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PERISA Case Study **4** Private Sector

Regional Co-operation in the Telecommunications Sector via CRASA

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This case study examines the telecommunications sector in Southern Africa and the role that the Communications Regulators' Association Southern Africa (CRASA)¹ plays in encouraging policy harmonisation between member states of the Southern African Development Community (SADC).

Traditionally policy harmonisation in SADC has been a very difficult process, with few successes being achieved. The case study attempts to identify the reasons for the success of CRASA. The interesting aspect of this particular case is that large telecommunication companies, like Vodacom and MTN, participate actively

within the policy harmonisation process despite already having large footprints throughout Southern Africa, and being in a position to arguably dictate the direction taken by the industry. Their participation has a positive impact on the region and sets a certain standard for other industries.

1 Unfortunately, CRASA itself was unavailable to participate in this case study. Interviews were conducted with staff at Vodacom, who participate within the South African delegation to CRASA.

CONTEXT

CRASA was established under the Protocol on Transport, Communications and Meteorology of 1997 by the national telecommunications regulators in Southern Africa. CRASA is an implementing agency of SADC, as the secretariat cannot become involved in the implementation of regionally agreed policies. CRASA aims to harmonise the information and communications technologies (ICT) sector in SADC in order to maximise the benefits the sector can offer to economic growth and social development. An integrated region, which boasts a regional regulatory framework, is more likely to attract investment than a fragmented one.

The ICT sector includes diverse areas such as telecommunications and broadcasting. CRASA further includes the closely related postal sector, following a merger in June 2011 with the Southern Africa Postal Regulatory Association. Apart from providing a platform at which national regulators can discuss regional policy harmonisation, as an organisation, CRASA plays an advocacy role at the SADC Secretariat for all new industry development needs that would arise out of the ITC, telecommunications and the postal services.

CRASA is an intergovernmental organisation and company-level participation therefore has to occur via government delegations. Most governments in the region have permanent representatives from the large telecommunication companies in their delegations. The industry actors themselves are represented via the Southern African Telecommunications Association, which is based in Mozambique.

Telecommunications policies today are set increasingly at the international level, although national governments still have to maintain national policy coherence and implement policies. Internationally, there has also been a shift away from monopolistic national telecom companies towards an open, competitive market in which large multinational companies are active players. These companies often exert significant influence over governments, as they are large tax contributors and employers, and key to growth and development. This is the case throughout the SADC region.

CRASA'S role may be outlined as follows:²

CRASA liaises with other regional and international organisations in Africa, Europe, America and Asia and benchmarks its activities to ensure that it is advising the SADC regulators on the latest technologies and best practice. Currently one of its primary objectives is to support the migration to digital technology, both in terms of fibre telecommunications networks and broadcasting technology.

The telecommunications sector in Southern Africa has been among the most dynamic in the world in recent years. Prior to the development of mobile technologies, investment into communication was very low owing to state monopolies over fixed lines, with a resultant low penetration level throughout the region. Today, however, the industry now can not keep up with demand. Although research figures differ somewhat among various reports, it is estimated that only 2.8% of all Africans have a fixed line, whereas around 475 million people now have mobile phones. Annual growth of mobile users in Africa is around 65%, which makes it a very attractive industry for investors. It is expected that by 2017 Africa will account for close to 14% of the global telecommunications market.

However, these figures fluctuate dramatically between countries. South Africa, Kenya, Egypt, Nigeria and some of the smaller booming economies show deeper penetration of both fixed-line and mobile phone users, with poorer, smaller countries lagging further behind. The differences in penetration also result in differences in urgency in terms of harmonisation of regional policies. In some countries where national regulators are weak, as in Swaziland, there is a correlated weaker participation at the regional level. However, in countries where increased mobile penetration has become of critical concern, as in the Democratic Republic of Congo, there is a resultant active participation at the regional level.

2 Sutton G, 2013.

MAIN ACTORS INVOLVED

CRASA has been:³

stressing the importance of harmonisation of regulatory frameworks in the SADC region and has established a broader dialogue among CRASA members and other key stakeholders on various issues that affect the telecommunications and broadcasting service markets. CRASA does achieve its objective to integrate the regulatory frameworks related to the various telecommunications and broadcasting services through the Electronic Communications Committee (ECC), which comprises of experts from CRASA membership who are dealing with telecommunications and broadcasting regulations. ECC assists the Executive Committee in ensuring that the telecommunications and broadcasting sectors maximise their contribution to the region's economic growth and performance. The ECC [therefore] develops model guidelines on telecommunications and broadcasting regulations for the region; ensure[s] that there is harmonised development and application of telecommunications and broadcasting technologies and provide[s] [a] baseline for future research and development of the telecommunications industry in the region; and provides a platform for debates on policy and regulatory issues concerning telecommunications and broadcasting industry.

The private sector participates within various government delegations. It is often found that the national regulators do not always have expertise over new developments within the telecommunications, broadcasting and postal services. As such, they then invite industry experts and actors from the private sector to develop and put forward a national position or perspective.

