

**MINUTES OF THE OPERATORS ASSEMBLY HELD DURING THE 19TH EACO CONGRESS AT BUJUMBURA,
BURUNDI FROM 28TH TO 30TH OF MAY 2012**

1. ELECTION OF THE BUREAU

The outgoing Chairman led the Assembly in electing the new bureau, which is composed of:

Chairperson –Burundi (Represented by Onatel)

Secretaries: -Kenya (Represented by Orange Telkom Kenya Limited);and
Uganda(Represented by Airtel Uganda Limited).

2. ADOPTION OF THE AGENDA

The members proposed to amend the agenda by adding thereto the following matters:

- i) Monitoring of International Incoming Traffic and Taxation of Inbound International Traffic;
- ii) Cross border interference;
- iii) Spectrum Pricing and tax issues related to 3G services
- iv) Long Term Evolution
- v) Numbering Fees

The Assembly adopted the agenda as amended.

3. REPORT OF THE OUTGOING CHAIRMAN

The outgoing Chairman reported the progress made on matters arising from the 18th EACO Meeting and the Members updated the Assembly on a country-to-country basis. (*Please see annexure “A” hereof for the “Report of the Outgoing Chairman”.*)

4. DISCUSSION OF THE AGENDA

4.1 Migration from IPV4 TO IPV6 (OPERATORS’ LEVEL OF PREPAREDNESS)

The Assembly was briefed by the AFRINIC Representative Ms. Fiona Asonga on the global status of the Migration and the processes involved. She highlighted that the global switch-on date is the 6th of June 2012. Thereafter, ICANN will allow (1) one year during which Operators will simultaneously run IPV6 with IPV4.

The Assembly was further informed of the risks/consequences of not migrating to IPV 6 as follows:

- i) IPV 4 address blocks are almost depleted;
- ii) Traffic from IPV4 will have to be translated to IPv6 when it reaches regions which already migrated. There are indications that Europe may not be willing to translate because it is too costly;
- iii) Operators on IPV4 may fail to deliver quality services for a superior end-user experience.

The weakest links identified in the migration is that less than 1% home routers are IPV 6 capable and only 2% Internet Service Providers are ready.

Lastly the assembly was advised on the prerequisites for migrating to IPv6 which include verification of IPv6 capability of the existing systems, and where need be performance of upgrade of content applications and investment in compatible end-user devices.

Country Status:

Kenya indicated that it formed an IPV6 Task force comprising of Regulators, Operators, and the Government. Some operators in Kenya have already been assigned addresses and are testing on their networks in readiness for commercial launch. The rest are in the process of applying for assignment of addresses.

Some Tanzanian operators have been assigned address blocks by AFRINIC and are in the process of reviewing network capability and making arrangements for necessary upgrades.

Challenge:

Although the migration is currently free of charge for Operators, there are costs associated with upgrading systems and recruitment of technicians with IPv6 knowledge or training.

Recommendations/Proposals

- i) Each country is to design a clear roadmap for the migration;
- ii) All operators to identify their training needs and contact AFRINIC currently offering free training; and
- iii) Regulators and Operators to contact the device suppliers to ascertain the IPv6 capability of the devices they are supplying. If they are not compliant it is recommended that they should via the relevant channels be directed to upgrade.

4.2 Regional Roaming, Monitoring Of International Incoming Traffic and Taxation of Inbound International Traffic

Country Status

- i) Tanzania has (7) border points of connection to other East African Countries. These are Optic Fibre Cable connections.
- ii) Burundi reported high transit costs because their international traffic has to be routed through other countries; yet setting up E1 connectivity is very expensive.
- iii) Rwanda indicated that their international incoming traffic rates are regulated, but Kenya's and Tanzania's are determined by the market forces and have proved effective.

