



## **PRESS STATEMENT**

**THURSDAY 26<sup>TH</sup> FEBRUARY, 2015**

**LILONGWE**

### **UPDATE ON CONSOLIDATED ICT REGULATORY MANAGEMENT SYSTEM**

**(CIRMS)**

#### **INTRODUCTION**

The Malawi Communications Regulatory Authority (MACRA) is pleased to inform all Malawians of the commencement of the implementation of the Consolidated ICT Regulatory Management System (CIRMS).

#### **BACKGROUND**

The Government of Malawi in 2008 authorized MACRA to procure and install the CIRMS in line with MACRA's mandate to effectively monitor and regulate the ICT industry in the country. Government's approval was in the wake of possible undetected violations of agreed obligations by the operators in the communications sector.

Furthermore, due to lack of equipment of the level of sophistication of CIRMS, MACRA had been unable to effectively discharge its mandate of monitoring the quality of service delivery of the ICT industry. Currently, the telecom industry is characterised by high rates of dropped-calls, network congestion, constant

service interruptions, inaccessibility of network services, unexplained high tariffs and limited or poor coverage in some rural areas. The CIRMS was therefore procured to among other things address these challenges and ensure effective monitoring of the industry as well as achieving proper spectrum management, revenue assurance and fraud management.

Following Government's approval, MACRA procured the CIRMS equipment in 2010 using existing procurement procedures and thereafter installed it in readiness for commissioning. However, the implementation of the system was halted as MACRA was taken to court by a concerned citizen who obtained an injunction restraining MACRA from obtaining Call Detail Records (CDR) from operators. CDRs are the centre of the mechanism on which the system operates. The High Court later ruled in favour of the concerned citizen and MACRA thereafter sought an appeal at the Supreme Court. The Supreme Court in September 2014 cleared MACRA to proceed with the project.

## **PROJECT RESUMPTION**

Following the Supreme Court ruling, MACRA engaged the supplier of CIRMS, Agilis International, for resumption of the project. Agilis advised MACRA that the system needed to be upgraded to ensure it operates effectively. This would require bringing in new hardware and software with better processing speed and higher storage capacity.

It should be noted that when the system was being designed in 2009, Malawi had around 2 million mobile phone subscribers. Currently the number has risen to over 6 million. This increase in number of subscribers demands new computer servers with higher capacity, bigger probes to collect data from the operators and new software with higher processing and storage capacity.

In addition, six years ago most traffic through the system was voice but now the situation has changed as more people are now using data services through

internet, MMS and SMS. These services require more storage capacity and higher processing speed.

### **PRICE NEGOTIATIONS**

The original supplier proposed that the upgrade will cost MACRA an additional \$11 million and this would bring the total project cost to \$17 million. Since this project is unique with no off shelf alternative to verify on this pricing, MACRA engaged another supplier who came second when MACRA was awarding the contract to the Original Supplier in 2010. The alternative supplier advised MACRA that it would cost \$14 million to install and commission a project of this nature.

This gave MACRA a basis for negotiations with the original supplier. Negotiations took almost two months and an amount of \$7.8 million for the upgrade was finally agreed bringing the total contract price to US\$13.9 million.

### **FINANCIAL ASSESSMENT**

The change in the price proposed by the original supplier is US\$7.8 million and MACRA believes the benefits from utilizing the system outweigh the anticipated costs. Some of the issues to consider include:

#### **a) Verification of international minutes for international call termination fees.**

One of the main reasons of bringing CIRMS was to conduct revenue assurance and it was agreed that the payment for the cost of CIRMS will come out of the introduction of international call termination fees.

Due to the delays in commissioning of CIRMS, MACRA proceeded to introduce international call termination fees without CIRMS on understanding that once the system became operational it would be used to check on validity of the amount claimed by the operators.

**b) Revenue assurance for other Governing agencies**

The system is not only beneficial to MACRA on revenue assurance but other Governing agencies like Malawi Revenue Authority (MRA) and National Gaming Board (NGB). MRA collects Value Added Tax (VAT) of 16.5% on air time but has no mechanism of verifying the amount which has been collected by the operators. NGB is supposed to collect levy on any proceeds from competitions run by operators but they too have no means of verifying how much the operators have collected as a fee for NGB.

The savings which these two institutions will make out of this system is expected to be significantly high and will go a long way in improving revenue collection from the two Government bodies.

**c) The introduction of the international call termination fees have already started to manifest.**

For the first time in its history, MACRA was able to remit K2.2 billion as excess funds to Government in the 2013/14 financial year. The projections are that in the current year we should be able to remit around K3.5 billion. This should be compared to only K300 million which was remitted in 2012/13 financial year.

**CONCLUSION**

MACRA would like to assure the general public that it will continue its endeavors to professionally regulate the communications sector so that the sector plays its rightful role in the social-economic development of Malawi.

**Andrew Kumbatira**

**Director General**