



Telecommunications/ICT Cost and Tariff Policies: A Decade of Converged Regulation in Tanzania.



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1.INTRODUCTION



The Country.

The United Republic of Tanzania is a union between the Mainland – formerly known as Tanganyika – and the islands of Zanzibar. The country shares its borders with eight neighbouring countries (Kenya, Uganda, Rwanda, Burundi, DR Congo, Zambia, Malawi and Mozambique).

Some basic Facts and Statistics

Area (SK): 945, 000

Population (2012): 44,929,000

Population Density: 51

Population growth rate: 2.7

GDP Growth (2012): 6.4

Exchange Rate: 1USD = 1623.48 Tanzania shillings (TZS)

The Tanzania Communications Regulatory Authority (TCRA) is Tanzania's national ICT converged regulator. It was established by the TCRA Act no. 12 of 2003 as an independent Authority for the Postal, Broadcasting and Electronic communications industries in the United Republic of Tanzania. www.tcra.go.tz



1.INTRODUCTION



The functions of TCRA according to its establishing Act No. 12 of 2003 include the following:

- 1, Promotion of effective competition and economic efficiency;
2. Establishing standards of the regulated goods and services;
3. Protecting the interests of consumers;
4. Promoting the availability of regulated services
- 5. Regulating rates and charges;**
6. Monitoring the performance of the regulated sectors;
7. Monitoring the implementation of ICT applications.



2. SECTOR POLICIES, LEGISLATIONS & REGULATIONS



POLICIES: UNDER REVIEW

National Telecommunications Policy, 1997

National ICT Policy, 2003

National Postal Policy, 2003

National Information and Broadcasting Policy, 2003

Tanzania Development Vision 2025.



2. Telecommunication/ICT Sector Legislations



- **Tanzania Communications Regulatory Authority Act No. 12/2003;**
- **Universal Communications Service Access Fund Act, 2006**
- **Electronic and Postal Communications Act, 2010 (EPOCA) (After repeal of Tanzania Communications Act No.18/1993 Tanzania Broadcasting Services Act No.6/1993)**



Telecommunications/ICT Regulations



1. Universal Communications service Access fund regulations (2009)
2. The Electronic and Postal Communications (Broadband Service) Regulations 2011
3. The Electronic and Postal Communications(Consumer Protection) Regulations 2011
4. The Electronic and Postal Communications(Competition) Regulations 2011
5. The Electronic and Postal Communications (Content) Regulations 2011
6. The Electronic and Postal Communications (Digital, and other Broadcasting Networks) Regulations 2011
7. The Electronic and Postal Communications (Licensing) Regulations 2011
8. The Electronic and Postal Communications (Importation and Distribution) Regulations 2011
9. The Electronic and Postal Communications (Installations and Maintenance) Regulations 2011
10. The Electronic and Postal Communications (Interconnection) Regulations 2011
11. The Electronic and Postal Communications(Telecommunication Numbering and Electronic address) Regulations 2011
12. The Electronic and Postal Communications (Postal) Regulations 2011
13. The Electronic and Postal Communications (Radio Communications and Frequency Spectrum) Regulations 2011
14. The Electronic and Postal Communications (Tariff) Regulations 2011
15. The Electronic and Postal Communications(Type Approval of Electronic Communications Equipments) Regulations 2011
16. The Electronic and Postal Communications (Quality of Service) Regulations 2011
17. The Electronic and Postal Communications(Access, Co-location and Infrastructure sharing) Regulations 2011
18. The Electronic and Postal Communications(Accounting Separation) Regulations 2011



