

Licensee	Comment	Response
MTN	MTN is in general agreement with cost study findings	<ul style="list-style-type: none"> This has been noted
MTN	There is need for an MTR Rate Glide path to minimise market disruptions	<ul style="list-style-type: none"> This has been noted
Airtel	<p>Use of Market Definition Findings:</p> <p>Findings of previously conducted Market Definition Assignment should not be used as a basis for the MTR Review. Study findings have not been formally adopted by the Commission and no Regulatory Impact Assessment has been undertaken</p>	<ul style="list-style-type: none"> Findings of the previously conducted Market Definition assignment have been adopted by the UCC Board, and are planned for phased implementation. The Market Definition Exercise and findings therefrom was just one of the many sources of information used in this study. Wholesale voice / SMS termination & interconnect markets are by nature characterised by dominance of respective MNOs in the provision of interconnect services to third parties that may wish to terminate traffic to the MNO's customers. The MNOs have no commercial incentive to lower MTRs on their own initiative but may however use high MTRs to raise smaller rivals' costs to the detriment of retail customers. It is for this reason that national regulators like the UCC undertake Mobile Termination Rate review & Cost of Network services cost exercises to establish and ensure that pricing for services derived therefrom are cost-oriented.
Airtel	Hypothetical Efficient	<ul style="list-style-type: none"> While the scale and size of the modelled efficient operator

	<p>Operator Size and Efficiencies:</p> <p>Airtel contends that the modelled national HEO is misleading and not representative of a similar sized operator in Uganda.</p>	<p>should at this point be closed having consulted the industry on the same in our consultation of 16 March 2017 (slides 22 - 25),</p> <ul style="list-style-type: none"> • In the BMM, we modelled a few select existing Ugandan operators, using the limited information they provided. Calculations were then performed on “like models”. • These calculations took into consideration inputs like traffic by technology, 2G and 3G coverage, spectrum allocation and mark-ups to assess the difference between the BMM findings and similar industry performance. • From this calculation we do not find a statistically significant variance between a model of an existing operator’s asset/costs and the National HEO asset/costs.
Airtel	<p>Airtel submits that the model “does not consider historical locations of actual network node buildings, hence discounts transmission costs”</p>	<ul style="list-style-type: none"> • This assertion is not entirely true as the model has calibrated the assumed cell radii to the actual site counts for selected operators by technology and geotype. See Slide 33 of the workshop presentation from September 2017. • The BMM therefore deploys a similar number of site locations to what the operators have deployed across geotypes 1-5.
Airtel	<p>Cost of Transmission Links</p> <p>Airtel has submitted new costs for microwave transmission</p>	<ul style="list-style-type: none"> • The new ATM/Ethernet transmission costs submitted by AIRTEL have been received. As a result, those used in the model have been doubled: which increases the LRAIC+ MTR results by UGX 1. (<i>One Shilling</i>)
Airtel	<p>Number of TRX</p> <p>Airtel has made new submissions on the number of TRX</p>	<ul style="list-style-type: none"> • New submissions by Airtel are inconsistent with the responses they provided to data requests made in March and May 2017. • We have however revisited the

		TRX utilisation factor in geotypes 4 and 5. From this review, the LRAIC+ MTR result increases by another UGX1
Airtel	TRX Unit Cost Airtel provides a new Unit cost per TRX	<ul style="list-style-type: none"> The new data point provided is inconsistent with both Airtel's own earlier submission and those of others. We have maintained the TRX unit cost at approximately USD 1200.
Airtel	Traffic Forecasts: Airtel contends that traffic forecasts are hugely inflated	<ul style="list-style-type: none"> We believe Airtel was referencing the wrong traffic figures in the model. The relevant traffic figures in the BMM can be found in cells NwLoad!E121:E169 We have also undertaken a further comparison of the modelled National HEO traffic with the Airtel figures and found them to be reasonably comparable. (variance in the final results is less than UGX 50 cents.
Airtel	Declining 2G Traffic: Airtel submits that 2G traffic shall fall	<ul style="list-style-type: none"> The BMM assumes a decline in 2G traffic (and increase in 3G/4G) as described by Airtel
Airtel	Costs Customer Registration & Acquisition: Airtel asserts that these costs are not considered in the BMM	<ul style="list-style-type: none"> This is indeed true. The BMM is meant to calculate costs of providing network traffic services to other operators at a wholesale level. It would be detrimental to fair competition to include retail costs in wholesale charges for other operators. This would unfairly raise competitor costs for retail services
Airtel	Very low WACC: Airtel contends that the WACC figure of 23.36% applied is lower than their computed WACC of 24%	<ul style="list-style-type: none"> The difference in the Airtel proposed WACC and the one used in the BMM is only 0.64%. We therefore find the statement unfounded. Moreover, the WACC approach adopted in numerous jurisdictions and presented to the industry

