



INDEPENDENT COMMUNICATIONS AUTHORITY OF SOUTH AFRICA

Portfolio Committee on Telecommunications and Postal Services

Cost to Communicate Programme

26 November 2018



Item	Topic
1	Overview of ICASA's Mandate
2	Cost to Communicate Programme and achievements to date
3.	Factors that affect data costs
4.	Tariff Analysis Report – Current Communications Tariffs
5.	Call Termination Market Review
6.	End-user and Subscriber Charter Regulations
7.	Findings Document on Priority Markets
8.	Market Reviews (Mobile Services Market Review – Data Inquiry)
9.	Other Policy/ Regulatory Measures
9.1	High Demand Spectrum
9.2	Competition Commission Inquiry on Data Services
10	Conclusions



ICASA's mandate is derived from:

- The Constitution, 1996
- ICASA Act, 2000
- EC Act, 2005
- Broadcasting Act, 1999
- Postal Services Act, 1998
- ECT Act, 2002

Role and responsibilities of ICASA :

- Issuing of licences
- Management of scarce resources
- Compliance monitoring and enforcement
- Market reviews and regulation
- Tariffs and price regulation
- Setting of rules, guideline and codes

ICASA is established pursuant to section 192 of the Constitution and in terms of the ICASA Act of 2000; and mandated to regulate electronic communications, broadcasting and postal sectors in the public interest



Strategic Goals: 2016-2020



Investment in and access to broadband infrastructure

1. Facilitate investment in broadband infrastructure
2. Increase access to broadband spectrum from 566MHz to 958MHz by 2020

Promote Competition

Promote competition and reduce costs of electronic communications, electronic communications networks, postal and broadcasting services by 2019/20

Common National Identity and Social Cohesion

Increase television broadcasting platforms from three to seven Digital Terrestrial Television Multiplexers and develop a regulatory framework by 2020

Independent and credible regulator

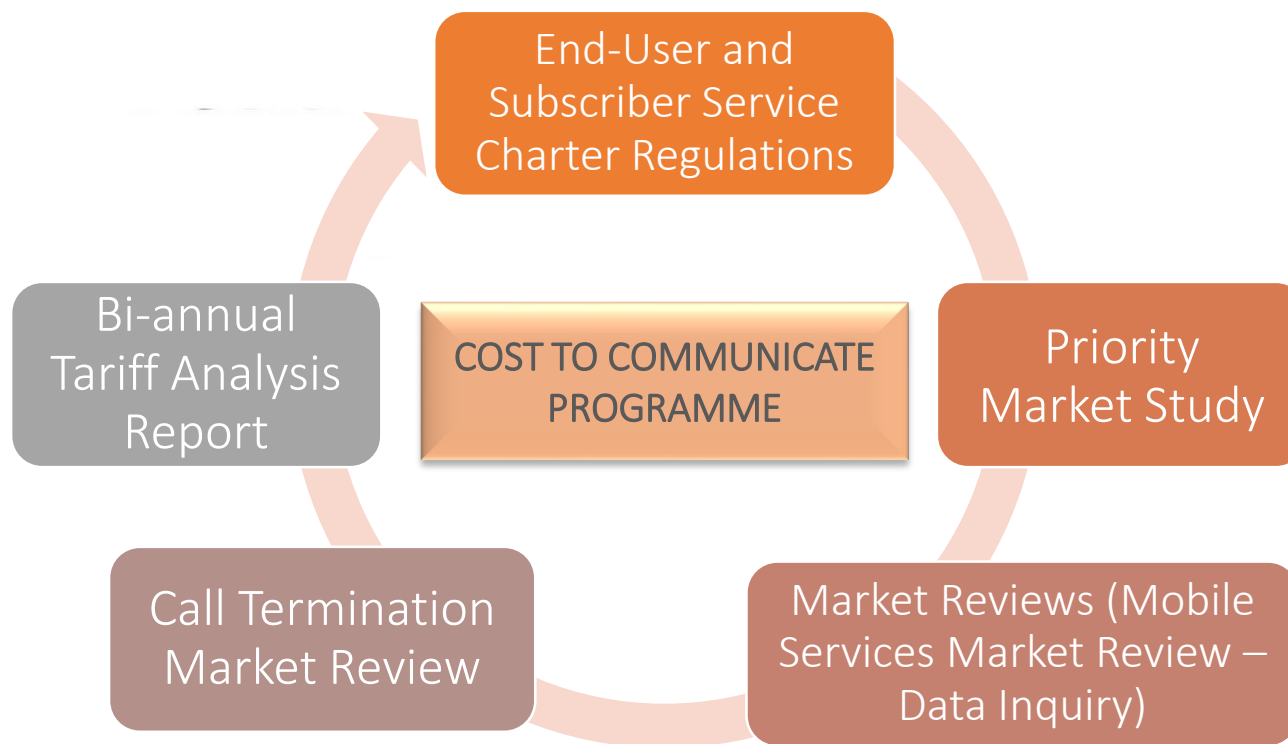
Adherence to regulatory principles of transparency, accountability, independence, integrity and predictability in the public interest

Improve stakeholder and consumer experience

Monitoring of quality of services, and improve stakeholder engagement from 10% to 80% by 2020



Cost to Communicate Programme



OTHER MEASURES:

1. Competition Commission Market Inquiry
2. EC Amendment Bill, 2018
3. Consumer activism and moral suasion.

Achievements

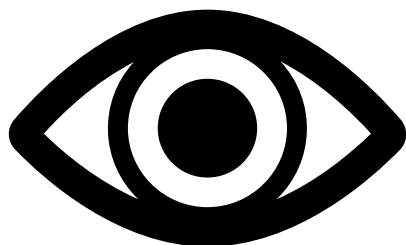
- Amendment of End User and Subscriber Charter Regulations to address the concerns regarding unfair data expiry and out of bundle business rules
- Reduction of Call Termination Rates
- Prioritization of Markets
- Initiation of the Mobile Market Review



Factors that drive data cost



There are a variety of factors that drive or influence the cost and prices of data services. This inquiry by the Commission, as well as a detailed market review by ICASA must determine the exact factors. Research indicates that such factors would include:



Radio Frequency
Spectrum
availability

Rights of way
(way leaves)

Topography
(geographic
factors)

Access to network
infrastructure
(facilities
leasing/sharing)

Market
Structure

Market player
behavior
(abuse / anti-
competitive??)