Regulation of International Roaming at the wholesale and retail level

- i) The Regulators should not impose taxes that can increase roaming charges in the respective countries.
- ii) Operators should communicate transparently to customers their roaming tariffs.
- iii) Operators are encouraged to make roaming seamless within the region and develop strong 'one net' offers such as those of MTN and Bharti-Airtel, Kama Kawaida and Home and Away. These will provide the basis for lowering retail prices in a competitive market that can respond directly to our customers' requirements.

Monitoring of Traffic Volumes

- i) Operators already submit operational reports with regulators, consistent with their legal obligations under licences and the applicable laws in each country. Therefore there is no need for regulators to introduce superfluous and duplicative systems.

- ii) Installation of monitoring systems as is proposed in Tanzania by a tender notice published recently is considerably invasive, tapping into the signalling links between operators, and poses a great risk to individual privacy and the security of the telecoms system. Further, Quality of Service monitoring and traffic fraud are already monitored by systems invested in by operators.
- iii) Installation of monitoring systems raises the price of bringing traffic into the country and effectively raises the cost for consumers.
- iv) Any implementation of monitoring systems should be underpinned by an appropriate law reflecting the outcome of wide and inclusive stakeholder consultation (i.e. on data protection, frequency jamming, lawful interception, national security etc.)
- v) Any costs related to the implementation and maintenance of the monitoring system e.g. installations and monitoring costs should not be borne by operators.

Taxation of inbound traffic/Regulated International Incoming Termination rate

Operators are opposed to any taxation on international incoming traffic because of the negative impacts as enumerated below;

Legal Concerns

- i) It introduces double taxation because an international call is taxed at the point where it is paid for, in the originating country (under the system of 'calling party pays'). Thus, it breaches Article 6.1.3 of the ITU's International Telecommunications Regulations 9th December 1998 (Melbourne Agreement) - This is a tax on international incoming calls affecting other countries.
- ii) It also breaches the spirit of the EACO countries commitment to the WTO General agreement on Trade and Services.
- iii) It contradicts the trends towards decrease of termination rates and the Recommendation D.140 of ITU requesting tariffs to be cost-oriented.
- iv) It breaches the Spirit of solidarity which governs the EACO Community (countries affected by the increase of tariff may retaliate). The construction of a real economic space will be achieved through improved quality of service and lower interconnect rates.
- v) It further breaches the spirit of the ITU Recommendation D.156 on network externality premiums, which is referred to as a non-cost, additional element, on the accounting rate for incoming international traffic from the operators of developed networks to the operators of developing-country networks which should be negotiated on a commercial bilateral basis by the concerned operators. The funds made available by the network externality premium should be used exclusively for extending networks in developing countries.

Economic

- i) It increases tariffs for the population and the diaspora, which will worsen the digital divide.
- ii) This greatly increases the incentive for international operators/carriers to seek to bypass the normal routes for terminating traffic, choosing instead the 'grey' routes of bringing in traffic via VoIP and then using 'SIM Gateways' to terminate the traffic on-net in the country. This affects call quality to the customer and greatly increases the cost and complexity of radio network management for the operators. It also increases fraud, which leads to decrease of revenues for the government and operators
- iii) It prevents operators from negotiating favourable rates for traffic going out of the country.
- iv) The experience in a number of countries where the system was implemented shows a decrease in traffic volumes and revenues. Cases in point are Ghana-where the prices rose by 58% resulting to 18% fall in revenue from in-bound traffic, Congo Brazzaville-where the price increased by 111% and revenue from in-bound traffic fell by 36%. **Gabon price rose by 82%. (Ref. to GSMA report of 2011)**
- v) Where the system was implemented and then abandoned, for example in Senegal: the traffic and revenues decreased system introduced and then increased when abandoned.
- vi) Negative impact on Business and Investment competitiveness of our Countries

We recommend adoption of the practice in Kenya, Uganda, Burundi and Tanzania where international termination rates are not regulated.

Recommendations/Proposals

- i) The Regulators need to lobby the respective governments to promote the establishment of Trans-border Optic Fibre Broadband Infrastructure in the region to ensure direct connection of the networks;

4.3 Update On Harmonisation Of Short Codes In East African Community

Status:

Various Regulators gave the Operators a Consultation Paper on harmonization of short codes and a list for harmonisation. The Operators submitted their comments for consideration.