A case in point is the recent and ongoing debate regarding international roaming charges. Debate surrounding the lowering of tariffs has been ongoing at the CRASA level since 2008. At the start of 2013 the secretariat ministers adopted the CRASA Secretariat's proposed guidelines. None of the SADC states has as

yet translated these guidelines into national policies or regulations, but this process does normally take a significant amount of time. Several of the delegations at CRASA benefitted from the participation of the large mobile telecommunications provider companies, which could advise and negotiate based on experience gained in other parts of the world.

Who is blocking or enabling the process?

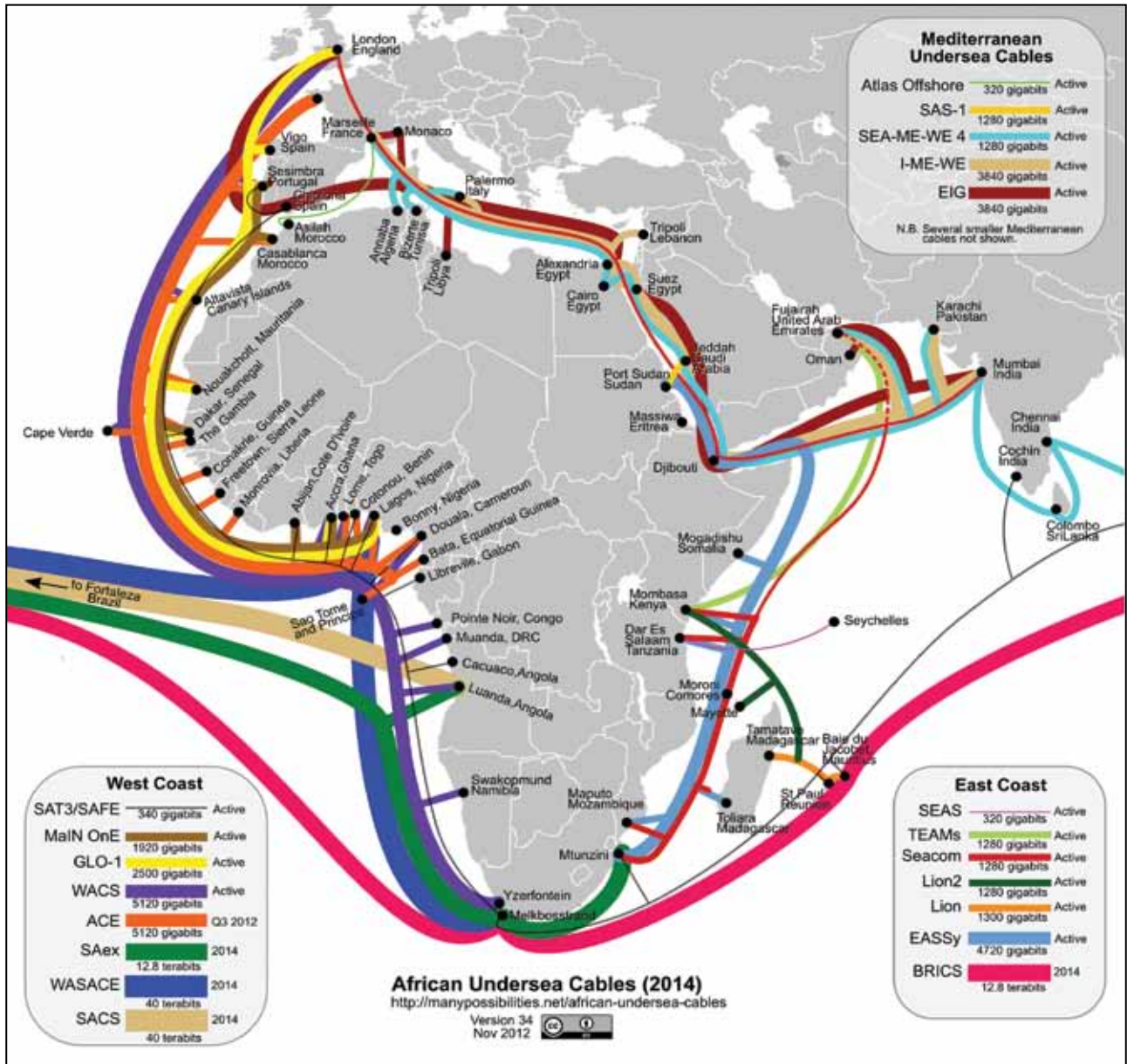
It is generally accepted that harmonisation within telecommunications is a desirable outcome for all SADC member states. The process is, however, blocked by both national incompetencies to transpose regional agreements into national law and by preparations for the services negotiations, in which many of the regulatory issues within the telecommunications sector will come to the fore. Given that telecommunications is a critical factor in the economic and social development of member states, the governments are understandably anxious to ensure all policies and agreements will lead to their national development. This concern can result in delays, as various departments of national governments consolidate their positions for various forums.

