

LTA - LESOTHO
COUNTRY REPORT
TO
CRASA
10TH AGM - 2007

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INTRODUCTION

It is now seven years since the Lesotho Telecommunications Authority (LTA) was established by the LTA Act of 2000. The Authority has gradually matured into a competent and effective regulator of the communications sector. As the sector continues to develop, a number of landmarks have been achieved. One of the most notable developments is the eminent end of five-year exclusivity period of the incumbent operator on February 8th 2007, following a one-year extension by Government. This has ushered in new challenges for LTA and the government in terms of the regulatory and policy framework that is appropriate for a liberalising sector.

1 REGULATORY ACTIVITIES

1.1 FREQUENCY SPECTRUM

Lesotho is taking part in the development of regional 3.1GHz-100GHZ Band Plan, which has to be reserved for exclusive use of fixed wireless access within the region.

LTA with the Independent Communication Authority of South Africa (ICASA) have a memorandum of understanding (MOU) that gives them an opportunity to solve problems faced by operators of both countries. Under this

memorandum a Cross Border Coordination Forum (CCF) committee was established to look into problems related to communications. CCF meets at least twice a year to look into the progress made by sub-committees on the assignments given. One such committee that has been active during the reporting period was dealing with the GSM spillage across borders of the two countries.

1.2 TARIFFS, RATES AND CHARGES

The fixed line operator, Telecom Lesotho (TL) filed for tariff changes in January 2006 with the Lesotho Telecommunications Authority according to Sections 41 (1), (2) and 43 of the LTA Act of 2000. TL requested 8 percent tariff increase on various services and a 40 reduction on international tariffs. The Authority approved a 40 percent reduction for international tariffs. However, TL was only granted a 3.4 percent increase for all other services to match the inflation since there was no justification for a higher increase sought by the operator. The two mobile network operators, Vodacom Lesotho (VCL) and Econet Ezi-Cel (EEL) did not have any tariff increases although a desire had been expressed by the former.

1.3 NUMBERING ISSUES

While there has been no further progress on the side of CRASA with respect to harmonization of some of the resources that were intended for common use in the region, such as the carrier selection applications; LTA is revisiting the allocation of the numbering resource to address issues pertaining to liberalization of the communications market in Lesotho, which comes into effect in February 2007.

2. SECTOR DEVELOPMENTS

The number of major network operators remains unchanged with one fixed network operator, TL, and two mobile network operators, VCL and EEL with the latter being the subsidiary of TL.

At the end of the fifth year of TL's exclusivity period on the 8th February 2006, the Authority carried out the verification exercise to determine whether TL had met its system expansion obligations. The exercise covered the three years of the exclusivity period, from February 2003 to February 2006. It was established that TL had met its system expansion requirements negotiated with the Government for the period with 38,132 new connections. However, the bulk of connections had been achieved through the Lekomo Flexi product which was offered on a GSM platform with limited mobility.

Resellers have proved to be very effective in providing access and their numbers continue to grow. The registered tele-bureaus progressively increased by 16 percent from end of March 2006 to mid January 2007. The number of licensed entities with two-way radios also shows an increase. However, these are likely to be grossly underestimated as it has proved to be difficult for LTA to track down illegal users of two-way radios. The table below reflects the statistical information of all other communications service providers.

Table 1: Communication service providers in 2006

TYPE OF LICENCE	Jan / March	April / June	July / Sept	Oct / Dec
Fixed line network	1	1	1	1
Mobile network	2	2	2	2
Data Communications	1	1	1	1
Electronic Messaging Services	1	1	1	1
Television Broadcasting	2	2	2	2
Sound Broadcasting	9	10	10	10
ISP's	6	7	7	7
Customer Premises	12	13	13	13
Tele-bureaus	2543	2688	2810	3008
Two way radios	16	20	32	47

2.1 Monitoring of Major Operators' performance

The monitoring of the growth of the sector continues to be done on a quarterly basis, relying on the data sourced from the network operators. Table 2 below summarises statistics of some ICT indicators, as at September 2006.

Table 2: ICT Indicators for up to September 2006

Indicator	Telecom Lesotho	Vodacom Lesotho	Econet Ezi-Cel	Total
Tele-density	0.019	0.1079	0.034	0.1609
Number of subscribers	42, 675	237, 570	71,487	351, 732
Additional subscribers from June	-18, 921	16, 716	-1, 660	-3865
Number of payphones	737	2, 125	1, 037	3,899
Waiting list	2, 711	Service not applicable	Service not applicable	2, 711
Number of BTS	23	62	39	124
Connection by FCT	28	Service not applicable	Service not applicable	28
Connection by WLL	21	Service not applicable	Service not applicable	21

The year has proved to be the most challenging for fixed network operator while for mobile operators performance had remained steady with normal growth of subscribers. As reflected in table 3 TL lost about one third of its subscribers for various reasons such as affordability and nature of service that is limited in mobility and caused subscribers to change to mobile operators.

