- Benefits of Liberalization
- Fallouts of Liberalization
- Balancing Act of Incentives and Interventions
- Typical Intervention Regime
- Outcomes

IN THE DAYS OF MONOPOLY



BENEFITS OF LIBERALIZATION

- **Growth**
- **Competition**
- **Value for money**
- **Increased Value Chain**
- **Multi-Tier Ownership**

FALLOUTS OF LIBERALIZATION(1/2)

- Evasion of Government taxes on imported terminal equipment
- Loss of Government and Public Stake in ownership of Telecom Networks
 - Loss of financial controls
 - Capital Flight

FALLOUTS OF LIBERALIZATION(2/2)

- International Carriers who undercharge to bring in International Traffic
 - Emergent Fraud in Illegal International Traffic Termination
 - Refilling
- Lack of Monitoring Systems for Governments to verify traffic volumes for accounting purposes

Balancing Act of Incentives and Interventions(1/3)

INCENTIVES

- ✓ Defer Import Duty, VAT and other taxes on:
 - User Terminal Equipment
 - Network Equipment and accessories

Balancing Act of Incentives and Interventions(2/3)

INTERVENTIONS

- ✓ Apply Service Excise Tax on usage to redeem deferred taxes on User Terminals and Network Equipment at the Ports.
- ✓ Revision and enforcement of Foreign Direct Investment (FDI) regulations to the effect that every privatised entity has at least 30% public stake, if there is no Government stake in such entity.

Balancing Act of Incentives and Interventions(3/3)

INTERVENTIONS

- ✓ Stop Telecom Arbitrage by enforcing minimum international termination rates.
- ✓ Install Real time Verification Systems for Traffic Accounting

ENFORCING TERMINATION RATES AND VERIFICATION REGIME

Policy Objectives

- To stabilize international termination revenues to Ghana
- To avert Illegal international traffic termination
- To guarantee Government's share of telecom revenues

