

Title:

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

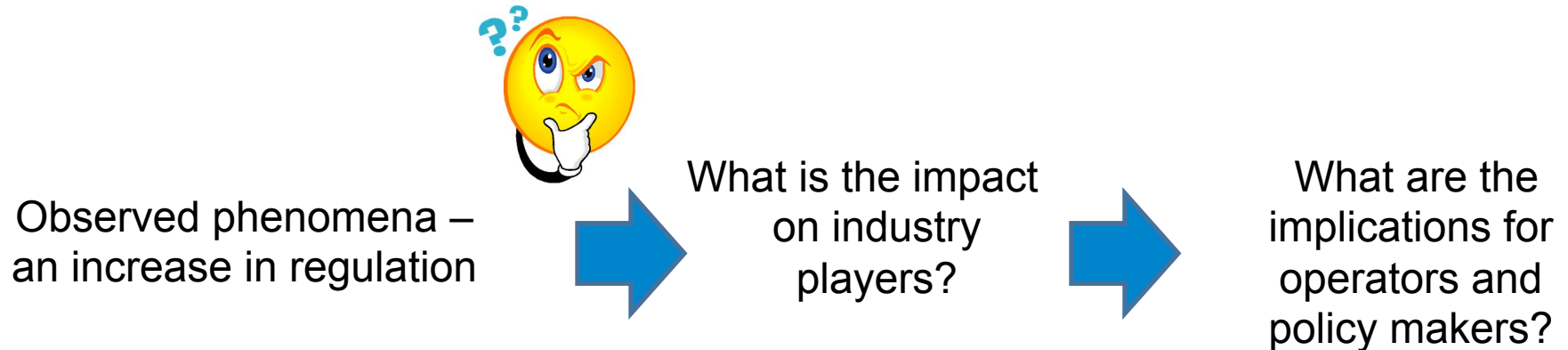
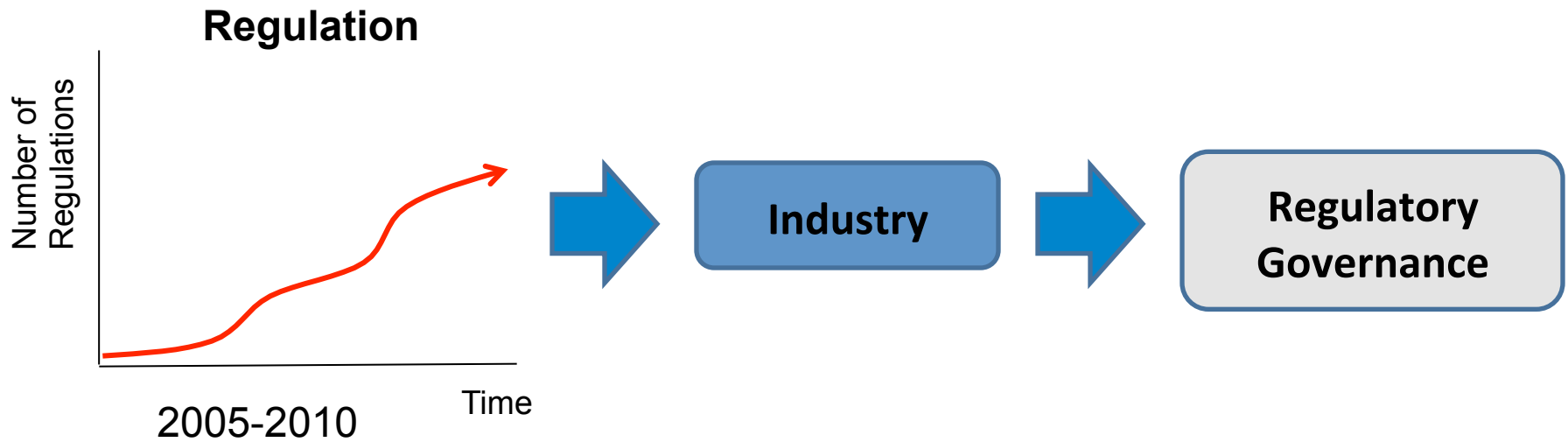
Topic:

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

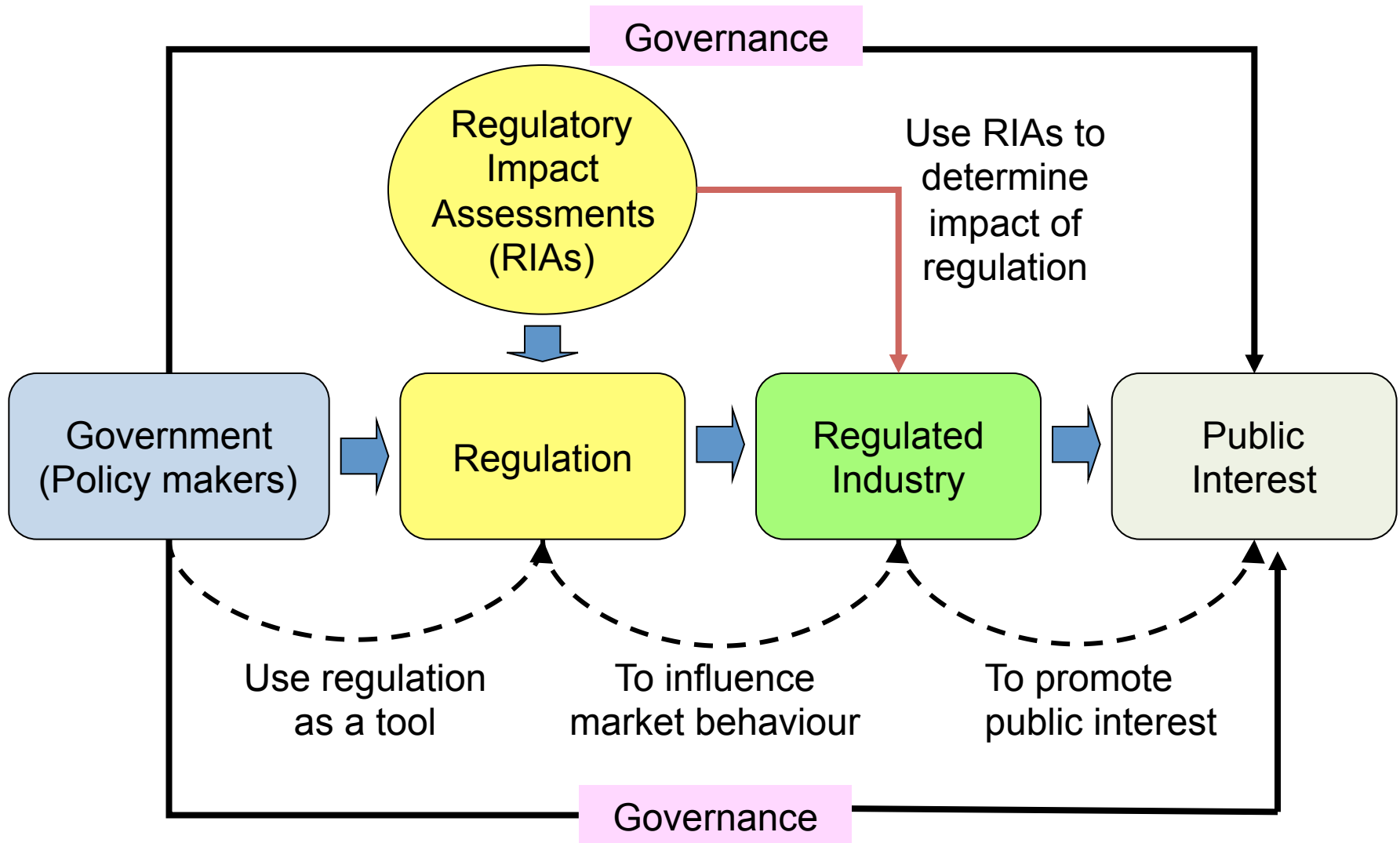
Origins of Research Paper



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



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 | |
|---|-------------|
| | Nett impact |
| Voluntary reduction 2010 | -R1.79bn |
| Consumer benefit | +R1.37bn |
| ICASA MTR reduction 2011/13 | -R1.86bn |
| Consumer benefit | +R1.50bn |
| ICASA FTR reduction 2011/13 | -R0.bn |
| Consumer benefit | +R0.bn |
| <hr/> | |
| Overall Industry nett impact | -R3.6bn |
| Consumer benefit | +R2.8bn |