Principles Enshrined in the Cost and Tariff regulations

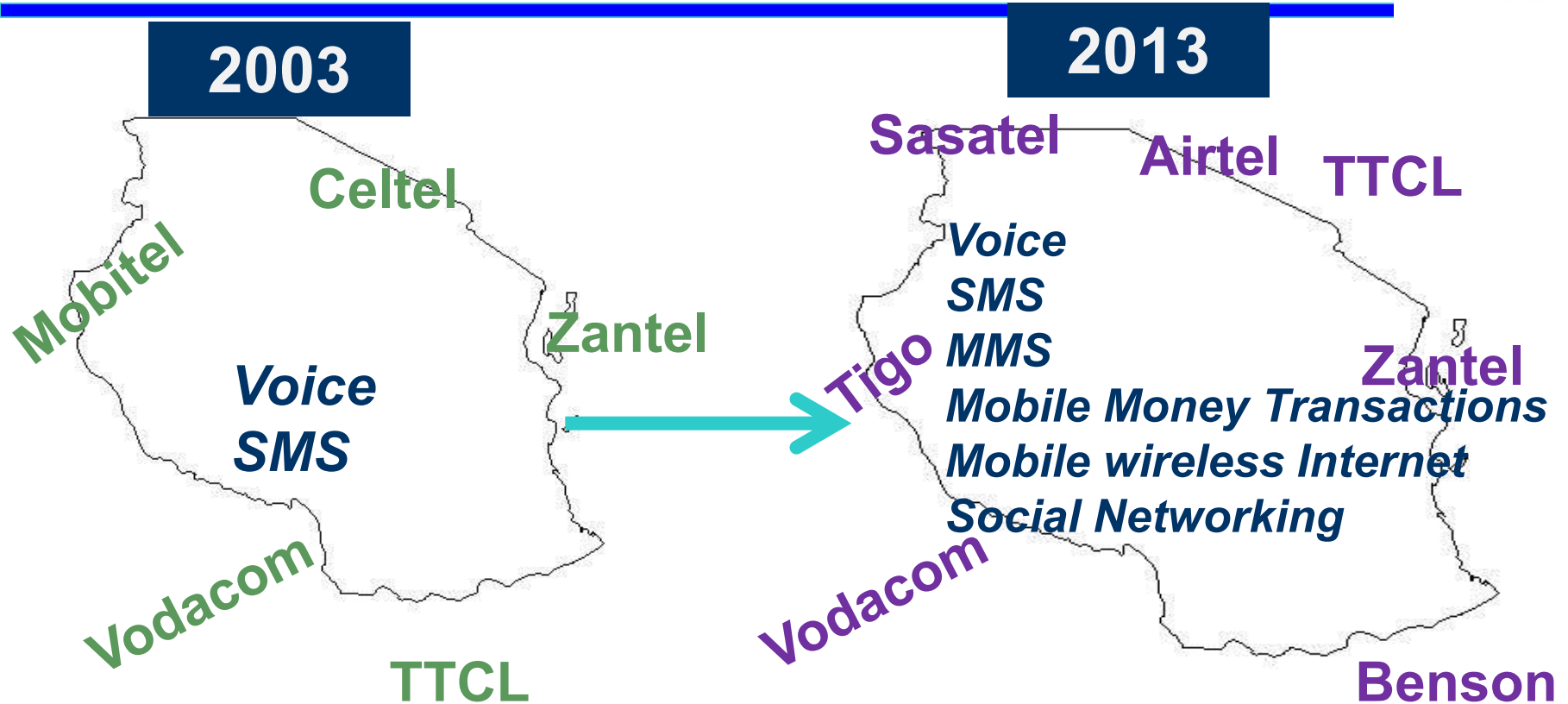


1. Commercial negotiations first
 2. Intervention upon market failure
 3. Open access to essential facilities
 4. Non discrimination & Transparency
 5. Fairness (ROI), Consumers
