



Consumer Council of Fiji

www.consumersfiji.org

24 April 2019

The Chief Executive Officer
Fijian Competition and Consumer Commission
Employers Hub Building
42 Gorrie Street
Suva

Dear Sir,

RE: Rate Review on Local Interconnection Rates

Warm Greetings from the Consumer Council of Fiji!

Please find attached the Council's submission on the Rate Review on Local Interconnection Rates.

We sincerely hope the issues raised and the recommendation in the submission will be given a favourable response.

We would be happy to provide further clarifications should these be required.

Yours sincerely,

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Ms. Seema Shandil
Chief Executive Officer



A Submission to the

Fijian Competition and Consumer Commission

on

the FCCC Rate Review on Local Interconnection Rates

24 April 2019

1.0 Role of Consumer Council of Fiji

The Council has statutory obligations under *the Consumer Council of Fiji Act (Cap 235)* to ***“to do all such acts and things which it may necessary or expedient to ensure that the interests of consumers of goods and services are promoted and protected.”*** The Council is also obliged to advise and make recommendations to the Minister responsible for consumer affairs in Fiji or any other Minister on issues affecting the interests of consumers. The Council is a key stakeholder in the formulation of policies, legislations and standards in the country. The Council being the frontline or first point of contact for consumer grievances has a strong mandate from consumers to express their viewpoints on issues affecting them.

The Council welcomes the Fijian Competition and Consumer Commission’s (FCCC) request for our submission in the Rate Review on Local Interconnection Rates. The Council sincerely hopes that the issues it raises here are given due consideration which are in the interest of consumer justice and fairness.

2.0 Consumer Council’s Submission

Consumers are the single largest group impacted by any economic decision, and in a challenging fiscal environment, we believe it is particularly important for the government to consider the concerns of Fijian consumers while reviewing the interconnection charges. The following are important considerations.

2.1 Telecommunication in Fiji

Fijian citizens rely heavily on telecommunication services in order to stay connected in an increasingly globalized society. Fiji has managed to secure its position in enticing some internationally renowned Information and Communications Technology (ICT) investors to locate their back office operations in Fiji. The government offers ICT attractive incentives and dedicated zones to promote the development of the industry. In addition, Telecommunications and ICT in general is one of the most rapidly growing and cross-cutting sector in the world. Fiji’s strategic location and as one of the most advanced economies in the Pacific, carries greater advantage of stimulating the industry to much higher levels.

In today’s world, the performance of an economy is heavily dependent of the availability and exchangeability of information between the internal and external players in the market. This is clearly evident by the developed countries which have well advanced telecommunication infrastructure and services, thus, are enjoying fairly well economic growth and stability.

Interconnection rate refers to the fee for interconnecting telecommunication networks. Telephone services by nature require interconnection among various fixed-line and mobile service providers for smooth phone services. Therefore, interconnections plays a vital role in having a competitive and dynamic telecommunication market. It also serves the as a mechanism to globalization and universality by making basic telecommunication service accessible to a larger number of consumers.

2.2 Information and Communications Technology

A world-class international connectivity via the Southern Cross Cable fiber optic networks gives Fiji competitive edge in the globalized on-line world. Fiji is the hub of the South Pacific Telecommunication network and focal point of regional business activity which in turn is the lifeblood of national development. This is also driven on the fact that telecommunications is one of the major ingredients of successful businesses.

2.3 Mobile Telephone Services

ICT has drastically changed in terms of how people work, communicate, learn and live. It is a bargaining chip for economic, political, societal and interpersonal transactions and interactions which have significantly changed the consumption pattern and now make up a large part of household budget. One such technology is mobile phones which has become a necessity for many people throughout the world. The ability to keep in touch with family, friends, business associates, and access to email are only a few of the reasons for the increasing importance of cell phones, it is a perfect medium to stay connected with others and provide the user with a sense of security.

Having access to mobile connectivity is a necessity. In this digital age, it is rare to find a person who has never used a mobile phone. In a nutshell, mobile phones have become an indelible part of our society.

- Mobile phones make connectivity across distances extremely easy;
- The internet access and other features that smart phones afford us are irreplaceable in some respects;
- For majority of individuals, the cameras that are available to us on mobile phones easily replace digital cameras; and
- We can organize things much easier with our mobile phones.