Challenge:

The cost of conducting the customer awareness for the harmonised codes is not commercially viable.

Recommendations/Proposals:

- i) Only Emergency Short Codes should be harmonised across the region, since they are universal and harmonised by default. The Commercial codes unique to each Operator should not be subjected to blanket harmonization.
- ii) The Short Codes identified for harmonisation are: Emergency Services (Police, Fire, Ambulance and Lake Victoria Basin Initiative).
- iii) The Commercial Codes (Credit Recharge, Voicemail, Customer Care, and Account Inquiry) should be left to individual Operators' administration as is the case now. The rationale is that the number of roamers is significantly lower than the entire subscriber base as to warrant the blanket harmonisation. In addition harmonisation will avail an

opportunity for short code misuse/ abuse leading to security concerns. (Need to mitigate the spread and effects of negative propaganda in the region)

4.4 Mobile Number Portability

The Operators recognised that from a customer perspective, Mobile Number Portability (MNP) is good as it gives them flexibility and choice whilst retaining their identity. It is further recognized that MNP may be inevitable as the numbering resource threatens to be scarce.

Country Status:

- i) Kenya has implemented MNP since April 2011. However, the number of customers who have used the service in its first year is significantly less than 100,000 of the many millions of the aggregate subscriber base. As such, the results do not justify the huge capital investment made by the Operators to deliver the service. MNP also resulted in some unhealthy competition among the Operators in the initial stages of its launch.

- ii) Tanzania has regulations providing for MNP, and its implementation is set for December 2012. The technicalities and preparations required for MNP may not be achieved by the 6 months as planned for the December 2012 deadline. It is not anticipated that MNP will help much since there prevails a multi-SIM culture. Tanzania is a competitive market the market is self-regulating therefore the desire to port may not be there due to what is offered by operators re- free sim cards vs cost of porting.

Compared to what has happened in Kenya and Ghana, the investment costs to operators are higher than the benefit anticipated for customers. We believe there should be extensive research on the need for MNP.

- iii) In Rwanda, Operators agreed to wait until the market achieves a subscriber penetration of 60% before MNP is launched. However, the Regulator recently conducted an awareness workshop on MNP implementation.

- iv) Burundi has not yet implemented MNP. Operators feel that MNP is not a priority at the moment since market penetration is low- below 25%. The priority therefore should be to increase market penetration.

- v) Uganda is not yet conducting MNP but there have been indications that it is a priority after the SIMCard Registration initiative.

Challenges:

- i) The Assembly agreed that despite the customer choice MNP offers, it is not a priority for EACO. The region is still grappling with matters such as achieving seamless connectivity, and lowering roaming/interconnect tariffs among others.

- ii) Market readiness is still low in most of the countries and as demonstrated by Kenya's case, MNP uptake may not be matched by the heavy investment made to avail the service.

- iii) A successful adoption of MNP heavily depends on the market characteristics of each country such as its saturation levels, and the range of service and product offerings by the Operators.

Recommendations/Proposals

Against the background above, the Assembly agreed as follows:

- i) MNP needs to be implemented at a country-to-country pace, taking into account the market penetration, competitiveness of the market or growth of the subscriber base unique to each member state.
- ii) The successful launch and implementation of MNP requires a reasonable timeframe. This will facilitate the various stakeholders to plan accordingly. Tanzania would need to conduct further research.
- iii) The countries which are yet to launch MNP further explored the possibility of having a central clearing house which they can jointly fund so as to lower the cost of investment. The Members plan to share experiences on cost at the next EACO Congress.

4.5 Operators Access to the Submarine Cables on the Coast

Country Status:

- i) The different member states have access to the Submarine Cables at the coast.
- ii) Some Operators from Kenya and Tanzania indicated that they have excess capacity and are willing to lease capacity to other Operators.