 6. Cost oriented towards an efficient operator
 7. Economic Efficiency
 8. Fair Competition
 9. Forward looking
 10. Regulation by consultation (public inquiry a must)
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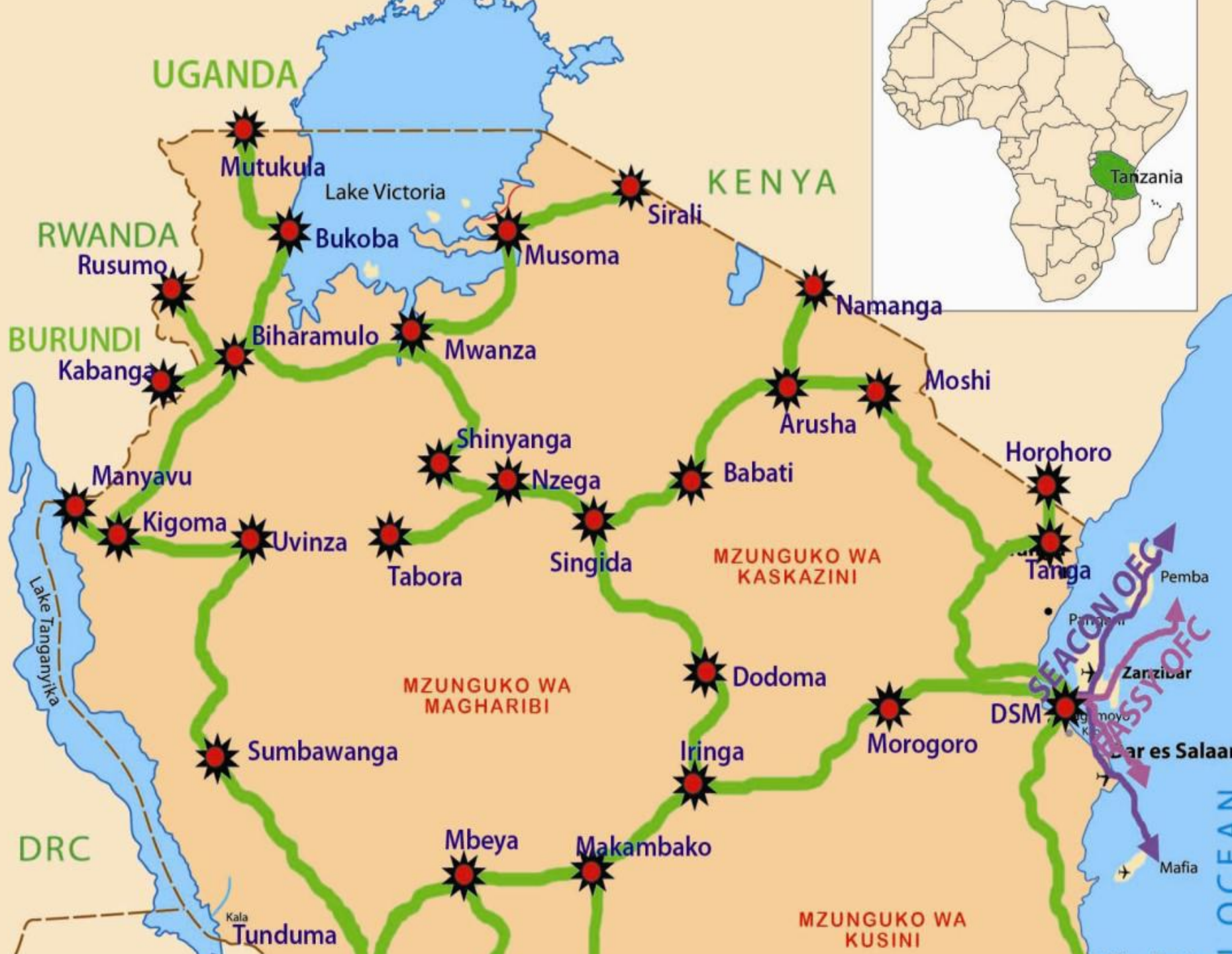