Economic conditions:
energy costs, access to
(and cost of) capital,
etc.

Technological
Factors
(rapid changes)

'sub-optimal' policy
& regulatory
framework



Tariff Analysis Report



Item	Topic
1	Recent Developments (Data Tariffs)
2	5-Year Price Trends- Data
3.	International Benchmarks Data Prices
4.	Voice Price Trends (Standard Voice Plans)
5.	Average Voice Tariffs vs Call Termination Rates
6.	Fibre to the Home (FTTH) and Fibre to the Building (FTTB) Offerings
7.	Optic Fibre Market



Recent Developments (Data Tariffs)



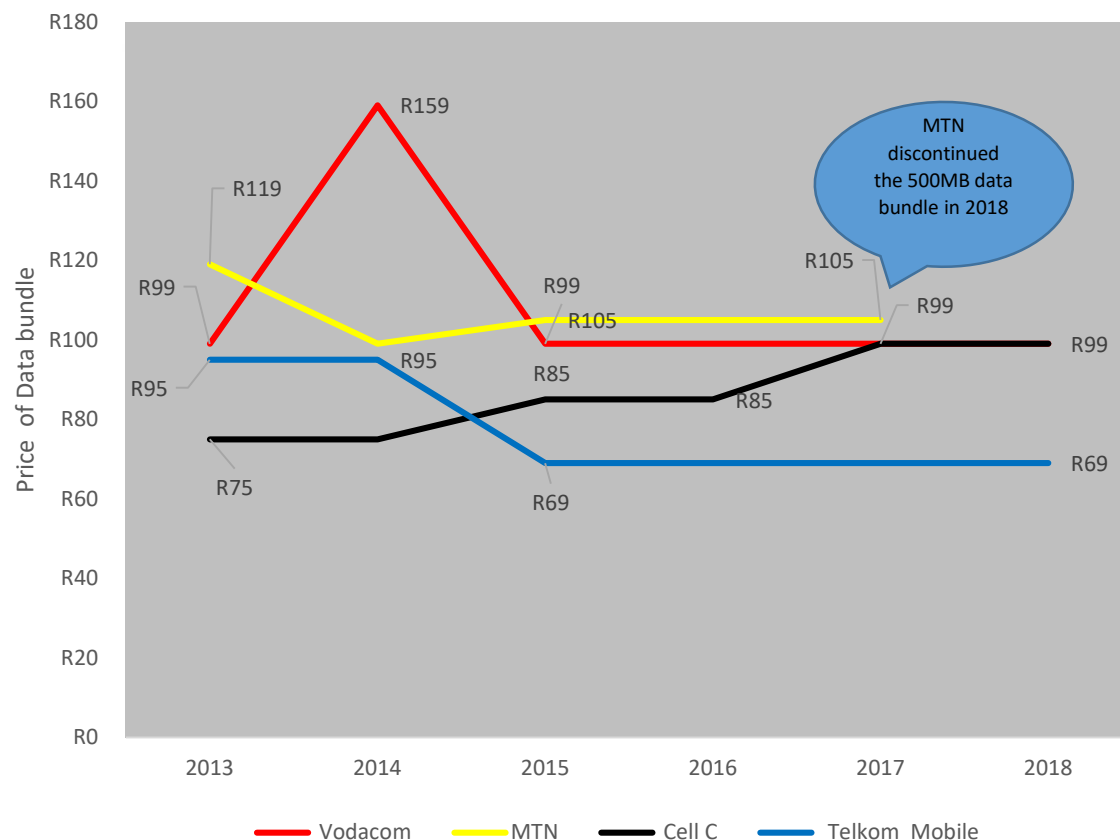
- ❑ Rain: Launched a data-only service
 - charges R0.05/MB, which is R50 for 1GB
 - no contract package, sim and delivery cost of R120
 - no out-of-bundle (OOB) rates
- ❑ MTN: Adjusted its prepaid data bundles
 - 500MB (which was R105) was replaced by 600MB (priced at R99)
 - prices for 1GB and 3GB were reduced by 7% and 9%, respectively
- ❑ MTN: Made For Me (post-paid) for Business and Individuals:
 - ability to recharge data with booster bundles
 - two months rollover of unused data
 - does not automatically charge OOB rates
- ❑ Vodacom: Smart Plan:
 - replaced both post-paid and top-up 500MB (which was R272) with 650MB (priced at R299). This is 150MB (30%) increase in data for an additional 9.9% (R27) increase in price.