SADC is still lagging behind other regional economic communities in Southern Africa in terms of its integration agenda. For example, in the East African Community, regional legislation can trump national legislation in order to promote further regional integration and an investment platform. There is strong recognition that telecommunications is a critical catalyst in all areas of economic development.

The digital migration policy in SADC is another case in point where CRASA has played an active and driving role in ensuring that the region is on board and on track to implement the new policy. It is, however, at the member-state level that delays are being registered. Although South Africa is a keen promoter of the digital migration policy, and actively supported by its private sector, it does not have another two or three states, with equal amounts of economic clout and private-sector support, to push such a policy forward. The level of development as well as the lack of sophistication and capacity of other member states' regulators often holds South Africa's ambitions ransom.

3 CRASA, 'Electronic communications', <http://www.crasa.org/crasa-content.php?cid=18>.

Figure 1: African undersea cables



Source: Many Possibilities, 'African undersea cables', November 2012, <http://manypossibilities.net/african-undersea-cables>.

Who are the beneficiaries, the losers?

SADC consumers are ultimately the beneficiaries. Deeper penetration of telecommunication services can contribute significantly to economic and social development.

According to Stern, Truen and Ramkolowan:⁴

A 2008 study examined the price performance of a sample of SADC states against a comparable peer group. It found that the SADC countries had dial-up

⁴ Stern M, Truen S & Y Ramkolowan, *SADC Trade in Services: Negotiating the National Interest*, Occasional Paper, 93. Johannesburg: SAIIA, 2011.

internet prices that were 88.6% higher than the average for the peer group, and mobile telephony prices that were 25.2% higher.

Already the telecommunications sector is a significant contributor to employment opportunities. Data from 2011 shows that 7.4% of the labour force in Mauritius was employed in telecoms, with 5.6% in South Africa and 3% in Botswana. The region as a whole has a growing youth population who need to be assimilated into the job market. With rapid changes and development with smart phones and mobile platforms, it is hoped that the telecommunications sector can absorb even larger amounts of workers in the near future. This, however, depends on penetration rates of such technology, and the regulators have a critical role to play in creating an enabling environment.

The state monopolies in the fixed-line industry are the potential losers from a region-wide, harmonised policy on telecommunications, which will attract large-scale investment in mobile technology platforms. In some instances, like in South Africa, the long protection period granted to the state operator Telkom only served to harm the industry rather than protect employment opportunities.

External actors?

As discussed, increasingly the regulatory environment for the telecommunications sector is set at the international level. However, a highly sophisticated and vocal European and North American consumer body through various associations often drives processes at the international level. It is through the advocacy and efforts of European consumer bodies that the issue of roaming costs made it onto the European Regulatory Association table, which eventually had a spill-over effect to Southern Africa. It can, therefore, be argued that at least on some issues, international consumers play a role in agenda setting at the CRASA level.

PRIVATE-SECTOR PARTICIPATION

A study conducted for a PhD thesis by Annemijin van Gorp at the University of Pennsylvania argues that:⁵

⁵ Van Gorp A, 2008.

CRASA has two primary mechanisms of influence on national ICT policy and regulation making in its member states, namely through capacity building and policy lobbying. The learning processes that take place through these mechanisms can potentially lead to converging perspectives across the region about regulatory principles that in turn will be used in national regulation and policy-making processes.

The thesis interviewed private-sector operators extensively on many aspects, including their participation in and influence over CRASA. It emerges that the industry is frustrated by the lack of regular invitations being extended to all private-sector operators, and that companies need to wait for an invitation via their national regulator before they can give active input. Although the outcomes of CRASA are followed closely, there is an increasing trend to rather apply for and participate within international forums and organisations. There is, however, recognition of the critical role that CRASA plays in exposing SADC regulators to international trends and to creating an environment within which policies can be formulated.

Apart from the national level, CRASA is the next level at which policy formulation has direct influence. It is for these reasons that the private sector will continuously aim to access, influence and inform delegations to CRASA, regardless of its economic clout and position within the region.

Figure 2: Cellphone technology assists African farmers



Source: Left Brain/Right Brain Productions, 'Cell phones and soap operas break down gender barriers', <http://lbrbproductions.com/wp/2013/03/08/cell-phones-soap-operas-break-down-gender-barriers>.

CONCLUSION

The private sector has been very active at the regional level through forming part of government delegations to CRASA deliberations. Although there is some frustration regarding their official and consistent participation, there is strong co-operation among both firms and governments. Policy transposition lags behind, as is the case with most regional efforts, but the element of competition among the private sector on issues like roaming costs ensures that there is a level of urgency in implementing regionally agreed guidelines. Another push factor comes from the ongoing trade in services negotiations both at the World Trade Organization and within SADC.

The keen interest of the private sector in general, and large telecommunication companies in particular, in CRASA and its outcomes to a certain extent validates regional processes, which has a positive impact on functional regional integration.

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