3. Developments in Telecoms/ICT

3.1 Players , Products and Services

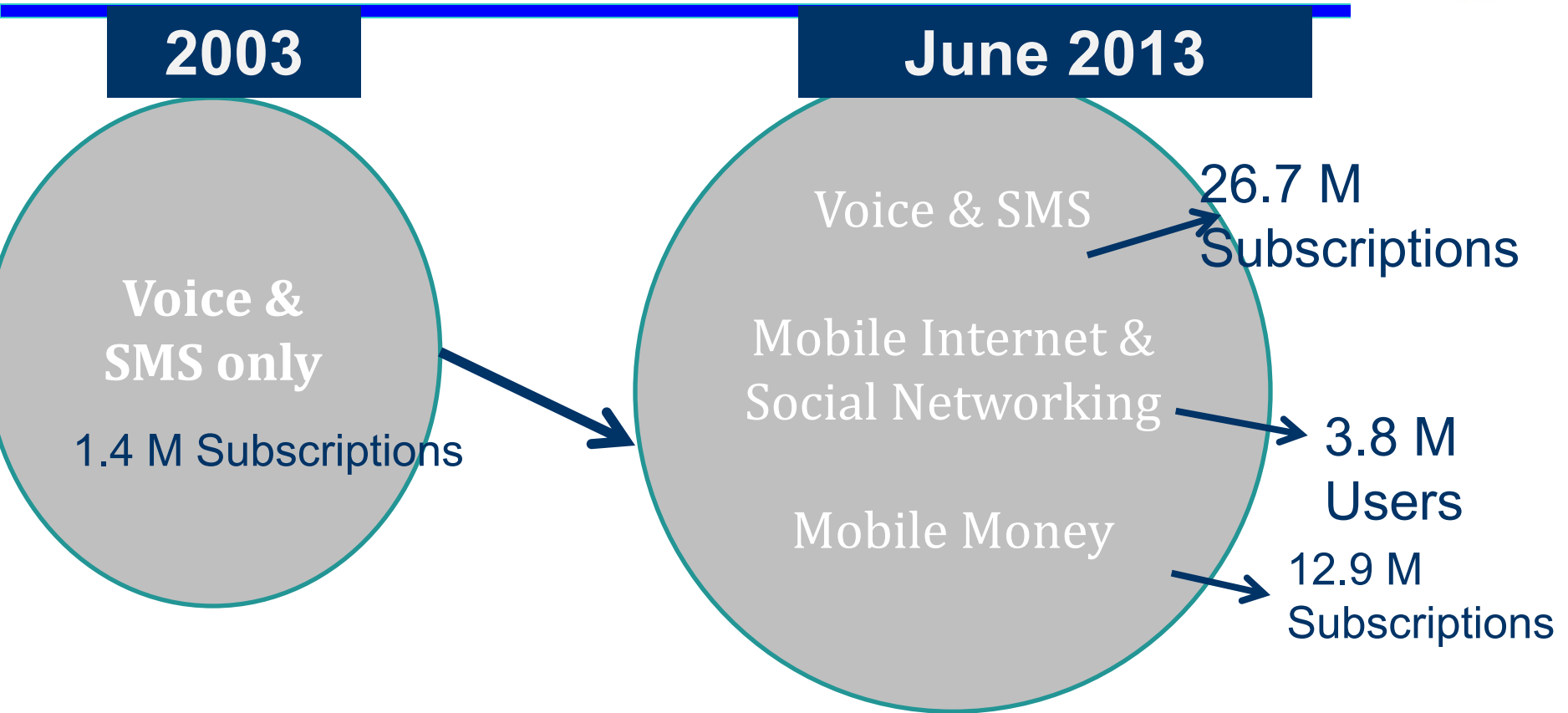


- The increase in the number of players has increased competition
- Competition has led to technological, product and service innovations;
- Increased customer choice in terms of services, products and suppliers.





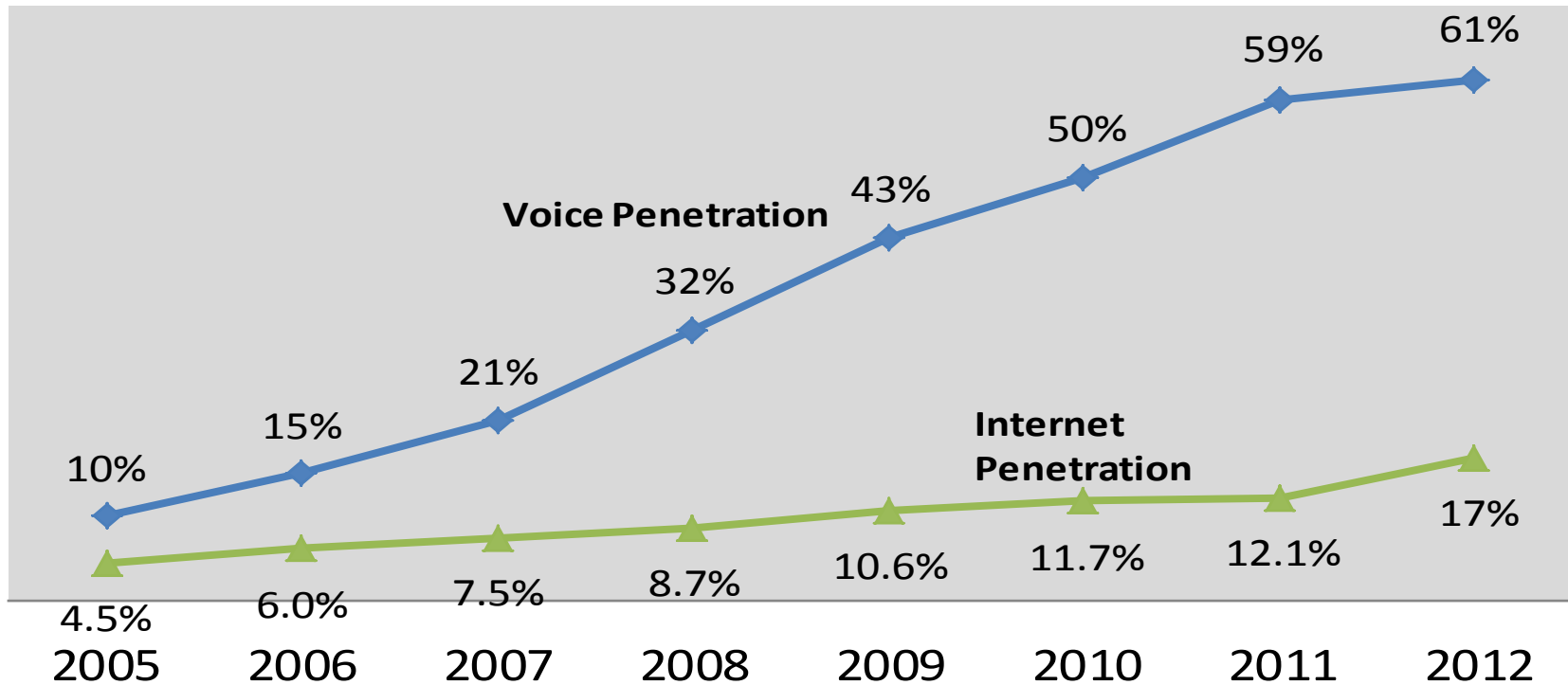
3.2 Uptake of Telecommunication/ICT Services