5-Year Price Trends- Data



Vodacom, MTN, Cell C and Telkom Mobile's 500MB data bundle price trends for the 5-year period: 2013-2018

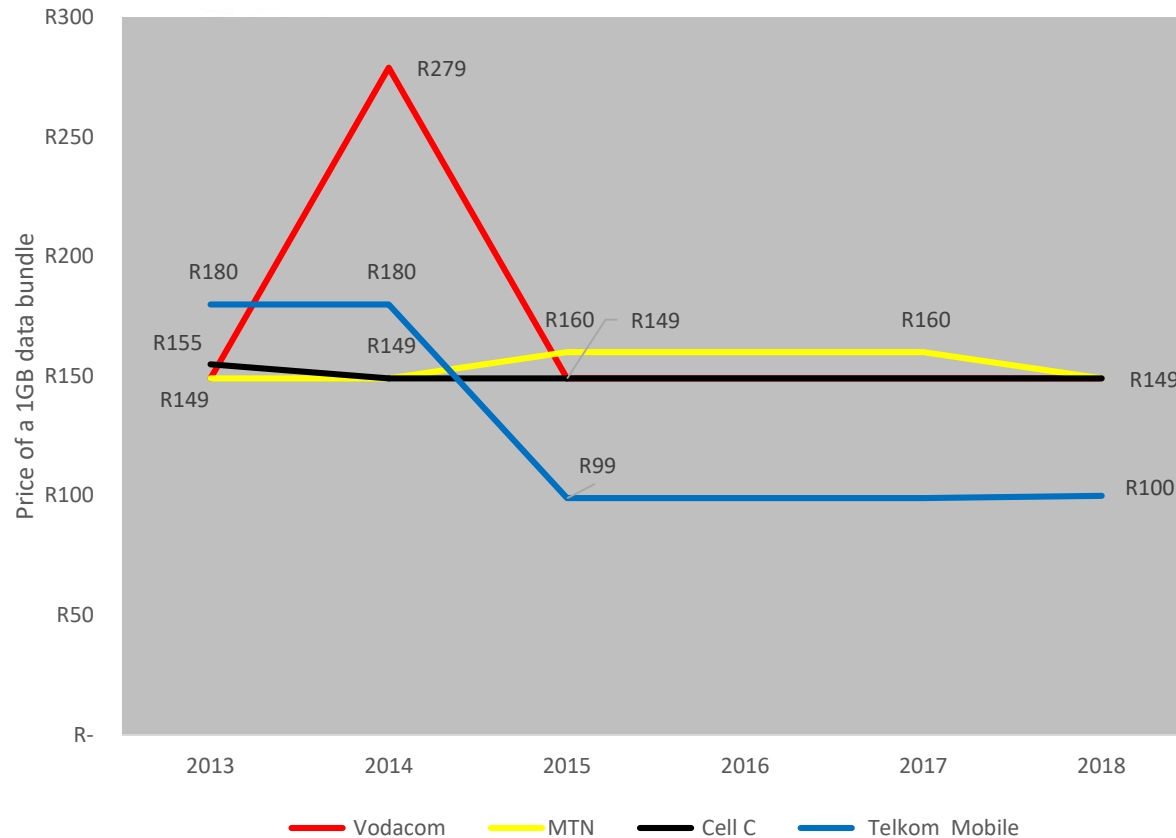


- Vodacom increased its 500MB data price by 60.6% in 2014. It was then reduced by 37.7% in 2015 from R159 to R99, which is the current price for the bundle.
- Telkom Mobile's price also decreased by 27.4% from R95 to R69 in 2015 and has remained constant.
- Cell C's price has fluctuated over the 5-year period with an increase of 13.3% between 2014 and 2015, from R75 to R85. This price further increased by 16.5% to R99 in 2017. It has since remained unchanged.
- MTN's price for the 500MB data bundle was reduced in 2014 by 20.2% from R119 to R95. This was followed by an increase of 10.5% in 2015. The bundle was discontinued in 2018 and replaced by 600MB priced at R99.

Source: ICASA Tariff Database, as published in the 2018/19 FY Q2 Bi-Annual Tariff Analysis Report



Vodacom, MTN, Cell C and Telkom Mobile's 1GB data bundle price trends for the 5-year period: 2013-2018



- In 2018, Vodacom, MTN and Cell C are charging the same price of R149 for a 1GB data bundle.
- Telkom Mobile is charging R100 for a 1GB data bundle.
- Over the 5-year period Vodacom briefly increased its 1GB data bundle price by 87.2% in 2014 from R149 to R279. It then decreased it by 46.6% back to R149 from 2015 to date.
- However, the lowest price for a 1GB data bundle currently available in the market is offered by Rain at R50.