Cabinet Consideration and Approval

- Presidential Consent
- Ministerial Mandate

Parliamentary Sanction

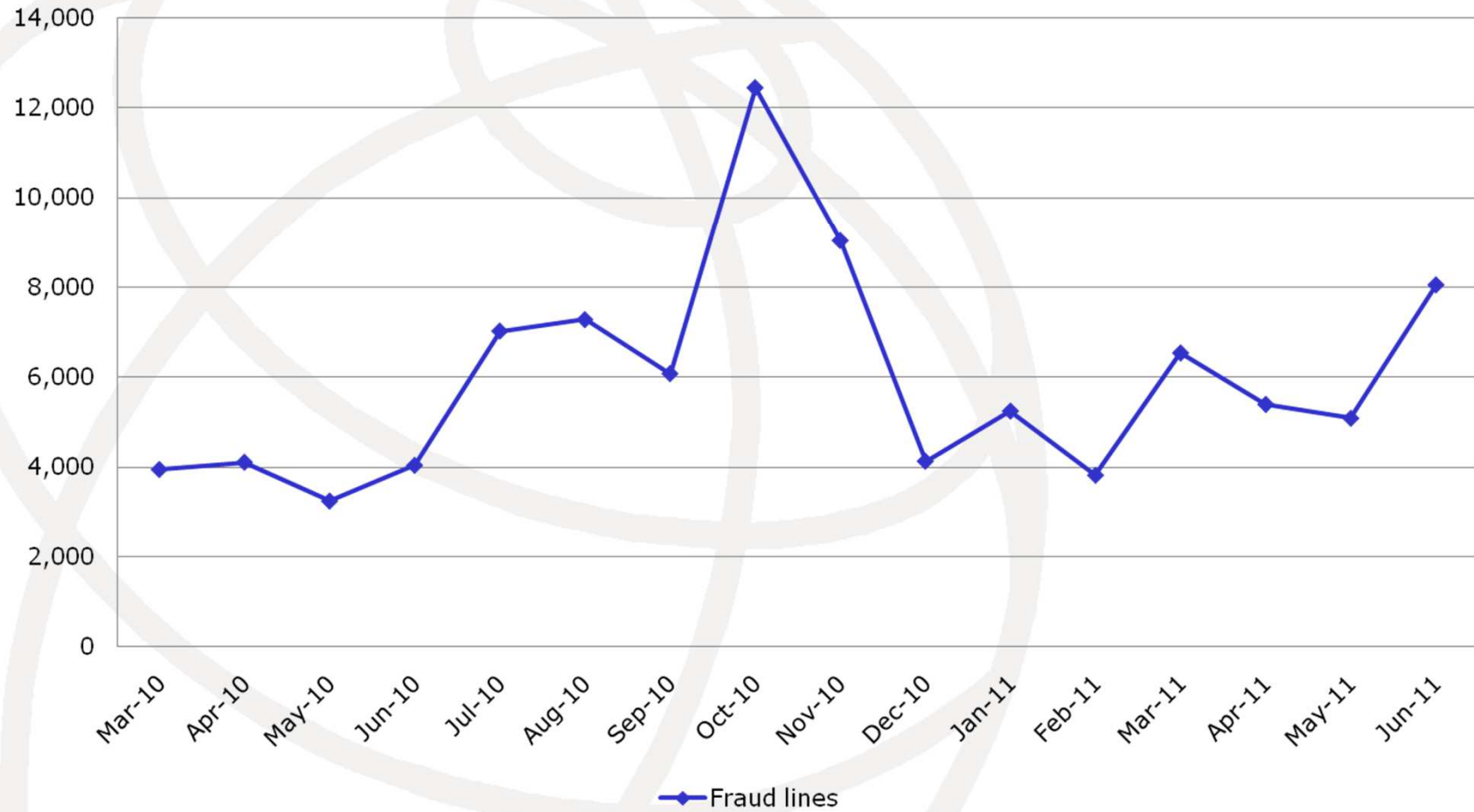
- Electronic Communications Act 789
- Minimum termination rate to Ghana=USD 0.19
- Government share of termination rate= 32%