- Increased availability and access to communications products and services;



3.3 Penetration of Telecom/ICT Services 2005 - 2012



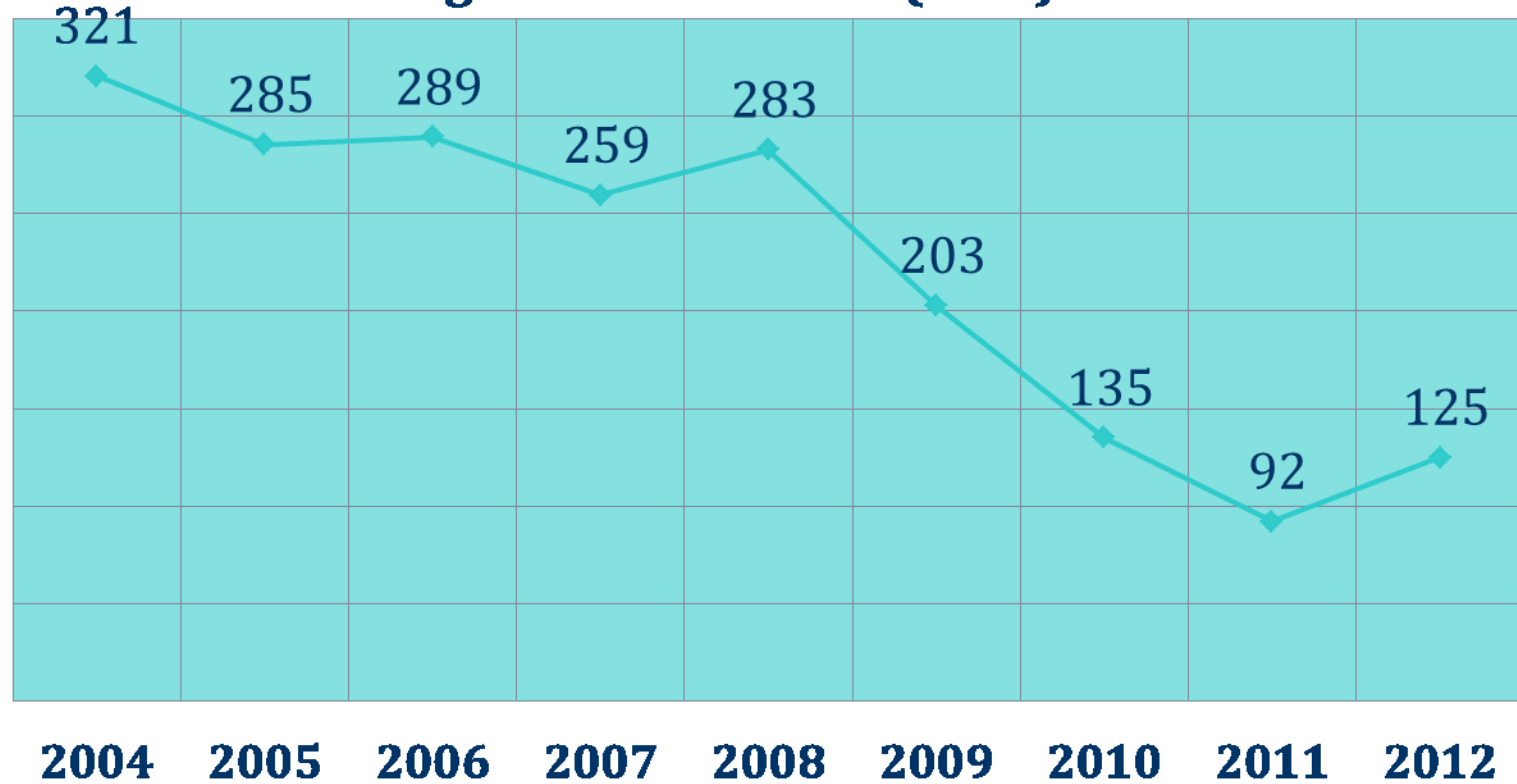
- Increased accessibility
- Easier communications among consumers and business