At end of March 2006 Telecom Lesotho's (TL) registered 63,000 subscribers and by June they increased to 63,157. The number of subscribers declined substantially from 63,157 to 42,675 in September. A major decline was noted on the prepaid subscribers, with a 17,647 reduction. Since customers of other prepaid products are fewer, this figure largely consists of Lekomo Flexi customers lost to the mobile network operators using the cell phone sets provided by TL. Mobile subscriber base continues to show encouraging growth with 4,477 new customers between June and September.

Table 3: Network operators' 2006 quarterly subscriber base.

Network Operators	March	June	September	December
Fixed network operator (Telecom Lesotho)	63, 000	63, 157	42, 675	Not yet available
Mobile network operators (Vodacom Lesotho & Econet Lesotho)	276, 000	275, 768	280, 245	Not yet available

2.2 Business Plan

The financial year 2006/07 is the last year for the second LTA Strategic Business plan that was implemented since 2004/05. The Authority developed a new three-year Strategic Business Plan for 2007/08 to 2009/10. The

Authority held a three-day internal workshop to develop this Strategic Business plan and the final draft should be presented to LTA Board for approval before the end of the current financial year ending in March 2007.

2.3 International Participation

The Authority is participating in international initiatives such as Eastern Africa Submarine Cable Systems (EASSy). The initiative is committed to facilitate implementation of EASSy and other broadband network infrastructure in the region. Lack of terrestrial broadband infrastructure to support high-speed, high-quality, reliable and affordable communications in Lesotho is one of the major obstacles to the development of the economy.

In recognition of these challenges, the Government of Lesotho signed the EASSy Protocol. The Protocol aims to facilitate the coordination and harmonization of the ICT policies and regulatory frameworks of the High Contracting Parties' countries and the existing Regional Economic Communities of which the High Contracting Parties are members; The protocol would contribute to the harmonious, balanced, equitable and sustainable development of the High Contracting Parties' territories and the Region by facilitating the speedy establishment of the regional ICT Broadband Infrastructure Network or Networks on Open Access Principles and harmonization of policies and regulatory frameworks of the High Contracting Parties to achieve these objectives.

3. LEGAL AND REGULATORY ISSUES

3.1 Broadcasting Issues

The LTA Board of Directors approved a document proposing the reclassification of Lesotho's broadcasting licenses into Public Broadcasting, Commercial Broadcasting, Private Broadcasting and Community Broadcasting Services. The proposed reclassification was submitted to the Ministry of Communications,

Science and Technology (MCST). Subsequently, the Authority participated in the Media Policy workshop where the four classes of broadcasting services were incorporated in the Policy. The Authority, at the request of MCST prepared Draft Regulations on broadcasting classification and is currently awaiting their promulgation into law.

3.2 Post Exclusivity Regulatory Framework

The operating licence issued to the fixed network operator, TL, in 2000 gave it exclusivity for five years on basic telephony, basic data and international gateway, ending in February 2006. The Government of Lesotho extended TL exclusivity for a period of twelve months. The Authority developed a Post Exclusivity Regulatory Framework document which was approved by the LTA Board of Directors in December 2006 following a stakeholders' workshop consultation. The document provides a regulatory framework that should apply following the liberalisation in February 2006.

3.3 Interconnection Agreements

The three main operators TL, VCL and EEL filed interconnection agreements with the Authority. The agreements were conditionally approved pending deletion of one clause proposing unfettered increases of the interconnection rates at the end of three years. As of end of the 2006, the network operators had not yet implemented the agreements as approved since one of them was challenging the LTA's powers to alter any section of the agreement. The approval was a subject of further review following the completion of the Interconnection and Tariff Rationalisation study which was completed in December 2006.

4 STUDIES UNDERTAKEN

4.1 Interconnection and Tariff Rationalisation (ITR) Study

This study was intended to develop models for cost-based wholesale and retail rates for the telecommunications market in Lesotho. The Consultants started the ITR consultancy with the kick-off preparation meetings on 18th July 2006 and the assignment got completed with the final visit on the 13th December 2006. The final report and models have been finalised and are awaiting further internal review ahead of implementation.

January 2007