Regulatory Enforcement

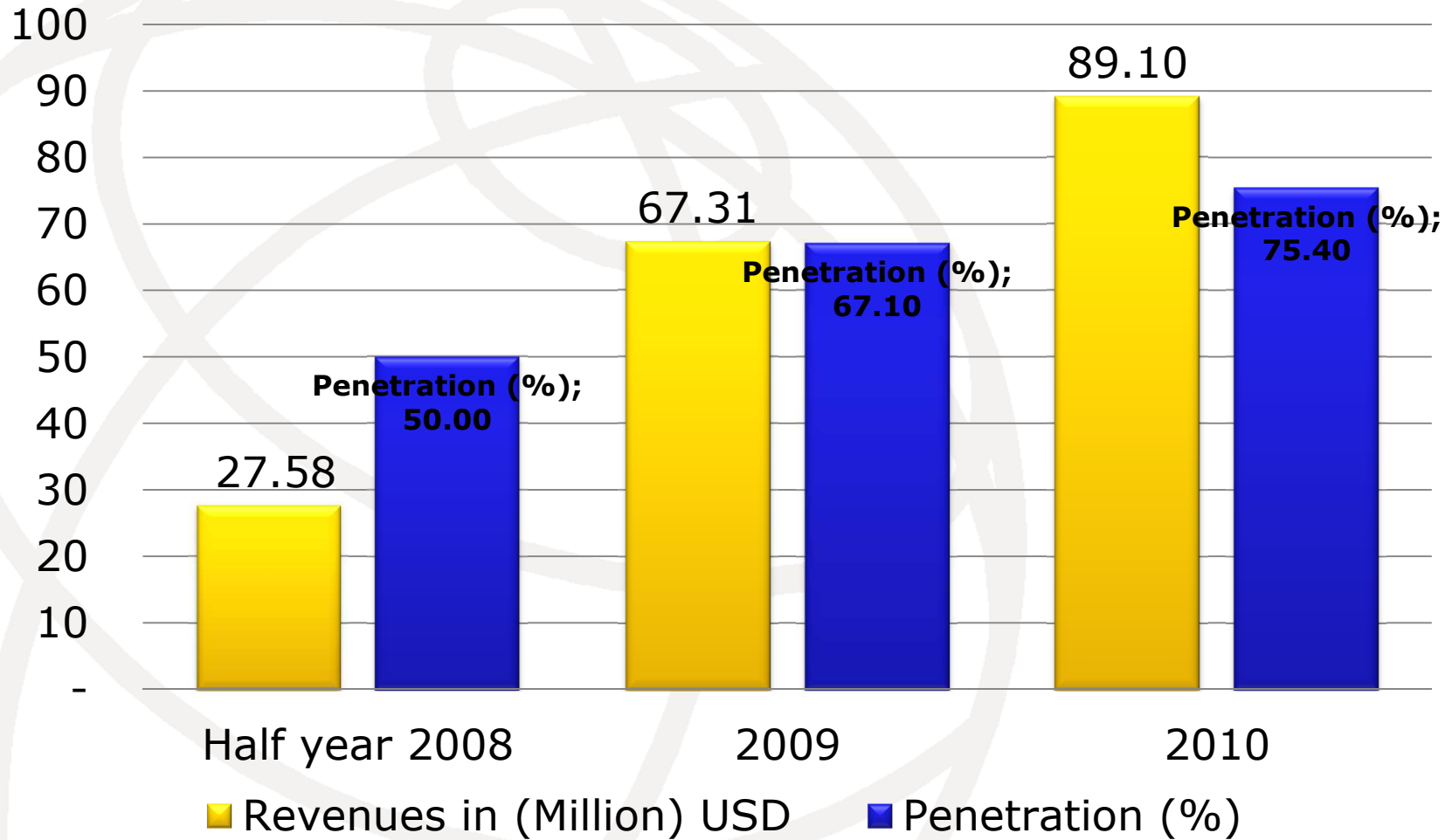
- Institutional Strengthening for Fraud Detection and
- Real Time Traffic Volumes Accounting Verification

OUTCOMES(1/4)