Voice Telecom Tariffs 2004 - 2012



Average Telecoms Tariff (Tshs)



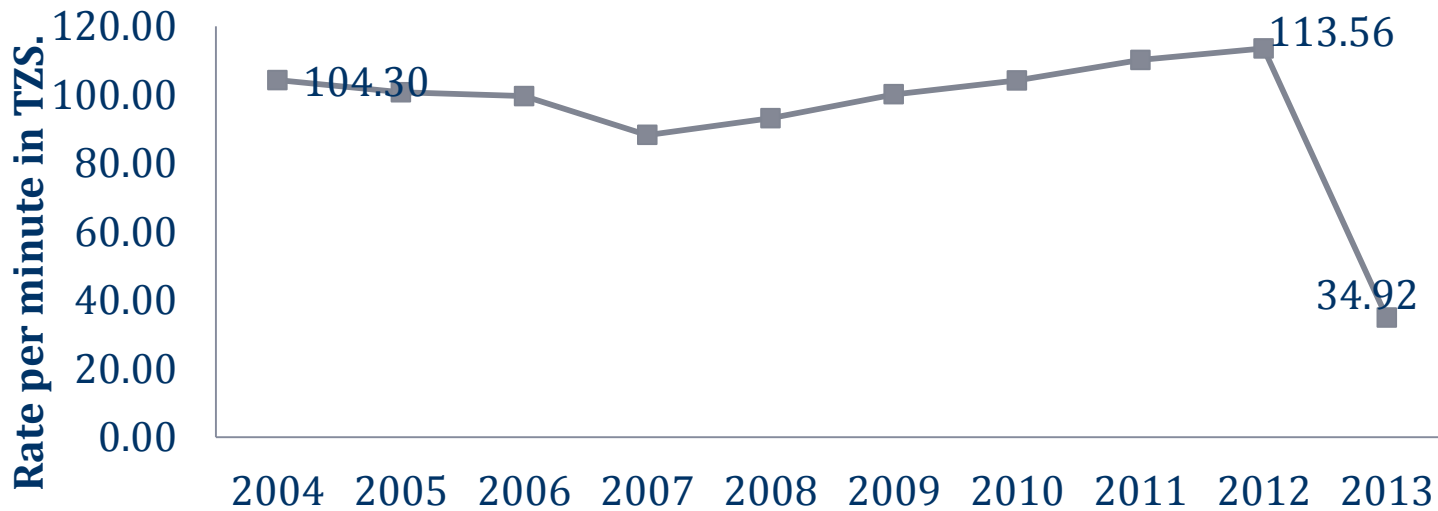
- Competition has reduced voice telecom tariffs



