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ICH saga concludes, but concerns remain

The matter of International Clearing House (ICH) – which served for some time as a single exchange for all incoming international voice calls – now stands resolved after a nearly two-year-long standoff between the telecom authorities and LDI operators, and the Competition Commission of Pakistan. The CCP, in its April 30 order, has not only annulled the ICH arrangement, but also penalised all 14 LDI operators.

In its final decision, the CCP once again reiterated what it has been saying all along – that the “ICH Arrangement reduces competition, forecloses the market, reduces incentives for better quality of service, removes incentives for investments in improvement of infrastructure, reduces the size of the market and market players, confers anti-competitive advantages and becomes a clear threat to consumer welfare.”

With the conclusion of the ICH saga, CCP seems to have asserted its authority over ‘sector specific regulators’ when it comes to

ICH: timeline of selected developments

Sep. 9, 2011	LDIs approach CCP to seek exemption for (proposed) ICH
Jan. 2012	LDIs withdraw their exemption application
Feb. 8, 2012	CCP subjects ICH formation in the future to its clearance
Aug. 13, 2012	MoIT issues a Policy Directive for ICH establishment
Aug. 23, 2012	PTA directs LDIs to conclude the ICH agreement as per MoIT directive
Aug. 28, 2012	CCP issues Policy Note to MoIT and PTA; raises concerns over ICH
Sep. 25, 2012	PTA notifies all LDIs (except PTCL) to suspend int'l telephony circuits
Oct. 1, 2012	ICH operationalised; PTCL terminates all incoming int'l voice traffic
Oct. 25, 2012	Lahore High Court suspends ICH; litigation ensues
Dec. 3, 2012	PTA withdraws its notification dated September 25, 2012
Mar. 29, 2013	After long delays, CCP to decide on the matter, orders Supreme Court
Apr. 30, 2013	CCP annuls ICH and penalises the LDIs in its final order

Source: CCP's Order on ICH, April 30, 2013

issues related to competition. In this case, initially, the Ministry of IT and the PTA ignored CCP's policy notes and orders. However, when the matter went into active litigation, PTA withdrew its ICH directive dated September 25, 2013, perhaps ceding to the CCP's legal jurisdiction here.

Yet the conclusion of this institutionally divisive matter doesn't mean that the issues facing the LDI sector have gone away. The ICH stands legally void, but it appears that its impact will remain,

because ICH has taught LDI operators what they couldn't figure out for seven years: to coexist!

Before ICH, price wars among LDI operators had led the call termination tariffs to very low levels. ICH brought the LDIs under one umbrella, which stabilized the Approved Settlement Rates (ASR) and improved the LDIs' top line. The ASR of 8.8 cents per minute – which was notified by the PTA days before ICH went live – still remains.

Though the ICH is gone now,

sources say that LDIs are reluctant to engage in the same kind of negative competition that had beaten them black and blue since 2005-06. That means that tariffs will not come down as they should in a competitive market, which is bad news for expatriate Pakistanis who have been reportedly paying much more for making calls to Pakistan since the establishment of ICH.

Already, incoming international calls have declined post-ICH. Data obtained by the CCP shows that before ICH went into effect

in October last year, the volume stood at 1.9 billion minutes in September – that came down by 70 percent to 0.57 billion minutes in February this year.

Yet the improved ASR helped LDIs earn 34 million dollars in February, which is more than thrice what they earned in September 2012. This scenario may affect the volume and tariffs for overseas calls made from Pakistan, affecting Pakistan customers.

The menace of grey trafficking – whose incidence is said to be as high as 40 percent – will remain prevalent, regardless of whether ICH would have solved it. The telecom authorities' line of defense for ICH was that it would mobilize foreign exchange through formal channels and help identify the illegal telecom gateways and exchanges for punitive action.

The bottom line is that the ICH annulment may not affect the LDIs much – but the telecom watchdog has serious work cut out for itself, especially in the area of grey trafficking.