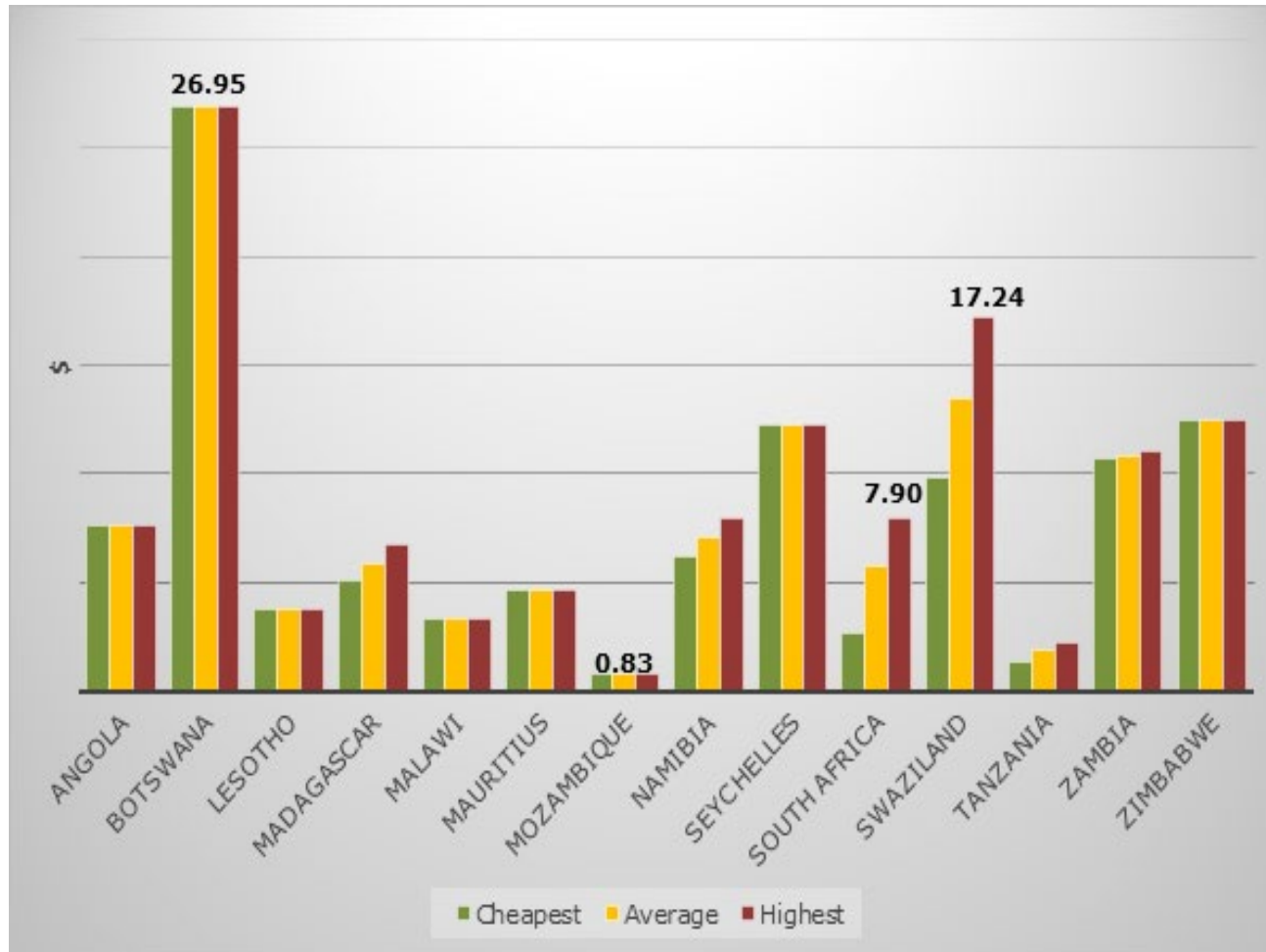
Source: ICASA Tariff Database, as published in the 2018/19 FY Q2 Bi-Annual Tariff Analysis Report



International Benchmarks - Data Prices



SADC Prices for 500MB Prepaid Data Bundle in USD



- Botswana has the most expensive 500MB prepaid data bundles as compared to other countries in SADC, with its lowest, average and highest price at \$26.95.
- Mozambique has the **lowest 500MB prepaid** data bundles in the SADC region, with an average of \$0.83.
- Botswana's **highest 500MB prepaid** data bundle is therefore more expensive than SA's data bundle by 241.1%.

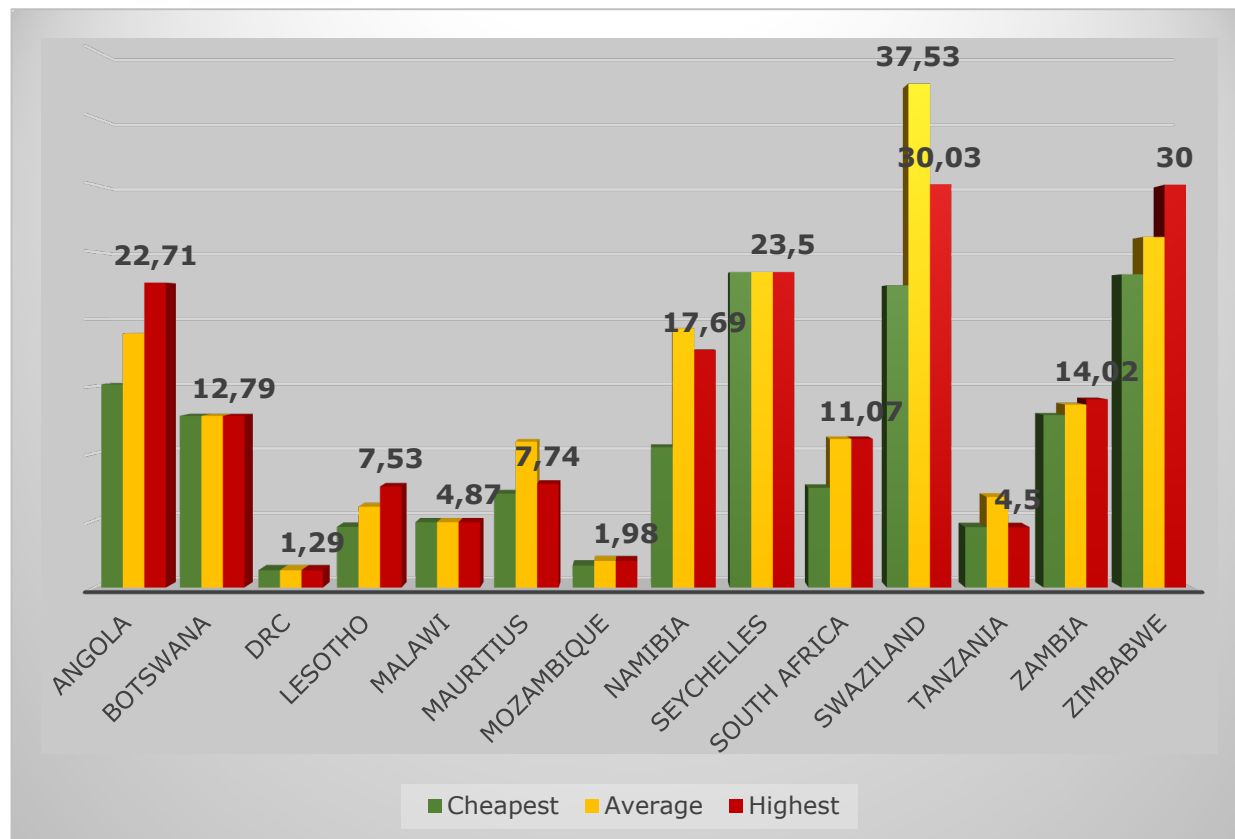
Source: Operators Website (Converted on: 10 July 2018)