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

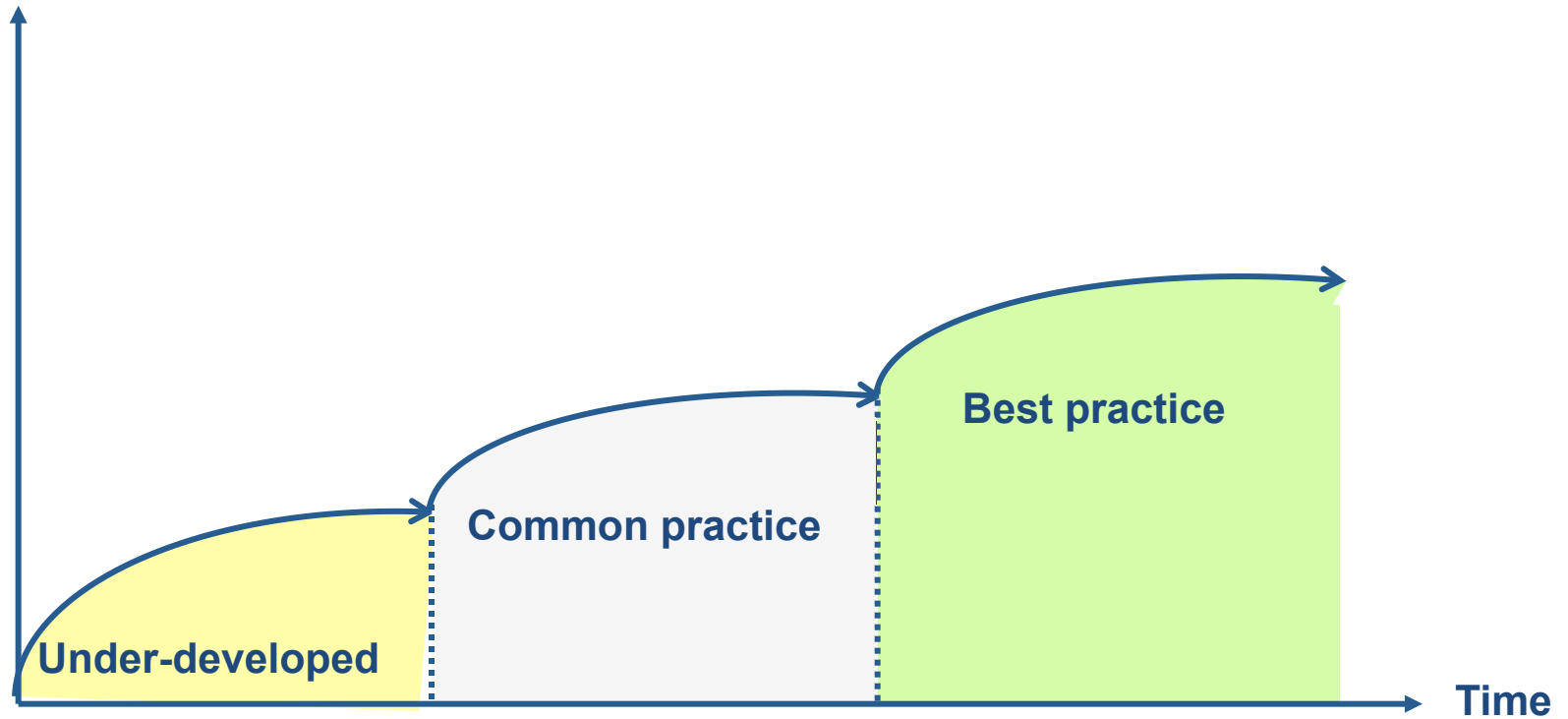
- The paper illustrates how a RIA can be done
- Three key practical contributions
 - the need for regulators to develop capabilities around regulatory impact assessments,
 - the need for operators to develop capabilities around regulatory impact assessment,
 - the need for a working relationship between 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

Regulatory Mindset & use of RIAs

Sophistication
& value creation



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

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

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