Cost – Oriented Interconnection Rates 2003 to 2013 Determined



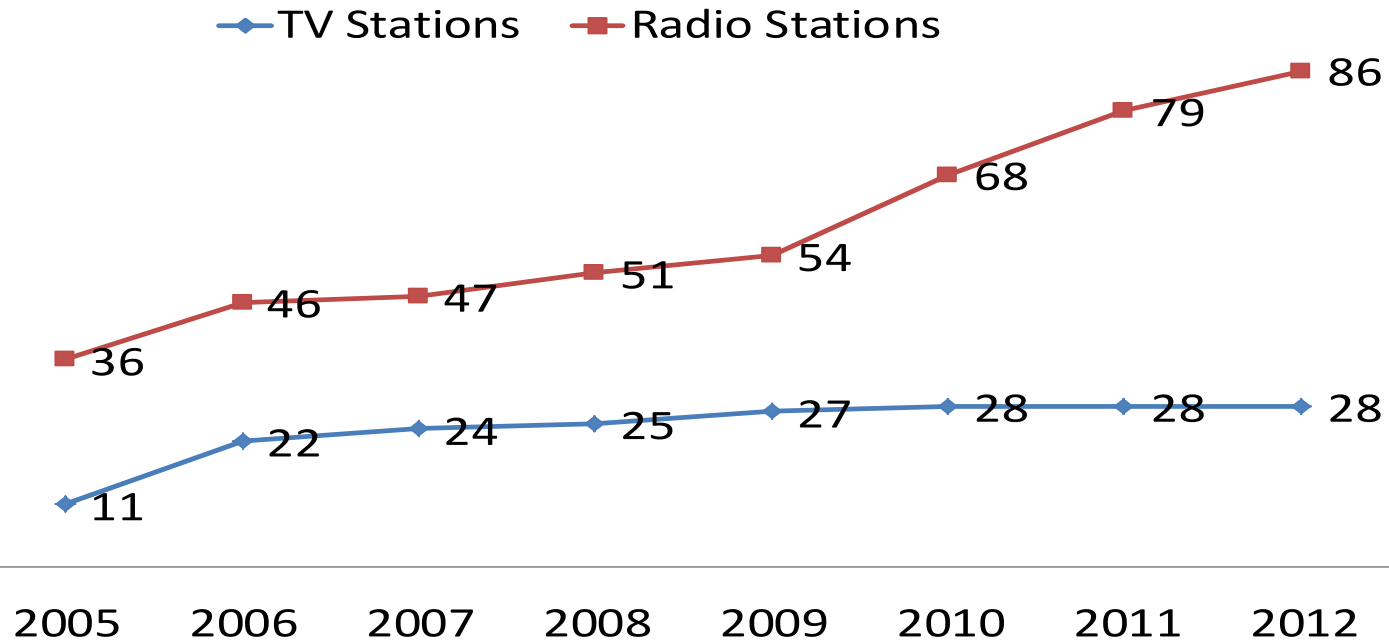
Trend of Interconnection Rates in TZS.



- Rates Determined by TCRA after cost studies
- Ease market entry
- Fair Level Playing Field, Service Providers & Consumers