		<p>(March and September 2017) has not been substantially critiqued to merit a change in the WACC. The 23.36% WACC has been maintained</p> <ul style="list-style-type: none"> • An explanation of the WACC computation methodology and key inputs applied has been provided to Airtel for reference.
Airtel	<p>Cost Allocation Methodology:</p> <p>Airtel alleges that “some common costs shared between wholesale and retail have not been considered by the model”</p>	<ul style="list-style-type: none"> • Airtel has not provided any explicit evidence to support this claim. • The BMM does include common costs that are shared between wholesale and retail. See overhead mark-up in cell G308 on the InNat/InSubNat/InKmp4g worksheets in the BMM. • This mark-up is determined by calculating overhead costs as a proportion of network costs in the BMM.
Airtel	<p>Network Design:</p> <p>Airtel claims that the BMM focuses more on coverage than capacity hence disadvantaging national operators</p>	<ul style="list-style-type: none"> • This claim was made without any supporting evidence.
Airtel	<p>Impact on SIM Boxing:</p> <p>Low MTR shall provide further opportunity for SIM boxing</p>	<ul style="list-style-type: none"> • SIM boxing occurs when there is a price arbitrage opportunity or an instance of the violation of the law of “one price”. Price arbitrage occurs when there is a substantial difference between the price of a service and its cost of provision. SIM boxing only occurs when someone, licensed or otherwise, exploits this differential for profit. • In essence, the very existence of SIM boxing is a confirmation of substantial pricing above the actual cost of service provision. It also suggests that existing providers are earning economic rents from their pricing of services, which

		arbitrageurs seek partake of. This exercise and findings hereof, is aimed at remedying this situation.
Airtel	Impact on Investment: Airtel posits that a drop in MTR will negatively impact investor confidence and dampen investment in rural coverage	<ul style="list-style-type: none"> This claim has not been substantiated. Moreover, the Airtel Group continues to invest in markets with much lower MTRs like India and Tanzania
Airtel	ONA Need to align domestic MTR with USD 0.04 agreed between ONA member states lest an arbitrage opportunity shall arise for SIM Boxing	<ul style="list-style-type: none"> Under the Northern Corridor, the ONA initiative imposed a cap on the Inter-Operator Tariff (IOT). This cap will subject to review periodically. Alignment of the revised MTR with the IOT under ONA, can and must strictly be done on actual cost based considerations. The pricing of inter-operator commercial relations in the wholesale market MUST reflect actual cost of service considerations. The Commission must ensure that it does not contravene provisions of the Act on excessive tariffs or anti-competitive practices.
K2 Telecom	K2 is in general agreement with the cost findings	<ul style="list-style-type: none"> This has been noted
Vodafone	Vodafone is in agreement with the findings and requests that implementation of a new maximum MTR should take effect before Jan 2018	<ul style="list-style-type: none"> This has been noted
Africell	Is in general agreement with findings and proposes an asymmetric MTR regime based on differences in costs of National and Sub-	<ul style="list-style-type: none"> This has been noted

	National operators	
Africell	Proposes a retail price cap for off-net minute	<ul style="list-style-type: none"> Regulation of retail prices, while available in the regulatory toolkit, and if ever applied, is done with utmost caution. Such a regulatory approach does portend unintended consequences, often unknown and unknowable. However, this proposal is noted and shall be put into consideration.