Detected Fraud lines for Traffic Termination

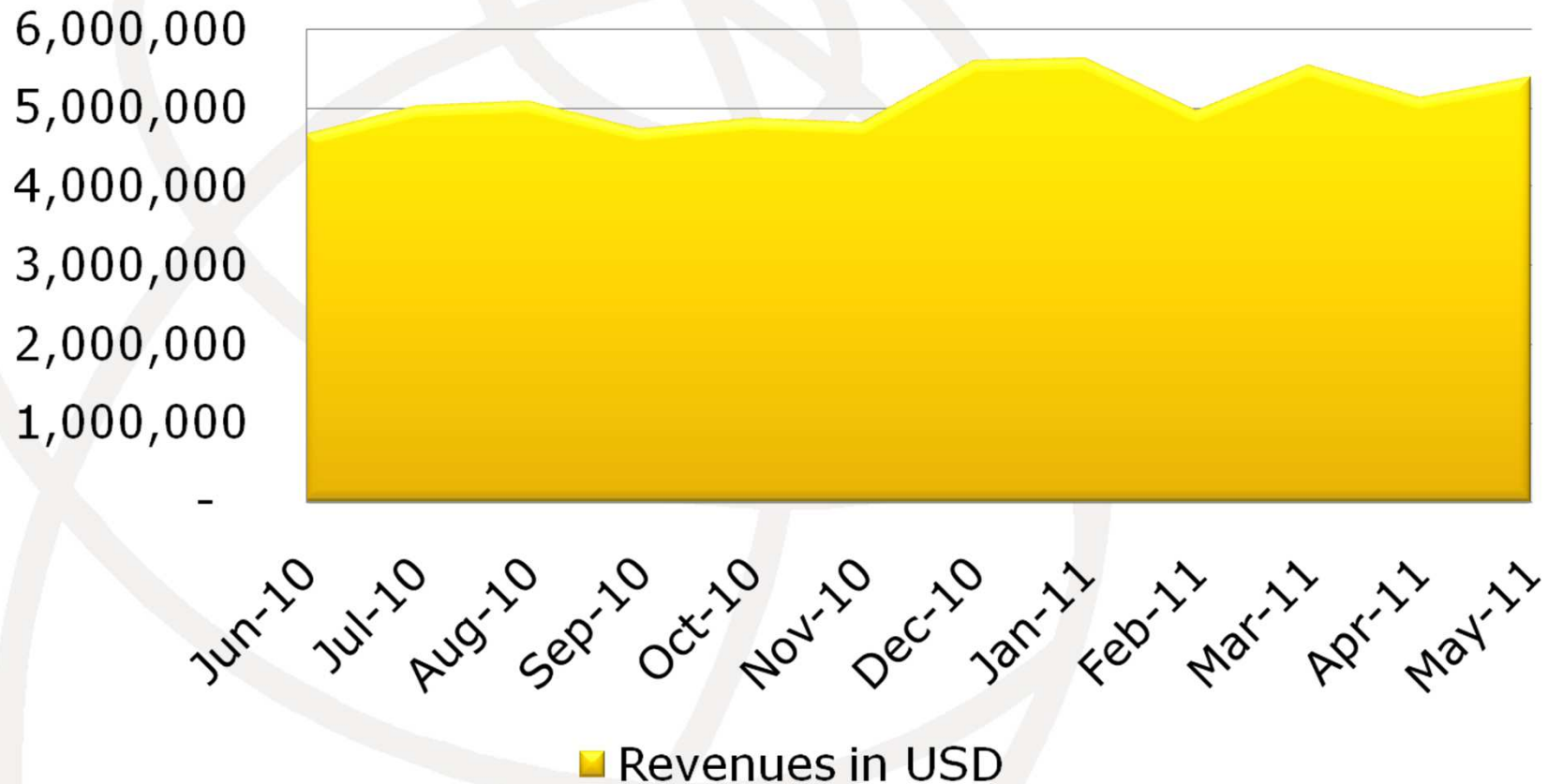


OUTCOMES(2/4)



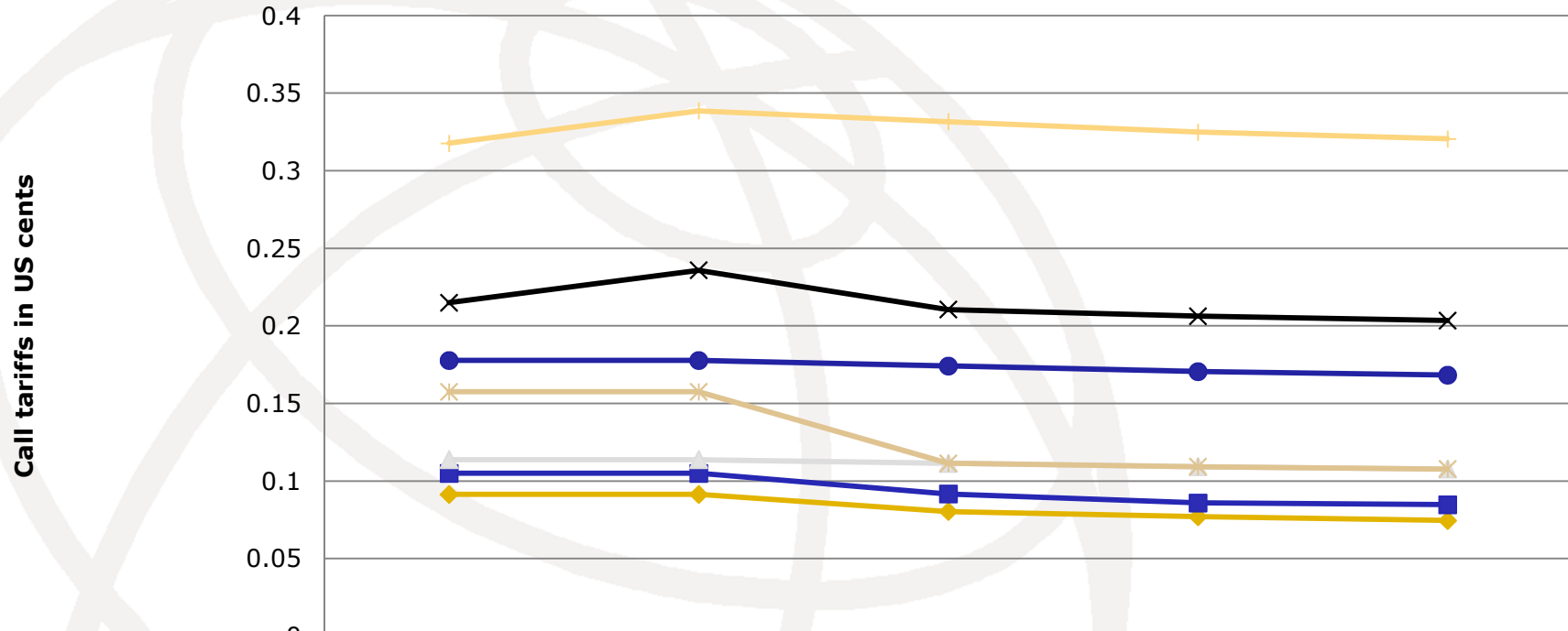
OUTCOMES(3/4)