International Benchmarks - Data Prices



SADC Prices for 1GB Prepaid Data Bundle in USD

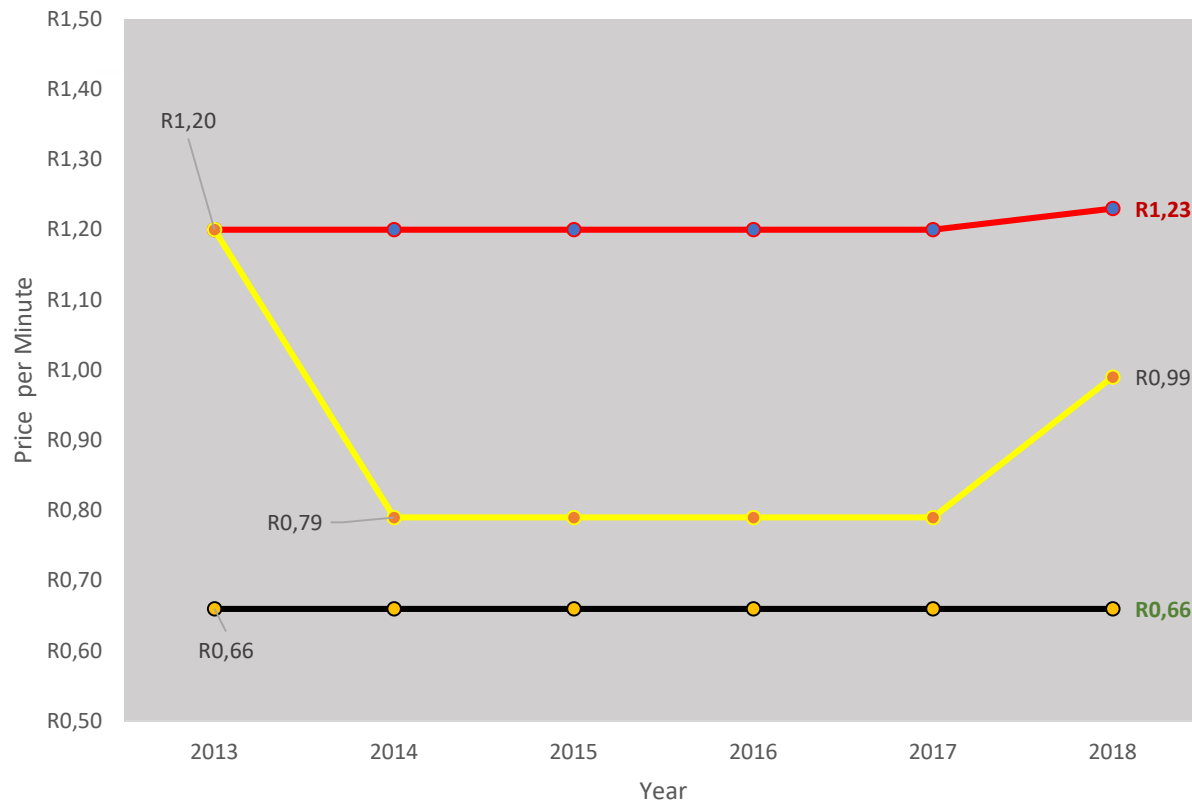


Source: Operators Website (Converted on: 10 July 2018)

- SA does not have the lowest priced 1GB data bundles, however, it comes in 3rd place in SADC in terms of the cheapest 1GB data bundle offered in the country (\$7.43).
- The lowest priced 1GB data bundle in SADC is offered in the DRC (\$1.29)
- SA's most expensive 1GB data bundle (priced at \$11.07) is:
 - higher than that of the DRC (\$1.29), Lesotho (\$7.53), Malawi (\$4.87), Mauritius (\$7.74), Mozambique and Tanzania (\$4.50); but
- lower than that of Angola (\$22.71), Botswana (\$12.79), Namibia (\$17.69), Seychelles (\$23.50), Swaziland (\$30.03), Zambia (\$14.02) and Zimbabwe (\$30.00).