2.4 Substantial Market Power

Policy makers in Fiji have long back realized the potential of ICTs for development, and recognize that ICTs can be connected 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 age. 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 Digicel, two of the major network operators in Fiji.

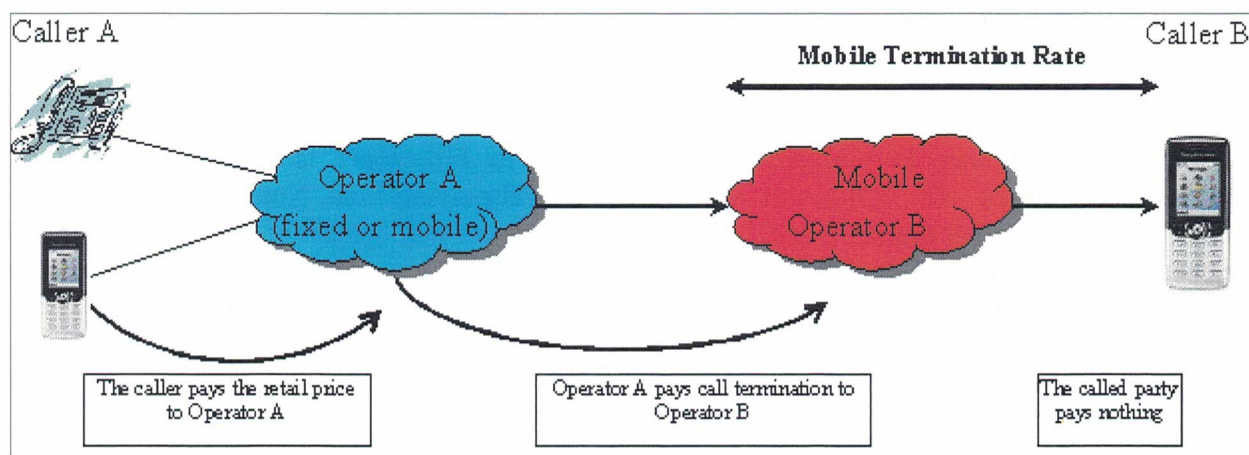
Due to the fact that competition in the Fiji market is yet to reach its optimal levels, there would have been a high risk of mobile phone rates increasing uncontrollably should interconnect rates are not regulated. Although there are four mobile telephone providers in the country (Vodafone Fiji, Digicel, TFL and Inkk), due to ownership structures the sector is still dominated by companies belonging to one entity – Amalgamated Telecom Holdings Limited (ATH).

ATH has substantial market power in the mobile phone sector as it owns Vodafone Fiji and TFL. It also has 100% ownership of the Fiji International Telecommunications Limited (FINTEL) which has substantial control of telecommunications facilities into and out of Fiji, and the provision of internet connection and internet related services in the domestic market. Vodafone holds the biggest share of the mobile phone sector while Digicel comes in second. TFL provides Connect Nomad (CDMA) mobile services and is the monopoly provider of fixed-line telephone services.

3.0 How Call Termination Works

The diagram below illustrates how the call termination works.

Figure 1: How Call Termination Operates



Source: Telecommunication Regulatory Authority of India, 2009.

When *Caller A*, who is a subscriber of Operator A's service calls *Caller B* who is an Operator B's Subscriber, this results in an interconnection. *Caller A* will pay Operator A the agreed retail price and the call will be terminated to *Caller B* through the Operator B's network. Therefore, the Operator A will pay Operator B a termination rate.

Currently, there are interconnection charges in Fiji which are authorized by Fijian Competition and Consumer Commission (FCCC). The rates authorized are as follows:

Figure 2: Current Local Interconnection Rates

Description	Rate Per Minute (FJD)
Local Interconnection Rates	
Mobile To Mobile Network Termination Rate (MTM)	0.08
Mobile To Fixed Line Network Termination Rate (MTF)	0.05
Fixed Line To Mobile Network Termination Rate (FTM)	0.08
SMS Messages (Per SMS)	0.06

Source: Fiji Commerce Commission, 2016.

The table below shows the proposed rates by Telecom Fiji Limited (TFL) in relative to the current rates and the percentage change which can incur.