Revenues to Government from International Call Termination



Outcomes (4/4)

Trend of Call Tariffs



	1st Qtr 2010	2nd Qtr 2010	3rd Qtr 2010	4th Qtr 2010	1st Qtr 2011
◆ Mobile On-net Calls	0.0914	0.0914	0.0803	0.077	0.0746
■ National Calls	0.105	0.105	0.09166	0.0859	0.0847
▲ USA	0.1138	0.1138	0.1114	0.1092	0.1077
✕ UK	0.2149	0.2358	0.2105	0.2062	0.2034
✱ China	0.1575	0.1575	0.1114	0.1092	0.1077
● Nigeria	0.1777	0.1777	0.1741	0.1705	0.1682
✚ South Africa	0.3177	0.3386	0.3316	0.3249	0.3205

CHALLENGES

- Arrest and Prosecution of Illegal Termination Operators
- Pending Court Case on the installation of Monitoring Systems for Traffic accounting verification at Operator Switches

RECOMMENDATION

- Suppress WTO Reference Paper on Basic Telecommunications:
 - Outdated (Debated since 1986 and agreed 1992) US and EU accounted for 57.97% of telecom revenues in 1995
 - In favour of Developed Economies (especially Foreign ☺ Network Service Providers in Developing Countries)
 - Striving grounds for Telecom Arbitrage
 - Neo-colonialization through telecom economies
- Empower Regulators with Traffic Accounting Verification Systems

CONCLUSION

BRING HOME TO THE ITU

- THE DISCUSSIONS AND RESOLUTIONS ON INTERNATIONAL TELECOM (Interconnection) TRADE
- For the preparation of 2012 World Conference on International Telecommunications;
 - ◆ In the revision of Article 6.13 of International Telecom regulations, the proposal for countries to be **free to levy fiscal tax international telecommunication services** is preferred.
- For ITU-T Study Group 3, which studies tariff and accounting principles including related telecommunication economic and policy issues;
 - ◆ Questions 1 /3 and 2/3 on Development of charging and accounting/settlement mechanisms for international telecommunications services using the Next Generation Networks (NGNs) and any possible future development,...,to recommend countries to be **free to measure traffic of international telecommunications services and set minimum termination rates.**
- For ITU-D Study Groups,
 - Question 12-3/1 on Tariff policies, tariff models and methods of determining the costs of services on national telecommunication networks, including next-generation networks **should support taxation of telecom products and services.**