Flat Rate: 5-Year trend analysis for Vodacom, MTN and Cell C



Source: ICASA Tariff Database, as published in the 2018/19 FY Q2 Bi-Annual Tariff Analysis Report

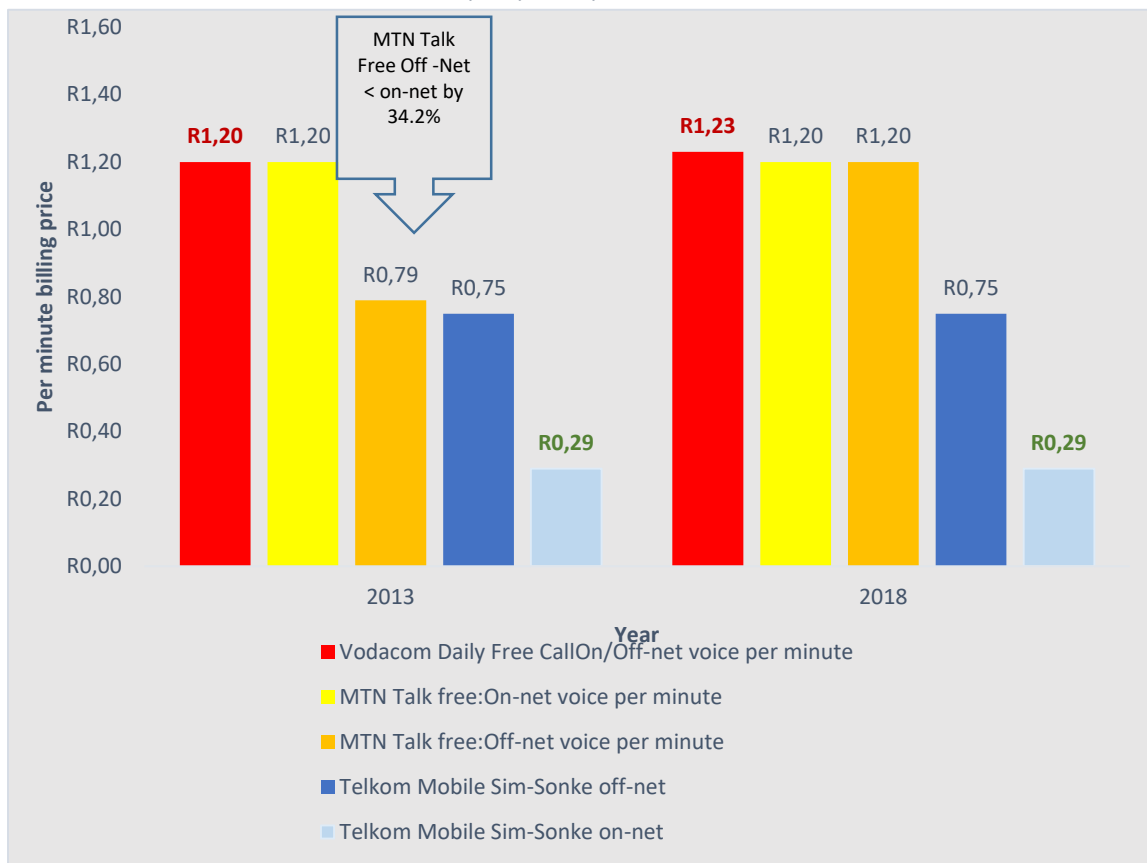
—●— Vodacom Anytime per second On/Off Net —●— MTN Anytime Second On/Off Net —●— Cell C 66c

- Vodacom prices for its flat rate tariff has remained unchanged at R1.20 since 2013 and only changed to R1.23 in 2018 due to the national VAT increase.
- Cell C's price remains unchanged at R0.66 throughout the five (5) year period for its flat rate voice tariff plan.
- MTN reduced its Anytime second flat rate tariff plan by 34.2% from R1.20 to R0.79 in 2014, it then increased it to R0.99 in 2018.
- On 3 October 2018, Vodacom filed a new flat rate tariff plan which charges R0.79 per minute (billed in seconds) anytime across all networks.
- This new R0.79 prepaid plan by Vodacom is R0.44 or 35.8% cheaper than what customers would pay on the Anytime per second plan.
- Telkom Mobile does not have a flat-rate tariff plan.

Voice Price Trends (Standard Voice Plans cont.)



On-Net focused Tariffs: Vodacom Daily Free, MTN Talk Free and Telkom Mobile Sim-Sonke prepaid plans in 2013 vs 2018