Figure 3: Proposed TFL Interconnection Rates

Description	Rate Per Minute (FJD)	Proposed Rate Per Minute (FJD)	Percentage Change
Local Interconnection Rates			
Mobile To Fixed Line Network Termination Rate (MTF)	0.05	0.08	60%
Fixed Line To Mobile Network Termination Rate (FTM)	0.08	0.05	-38%

Source: Consumer Council of Fiji's Analysis, 2019.

4.0 Number Portability

In order for the Number Portability to be introduced in Fiji, there is a need for uniform interconnection charges. This will ensure that there is a level playing field. Number portability will enable a more competitive market place, from which consumers will benefit in form of lower retail price, better product quality, and innovation. Therefore, in order to reach that level, we need a uniformity in interconnection charges.

5.0 Complaints

The Council continues to receive complaints on some unfair trade practices employed by telecommunication companies over the years. Consumer Council has registered a total of 123 formal complaints with a monetary value of \$3,379.61 FJD in respect to telecommunication (mobile and fixed line) services from 2010 to date.

Figure 4: Complaints against Mobile Services

Year	Registered complaints			
	ADR (all modes)	ADR (NCH)	TOTAL	Monetary Value
2010	17	n/a	17	\$ 625.83
2011	22	n/a	22	\$ 2,366.14
2012	1	n/a	1	\$ -
2013	5	n/a	5	\$ 9.00
2014	5	n/a	5	\$ 110.28
2015	4	n/a	4	\$ 102.98
2016	6	10	16	\$ 132.38
2017	1	19	20	\$ -
2018	4	16	20	\$ 33.00
2019	1	12	13	\$ -
TOTAL	66	57	123	\$ 3,379.61

Source: Primary Study – Consumer Council of Fiji, 2019

Some of the recurring complaints are:

- Poor mobile network.
- Wrongly charged for calls not made
- Exorbitant charges on mobile services
- Misleading advertisements (posters/flyers and text messaging).

6.0 Recommendations

FCCC has called for submission from stakeholders where the Council is purely basing its views and recommendations on any change that can impact consumers' interest in the marketplace.

The Council recommends:

6.1 That the MTF and FTM charges should be maintained, if not further reduced. Providing termination services is a service to operators' own customers as the ability to make and receive calls to/from other networks is a benefit to operator's own subscribers. This implies that a high MTF and FTM is reducing the value which the operator provides to its own subscribers by making and receiving calls to and from other networks more expensive.

A reduction or maintaining the current MTF and FTM would provide consumers with potential several benefits, such as reductions in domestic interconnections rates which would reduce the off-net, call termination costs to originating operators, and therefore, should allow for potential reductions in average retail call prices and perhaps to even a greater degree, in the average retail call for off-net calling (where such differentials may exist). The proposed scenario would have an opposite impact.

There is debate as to whether the savings associated with lower call termination costs would be passed on to consumers, since an operator's cost savings are offset to one degree or another by reduced revenues from the call termination services provided on its own network. Thus, the net benefit to consumers could be limited to some degree. This potential outcome or effect is referred to in the regulatory economics literature as the "*waterbed effect*".

Furthermore, the extent reductions in interconnection rates lead to lower average retail calling prices, increased usage fixed services by end-users should also be expected, based on the direct price elasticity effects of a price decrease. For instance, if reduced interconnection rates result in lower retail off-net calling prices, then increased off-net call volumes would be expected. The reduction in retail off-net call prices would result in a decrease in the off-net/on-net differentials (to the extent they exist), which would promote greater inter-operator (intra-modal) competition as well as fixed-mobile competition (inter-modal) competition.

Moreover, the extent that reduced interconnection rates lead to lower average retail prices, increased take-up of both fixed and mobile wireless services could be expected. This will contribute towards the development of the Fijian Telecommunication industry in terms of subscriber base.

6.2 The FCCC to monitor and evaluate all plans of Telecom Fiji Limited (subject to review) which were incorporated in their submission(s) prior to the changes of Local Interconnection Rates.

7.0 Conclusion

A key responsibility of the regulatory bodies, FCCC and Telecommunications Authority of Fiji (TAF), is to ensure that telecommunication operators feel the competitive pressure to meet the needs of consumers, particularly for affordability and quality of service. With the remarks provided in this submission, the Council reiterates its stance that the charges should be maintained or further reduced, and if possible, have a uniform interconnection charges to allow introduction of Number Portability in Fiji.