COMMUNICATIONS
AUTHORITY OF KENYA

PUBLIC NOTICE

DETERMINATION ON MOBILE TERMINATION RATES AND FIXED TERMINATION RATES - INTERCONNECTION DETERMINATION NO.3 OF 2021

I. INTRODUCTION

1. The Communication Authority of Kenya (CA) is the regulatory authority for the ICT industry in Kenya with responsibilities in telecommunications, e-commerce, broadcasting, postal/courier services and cyber security. CA is also responsible for managing the country's numbering and frequency spectrum resources, administering the Universal Service Fund (USF) as well as safeguarding interests of consumers of ICT services.

2. The Authority is also mandated to manage competition in the ICT sector. One of the key activities in the management of competition is the regulation of retail and wholesale tariffs for communications services in accordance with the Kenya Information and Communications (Tariff) Regulations, 2010.

3. Interconnection involves allowing customers of one service provider to communicate with customers of another service provider. This implies that, for customers of one operator to communicate with the customer of another operator, the systems of the two operators must be interconnected for the traffic to flow through.

4. Interconnection is an essential component of telecommunications and its pricing and access can be used as a barrier to entry and expansion, thereby impeding competition. Moreover, high interconnection prices mean higher calling rates which ultimately reduce consumer welfare.

5. The monitoring and adjustment of interconnection rates therefore ensures economic regulations imposed accurately reflect the current structure of the Kenyan telecommunication market.

II. BASIS OF REVIEW OF THE VOICE TERMINATION RATES

6. In the past, the Authority has issued two Determinations on the Termination Rates: Determination No.1 of 2007 on Retail and Interconnection Rates among the Fixed and Mobile Telecommunications Networks in Kenya and Determination No. 2 of 2010 (plus Addendum No 2) on Pure Long Run Incremental Cost (LRIC) Based

Interconnection Rate Regime. The Determinations were implemented on a glide-path over a period four years each.

7. Upon expiry of the glide path in 2015, the Authority took a decision to observe the market reaction before undertaking another costing study. Currently, all the telecommunications service providers are implementing a mobile and fixed voice termination rate (MTR and FTR) of KES 0.99.

8. However, over time, the Authority has recognized that the current voice termination rates may not reflect the true cost of interconnection. Further, the current voice termination rates may be preventing operators from offering consumers more affordable and competitive prices and services.

III. REVIEW PROCESS

9. As required by the Constitution, the Authority in July 2021, published a *Notice of Intention to Review the Rates* in local dailies with nationwide circulation. Thereafter, the Authority undertook a public consultation exercise on the review of Mobile Termination Rates (MTR) and Fixed Termination Rates (FTR), during which it received views and comments from various stakeholders including the mobile operators. The comments from stakeholders are available on the Authority's website. To arrive at the ideal interconnection rate, the Authority considered the following:

    a. **Regulatory Objectives:** Section 23 of the Kenya Information and Communications Act No. 2 of 1998 defines a set of objectives that the Authority's decisions should support including economic efficiency, promotion of competition and stimulation of investments.

    b. **Stakeholder Impact:** The impact on the consumers was analysed by focusing on prices for the telecommunications services, availability of service, service quality and innovation. It was concluded that lower voice termination rates would facilitate greater retail price flexibility, which should facilitate reduction in overall price levels for mobile services to the benefit of consumers. Further, the impact on industry players was analysed based on: revenues, levels of profitability and sustainability. It was concluded that the proposed revisions will lead to reduced net transfers occasioned by the current imbalanced market share.

    c. **Regulatory Cost Benefit Analysis**: The Authority considered as to whether the benefit of implementation of the revised rates outweighs the costs, and if the regulatory risks are acceptable. The Authority concluded that the benefits far outweigh any costs and risks.

IV. THE DETERMINATION

10. Taking into account the benchmarking study and input from stakeholders, the Authority made the following determination:

a. **THAT** all mobile and fixed telecommunications operators in Kenya shall implement the MTR and FTR outlined in the Table below:

Interconnection Rates for Mobile and Fixed Operators

Effective Date	1st January 2022
Mobile Termination Rate (KES. per minute)	0.12
Fixed Termination Rate (KES. Per minute)	0.12

b. **THAT** the new interconnection rates shall apply to only local voice traffic. For the avoidance of doubt, this refers to traffic originating and terminating within Kenya.

c. **THAT** all operators have the liberty to negotiate interconnection rates that are lower than the capped rates.

d. **THAT** all operators will be required to vary their interconnection agreements in line with this determination and file with the Authority their deeds of variation by 1st February 2022.

Dated this 23rd day of December 2021.

Ezra Chiloba
DIRECTOR GENERAL