Title:

Regulatory Impact Assessments as a new form of governance in the South African communications sector: the case of Call Terminations regulations

Topic:

This paper primarily explores the impact of Call Termination regulations on the RSA comm’s sector and the need for the introduction of Regulatory Impact Assessments (RIAs). The paper will further consider the implications of this for regulatory governance functions within regulators and communication network operators.
Purpose of Research

• Main purpose is to illustrate that RIAs can be done with limited information, and
• even a RIA that is limited in scope, will improve the quality of regulations

• Key aims of this research are therefore
  – to analyze the impact of regulation on the communications industry and
  – to assess its implications for existing regulatory governance
Observed phenomena – an increase in regulation

What is the impact on industry players?

What are the implications for operators and policy makers?
Design & Methodology

• Used qualitative and quantitative research approaches which include a case study, observations, document studies and content analysis

• The case study involves a financial model to quantify the impact of Call termination regulations

• An examination of emerging trends and best practices with regards to the objectives, benefits and implementation of RIAs
Conceptual Framework

- **Government (Policy makers)**
  - Use regulation as a tool

- **Regulation**
  - To influence market behaviour

- **Regulated Industry**
  - Use RIAs to determine impact of regulation

- **Public Interest**
  - To promote public interest

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Findings

• Our research illustrates that even with only limited publicly available information, some form of RIAs can be done

• The Call Termination regulation may have a potentially large negative impact on the communications industry with a limited upside

• There is a danger in implementing regulation without understanding its impact especially where other regulatory alternatives may have been more efficient in stimulating consumer welfare
## Findings

### Estimated Impact of CTR reductions over 4 Years

<table>
<thead>
<tr>
<th>Description</th>
<th>Nett impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>Voluntary reduction 2010</td>
<td>-R1.79bn</td>
</tr>
<tr>
<td>Consumer benefit</td>
<td>+R1.37bn</td>
</tr>
<tr>
<td>ICASA MTR reduction 2011/13</td>
<td>-R1.86bn</td>
</tr>
<tr>
<td>Consumer benefit</td>
<td>+R1.50bn</td>
</tr>
<tr>
<td>ICASA FTR reduction 2011/13</td>
<td>-R0.bn</td>
</tr>
<tr>
<td>Consumer benefit</td>
<td>+R0.bn</td>
</tr>
<tr>
<td>Overall Industry nett impact</td>
<td>-R3.6bn</td>
</tr>
<tr>
<td>Consumer benefit</td>
<td>+R2.8bn</td>
</tr>
</tbody>
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Research Limitations

• Lack of access to network & financial information on operators
• Various sets of assumptions that may not be reflective of the actual data and developments
• This research is limited to an assessment of the direct and primarily financial impact
• Future research should include the economic impact as well as an assessment of the potential indirect impact
Practical Implications

• The paper illustrates how a RIA can be done

• Three key practical contributions
  – the need for regulators to develop capabilities around regulatory impact assessments,
  – the need for operators to develop capabilities around regulatory impact assessment,
  – the need for a working relationship between the operators and the regulator
Value of Paper

• 1st public study for developing countries in general and for SA in particular
• Paper quantifies the impact of an economic regulation (call termination) on the communications industry
• It demonstrates the real costs associated with implementing regulation
• Provides a model for implementing RIAs and a transitional model to best practice
Sophistication & value creation

Regulatory Mindset & use of RIAs

Under-developed
- Limited understanding of direction of the financial and non-financial impact of regulation. No systematic use of tools & models to determine impact

Common practice
- Understand the financial & non-financial impact of regulation on some stakeholders. Fail to consider indirect impact of regulations. Incorrect assumptions

Best practice
- Clear understanding of both financial and non-financial impact of regulation on all major stakeholders. Consider indirect impact. Appropriate use of assumptions and scenario analysis