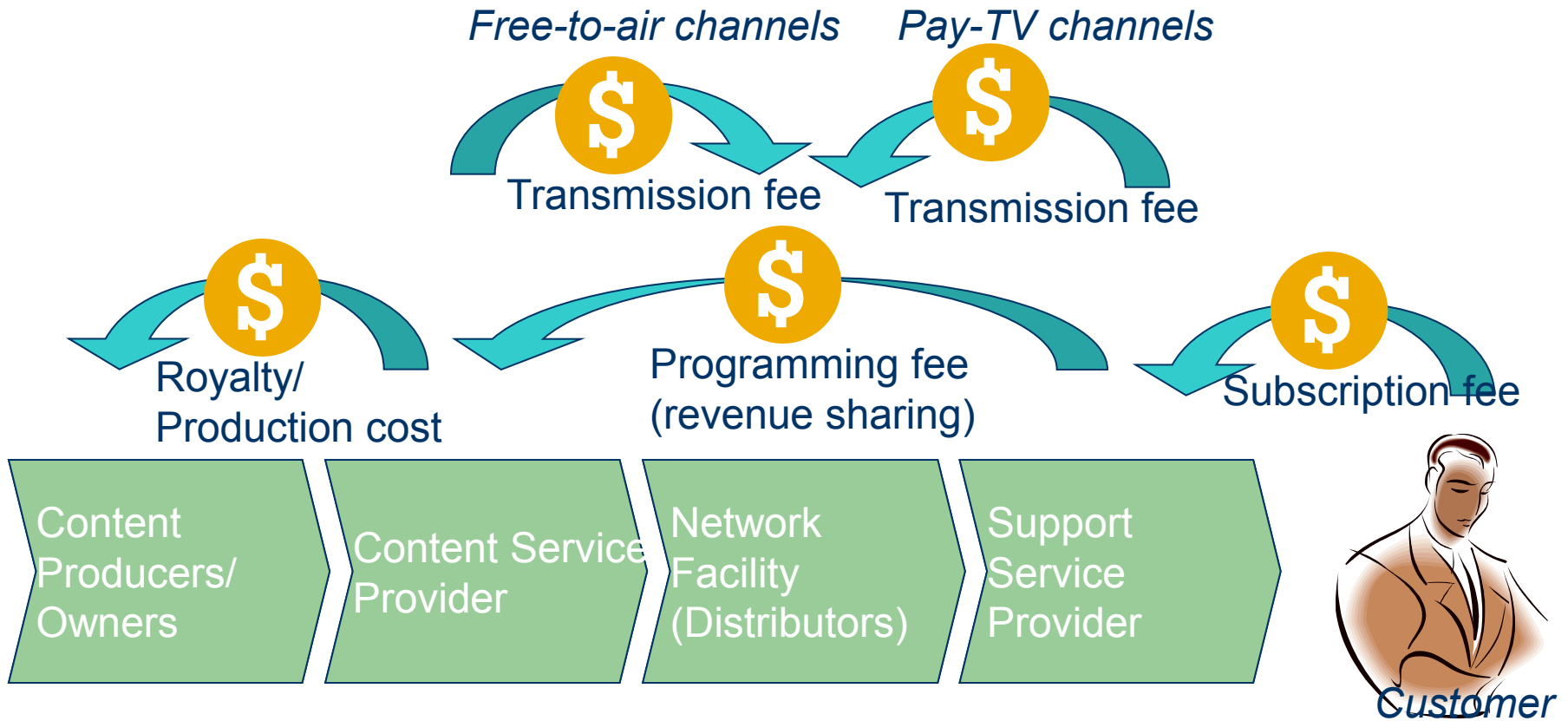
Developments in Broadcasting Sector



- Enhanced Public access to information and knowledge;
- Improved Good governance and transparency



Migration Analogue to Digital :DTT Business Model 2010- 2013





Cost based MUX Access fees Determined



Due to prohibitive and irregular fees imposed by MUX to CSPs; prompted TCRA to intervene by carrying a cost study using the LRIC.

By considering common costs and other indirect cost-related to the operation and transmission of digital television programme, a margin of 10% has been added.

The maximum(ceiling) cost of carrying one digital television programme (content channel) on a multiplex per month was determined **USD 3,766.42**



Cost methodologies considered



Methods which were Considered to estimate costs include the following:

- Marginal Costs;
- Stand Alone Costs (SAC);
- Fully Distributed Costs (FDC) or Fully Allocated Costs (FAC);
- Forward Looking-Long Run Incremental Costs (FL-LRIC).-this is one adopted in TZ to determine wholesale Tariff.



Cost Components Considered



Based on the LRIC methodology, the cost components Considered:

- Network related Capital Expenditure (CAPEX)-
Method used **CAPEX Estimation and Annualization**
- Network related Operating Expenditure (OPEX)-
Opex Estimation
- Weighted Average Cost of Capital (WACC)-
Estimation
- **Network Related Cost Estimation**



Challenges



- Lack of some key data in the market such as Current Market Value of Assets & WACC components
- Inadequate Internal Capacity to carry out cost studies
- Costly undertaking 2004, 2007 & 2013
- Disputes and court cases (Due Process)



Conclusion



- ✓ The LRIC based interconnection rates and MUX transmission fee reflects the levels of costs that would be incurred in a competitive market.
- ✓ Competition ensures the interconnecting networks and MUX operators achieve a normal profit over the lifetime of the investment (i.e. the long run) and efficiency of the network.
- ✓ Interconnection charges and the DTT transmission fee modeling adopted bottom up approach so as to take into account rollout plans, network topology, value chain and available information on the current market value of assets.
- ✓ Retail Tariffs are determined by the competitive market.



Appreciation



Asanteni kwa Kunisikiliza
Thank you for your Attention !

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