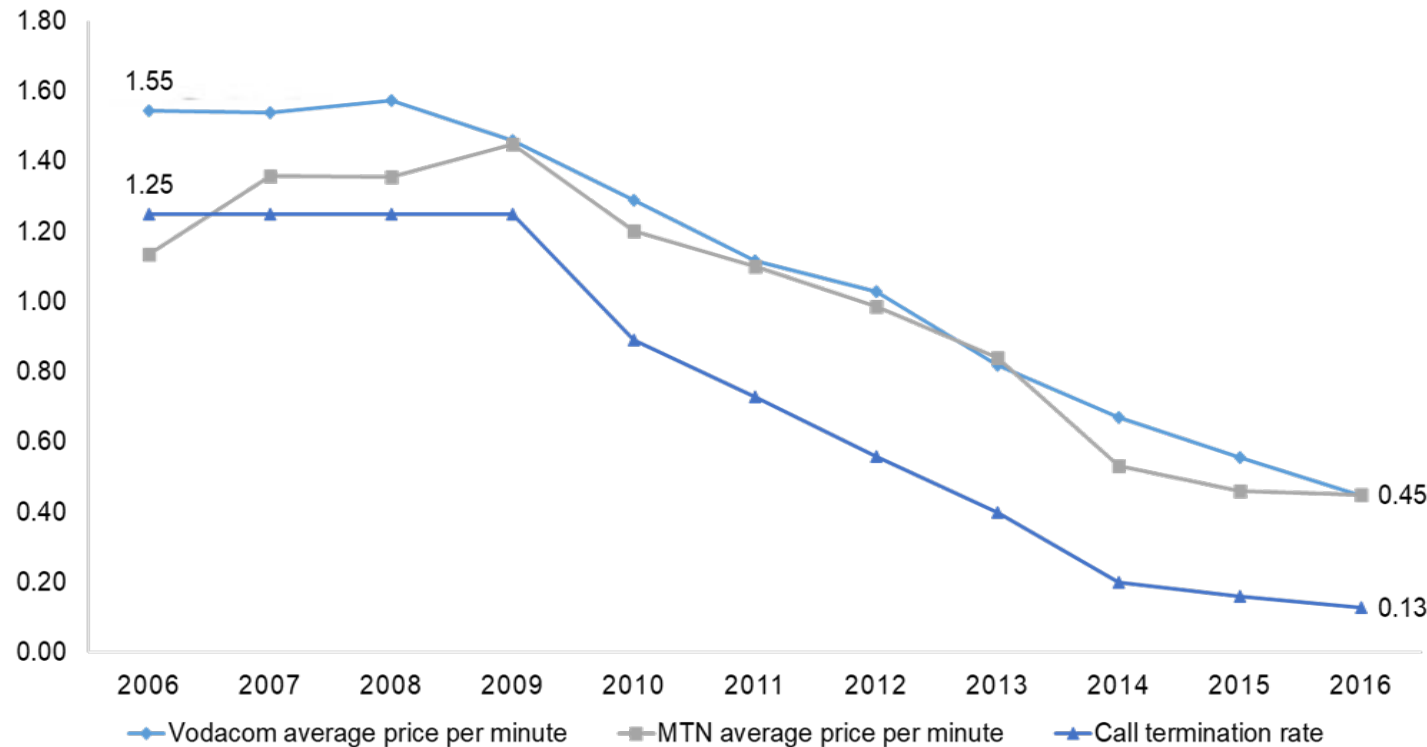


Source: ICASA Tariff Database, as published in the 2018/19 FY Q2 Bi-Annual Tariff Analysis Report

- There has been minimal changes in the prices of the on-net tariff plans between 2013 and 2018.
- Vodacom has increased the tariff for the “Daily Free” tariff plan by 2.5% (from R1.20 to R1.23), due to the 1% VAT increase and commercial reasons.
- MTN’s Talk Free tariff plan was priced differently for on-net and off-net calls in 2013 until 2017, at R1.20 per minute and R0.79, respectively. An off-net call was therefore 34.2% lower per minute.
- In 2018 MTN made a business decision to stop the price differential and now both off-net and on-net is priced at R1.20 per minute.
- Telkom Mobile still has price differential with on-net price being R0.29 per minute whilst off-net calls are R0.79 per minute. Calling another Telkom Mobile or Telkom (fixed network) customer is therefore 61.3% lower.



Average Voice Tariffs vs Call Termination Rates



Source: Acacia Economics, 2017

Year	Call Termination Rate
2006-2009	R 1.25
2010	R 0.89
2011	R 0.73
2012	R 0.56
2013	R 0.40
2014	R 0.20
2015	R 0.16
2016	R 0.13
2017	R 0.13 *
2018	R 0.12
2019	R 0.10
2020	R 0.09

- Trickle down effect”: **REDUCTION** in CTRs contribute to the **REDUCTION** in voice prices.
- This is shown for example by the **REDUCTION** in average voice prices for Vodacom and MTN since 2010 due to the CTR glide-path.

Fibre to the Home (FTTH) and Fibre to the Building (FTTB) Offerings



FTTH and FTTB prices for an uncapped 10Mbps/5Mbps speed line

Licensee/ FNO	Price
Vodacom- Century City	R503.38
MWEB- Centruy City	R509.00
Vodacom- MetroFibre	R604.25
MWEB- Octotel	R609.00
MWEB-Froogfoot	R649.00
MWEB- Openserve	R659.00
Vodacom	R699.00
Telkom	R799.00
MTN- Openserve (FTTB)	R898.00
MTN- Octotel (FTTB)	R1,388.00
MTN- SA Digital Villages (FTTB)	R2,688.00

- Fibre-to-the-Home (FTTH) and Fibre-to-the-Business (FTTB) prices differ with line speeds, capacity and data allocation.
- FNOs do not offer comparable plans, making price comparison a challenge.
- The table presents some of the offerings for a 10Mbps/5Mbps download/upload uncapped line speed and their prices.

Source: ICASA database based on tariff notifications, found in Bi-annual report published on 15, October 2018.



- ❑ Fibre Optic advantages over Traditional Copper Lines:
 - much greater bandwidth than copper cables, thus carry more data
 - less susceptible to interference than metal cables
 - much thinner and lighter than metal wires
 - data can be transmitted digitally (the natural form for computer data)
- ❑ In South Africa, high connection speed (up to 200Mbps) is offered to homes, buildings and businesses through fibre optic infrastructure by Fibre Network Operators (FNOs).
- ❑ FTTH networks are built along open access principles (meaning a consumer could have a FTTH provider different from the Internet Service Provider).
- ❑ Some of the FNOs are: Openserve, Vodacom, MTN, Liquid Telecom, Cybersmart, Vumatel, Frogfoot, Fibrehoods, Metro Fibre, Balwin Fibre, Dark Fibre Africa (DFA), Waterfall Access Networks, Octotel, OpenFibre and Edge SA Digital Villages.