Challenges:

- i) Operators in the region indicated that they are suffering numerous outages caused by fibre cuts due to vandalism, road-works, power outages and ship activities.
- ii) Network availability is not stable;
- iii) However, land locked countries expressed concern that access to the submarine cables is very expensive.

Recommendations/Proposals:

- i) The Regulators and Operators need to lobby their governments to finance and facilitate affordable access, for both submarine and terrestrial connectivity.
- ii) The Regulators are further requested to lobby their governments to facilitate access through microwave and satellite as a back-up or alternative especially for critical institutions such as hospitals and banks.
- iii) The installation of cables should be done in a ring structure so that operations continue despite a fibre cut on either side of the ring.
- iv) There is a need to strongly legislate against vandalism, theft and damage of telecommunication equipment by criminalising the offence and imposing deterrent penalties for the offenders.
- v) Submarine cable operators should endeavour to provide their clients with redundancy in case of cable cuts

4.6 Operators and the 3G Services and Related Fees and Taxes

The Assembly agreed to amend the item to include spectrum pricing, taxation of handsets and LTE.

3G SERVICES

Country Status:

All countries have launched 3G Services. However its access and use are still low owing to the high cost for subscribers.

- i) Burundi and Uganda attributed the low use to high costs of 3G enabled devices, which are highly taxed and not affordable. As such, most customers mainly rely on the modems for internet access in Burundi, while in Uganda, the market is still dominated by cheaper phones which are not 3G enabled.
- ii) Optic Fibre Cable (OFC) so it is still too costly for Operators.

SPECTRUM PRICING

Operators' Assembly has noted that

- i) Spectrum Prices are too high across the region
- ii) There is blanket pricing for Spectrum across bands (900MHz, 1800MHz and 2100 MHz bands) which seriously affects operators ability to invest and expand networks.

Recommendations:

- i) Charging model should be based on allocated bandwidth and not on TRX rollout. Charges based on TRX rollout implies penalties for spectrum usage. This is discouraging network expansion hence hampering coverage.
- ii) Rolling out networks in the 1800MHz and 2100MHz bands require more capital investments to provide same coverage as they would for 900MHz band. Therefore based on the current high spectrum charges for the above frequency bands, the operators' Assembly recommends the downward review of Spectrum fee structure for all the frequency bands.
- iii) Based on above facts we recommend that pricing for 1800MHz and 2100MHz should be lower than 900MHz.

LONG TERM EVOLUTION

Regulators are requested to provide a roadmap on the future availability of Spectrum for rollout of LTE networks in the 2.6GHz and 700/800MHz band. Regulators should endeavour to accelerate the release of the 700MHz band before the 2015 deadline.

NUMBERING FEES

The Assembly noted that numbering resources attract a fee in some Countries. The cost is passed on to subscribers raising the cost of access to service.

Recommendation:

Abolition of numbering fee in order to have a uniform operating environment across the region as is currently the case in Kenya and Uganda taking into account the low ARPUs realised by operators and high operation costs.

4.7 Operators and the Converged Licensing Framework

Country Status:

- i) The precise context of “**Converged Licensing Framework**” was not clear. However, the members perceived it as having a unified or single licence to provide a range of services so that an Operator does not have to obtain an independent licence for the various types of services.
- ii) This is the current framework in Kenya, Uganda, Rwanda and Tanzania.
- iii) Burundi indicated that the Operators are issued with technology-specific licences and are not yet applying the Converged Licensing Framework.

Recommendations/Proposals:

It was recommended that Burundi explore the adoption of the Converged Licensing Framework as other countries in the region.

4.8 Cyber Security

Recommendations/Proposals:

- i) Each country to set up a national CERT, as well as a sector-specific CERT which the Operators can participate in.
- ii) Each of the Operators to set up their own CERTS as well.

4.9 Cross Border Interference

Recommendations/Proposals

- i) The Regulators need to set clear guidelines to improve frequency planning and to prevent cross border interference;

A.O.B

CLOSURE OF THE MEETING