Review of Call Termination Rates



- ☐ The Authority undertook a review of the 2014 Call Termination Regulations in terms of Chapter 10 of the ECA (and section 8 of the 2014 Regulations).
- ☐ A cost modelling process was initiated on 1 October 2017 and comprised inter alia an industry workshop, one-on-one meetings with operators, submissions of cost models for commentary, etc.
- ☐ The outcome of the review process resulted in the Draft Amendment to the Call Termination Regulations (published August 2018).
- ☐ The final Regulations were published on 28 September 2018 and are effective from 1 October 2018.



Final Termination Rates



Current Mobile Rates

Type of Operator	Current Rates (2017/18)
Large	13 cents
Small	19 cents

Mobile Glide path

YEAR 1 (2018/19)	YEAR 2 (2019/20)	YEAR 3 (2020/21)
12 cents	10 cents	9 cents
18 cents	16 cents	13 cents

Current Fixed Rates

Type of Operator	Current Rates (2017/18)
Large	10 cents
Small	12 cents

Fixed Glide path

YEAR 1 (2018/19)	YEAR 2 (2019/20)	YEAR 3 (2020/21)
9 cents	7 cents	6 cents
10 cents	8 cents	6 cents



EUSSC Amendment Regulations



- ❑ Amendments were effected to the ESSC Regulations during 2018 in order to address the concerns regarding unfair data expiry and OOB business rules
- ❑ The Amendment Regulations introduced the following four key pro-consumer interventions:
 - Usage notifications – all licensees are required to send 50%, 80% and 100% usage depletion notifications. This will enable consumers to monitor their usage and control spend on communication services;
 - Rollover of data – all licensees are required to provide an option to consumers to rollover unused data. This is to ensure that consumers do not lose unused data;
 - Transfer of data – all licensees are required to provide an option to consumers to transfer data to other users on the same network. This is to ensure that consumers do not lose unused data; and
 - Out-of-bundle billing – all licensees are no longer allowed to charge consumers out-of-bundle rates for data when their data has run out without the consumers' specific prior consent. This will ensure that consumers are not defaulted to high out-of-bundle data charges
- ❑ The review application (launched in April 2018) was settled on 13 November 2018 and the regulations will come into force with effect from 28 February 2018



❑ Purpose

- ❑ - Identify markets prone to *ex ante* regulation and conduct a market review (and possible regulatory intervention).

❑ Value

- ❑ Provide regulatory predictability and certainty for the market.
- ❑ Allocate resources efficiently and effectively - focus on market reviews that have the potential to yield impact in terms of:
 - Materiality to **government policy objectives**;
 - Benefit for **consumers** (both individuals and business); and
 - Impact on **competition** in the market.



Upstream Markets

U1 – International transmission services

U2 – National transmission service

U3 – Metropolitan connectivity

U4 – Fixed access services

U5 – Mobile radio access network services

Wholesale markets

W1 – Mobile termination services

W2 – International roaming services

W3 – Mobile network services

W4 – Fixed termination services

W5 – Fixed call access, origination and transit

W6 – Asymmetric broadband origination

W7 – Internet connectivity

Retail markets

R1 – Mobile services

R2 – Voice telephony at fixed locations

R3 – Access to the internet from fixed connections

R4 – Managed data network services



☐ Mobile services

- High priority (material impact on consumers and in line with government policy directives i.e. Policy Directive on Competition in Broadband Markets and Reduction of Data Costs, 2016)
- Includes the retail market for mobile services and the wholesale supply of mobile network services (including relevant facilities)

☐ Wholesale fixed access

- Medium to Low priority (low appetite for Telkom's access network except access to Telkom's ducts and poles)
- Includes wholesale supply of asymmetric broadband origination, fixed access services and relevant facilities

☐ Upstream infrastructure markets

- Low priority (competition effective due to alternatives to Telkom and large operators are self providing)
- Incorporate national transmission services and metropolitan connectivity and relevant facilities

Mobile Services Market Review (possible risks)



- ☐ ICASA has published a notice on commencement of a market review in terms of Chapter 10 of the ECA in respect of the **mobile services market**.
- ☐ The review will take at least 6-8 months from date of commencement and could take as long as 18 months.
- ☐ However, the litigious nature of the sector may pose risks to the speedy completion of the review process



High Demand Spectrum



- ❑ The Invitation to Apply (ITA) for the High Demand Spectrum (i.e. 700 MHz, 800 MHz and 2.6 GHz) published by ICASA on 15 July 2016 has been withdrawn. The ITA was the subject of litigation between ICASA and the Minister of Telecommunications and Postal Services (“the Minister”) which has since been settled.
- ❑ The settlement of the litigation enables both the Minister and ICASA to make headway in the licensing of IMT spectrum for the purpose of promoting competition, incentivizing investment, facilitating transformation of the sector and ultimately ensuring universal provision of high quality broadband services to consumers at affordable prices.
- ❑ The Minister has since published a Draft Policy Direction on the Licensing of Unassigned High Demand Spectrum for public consultation.

Competition Commission Inquiry into Data Services Market



- ❑ ICASA and the Commission have recently reviewed their Memorandum of Agreement so as to strengthen collaborative efforts between the two agencies.
- ❑ As indicated, ICASA will be embarking on a Market Review in terms of Chapter 10 of the ECA into the wholesale and retail mobile broadband market.
- ❑ ICASA's and the Commission's processes are complimentary, with the former concerned with ex ante competition (thus may result in regulations) and the latter ex post regulation of competitive conduct.



- ☐ Amendment of End User and Subscriber Charter Regulations to address the concerns regarding unfair data expiry and out of bundle business rules
- ☐ Reduction of Call Termination Rates
- ☐ Prioritization of Markets – Priorities Mobile Market for intervention
- ☐ Initiation of the Mobile Market Review



Thank You