



PRESENTATION ON COST TO COMMUNICATE TO PARLIAMENT PORTFOLIO COMMITTEE ON COMMUNICATIONS

11 FEBRUARY 2014

POLICY AND LEGISLATION (I)



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Department:
Communications
REPUBLIC OF SOUTH AFRICA

The Mandate of the Department of Communications, derived from relevant Legislation, is as follows:

- “To create a vibrant ICT Sector that ensures that all South Africans have access to affordable and accessible ICT services in order to advance socio-economic development goals in support of the African Agenda and contribute to building a better world”.

POLICY AND LEGISLATION (II)



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- ① The Minister is authorized to make policy and issue policy directives to ICASA under section 3 of the ECA on the following:
 - ① Spectrum;
 - ① Universal service and access;
 - ① Guidelines for determination by ICASA of licence fees including incentives that may apply to individual licences where the applicant makes binding commitments to construct electronic communications networks and provide ECS in rural and under-served areas of South Africa;
 - ① Mechanisms to promote the participation of SMME's in the ICT sector;
 - ① The control, direction and role of SOC's subject to Sentech Act, the Broadband Infraco Act; the Companies Act and Broadcasting Act

POLICY AND LEGISLATION (III)



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- ① Set out the pro-competitive measures the Authority may impose in order to remedy the perceived markets failure in the markets or markets segments;
- ① Declare licensees in the relevant market or market segments, as applicable, that have significant markets power;
- ① Set out a schedule in terms of which the Authority will undertake periodic review of the markets and market segments;
- ① Provide for monitoring and investigation of anti-competitive behaviour in the relevant market and market segments.

Legislative Reviews applicable to Cost to Communicate



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- ① Minister of Communications established a 22-member ICT Policy Review Panel through a public nomination process.
- ① This Panel is tasked to recommend the best communications policy frameworks that contributes to the achievement of convergence and digitization of communications technologies in South Africa.
- ① The new policy frameworks aims to create access to quality communications services, technologies, infrastructure and content at competitive and affordable prices.
- ① The Policy Review Panel has just published the Green Paper for public comments to solicit inputs to enrich the process.
- ① The White Paper process with its recommendations will be initiated on completion of the Green Paper process.

CURRENT LEGISLATIVE REVIEWS



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To ensure effective and efficient regulatory regime that contributes to regulatory certainty, transparency, investor confidence, greater competition, improved service quality and competitive pricing of services, improved consumer welfare. The DoC is reviewing a number of its legislative and policy frameworks.

- ① Electronic Communications Act (Act 36 of 2006);
- ① Independent Communications Authority of South Africa Act (Act 13 of 2000);
- ① A comprehensive ICT Policy Review
- ① The Broadband Policy and
- ① The Spectrum Policy amongst others.

OBJECTIVES OF AMENDMENDING THE ECA AND ICASA ACTS



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In contributing to the reduction of the cost to communicate:

- ① Align the ECA with the BBEEE Act of 2003 on economic empowerment initiatives
- ① Refine licensing issues to address implementation bottlenecks
- ① Ensures improvement in sections on competition provisions.
- ① Improvements on e-rate for promotion of ICTs in schools and health centres

POA ON COST TO COMMUNICATE



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Minister convened a key stakeholder consultative workshop on 26 September 2013, and identified the following key issues:

- ① **POLICY – SPECTRUM ALLOCATION FOR BROADBAND SERVICES**
- ① **REGULATORY DATA FOR NATIONAL DECISION-MAKING AND INTERNATIONAL REPORTING**
 - Requirement for improved data collection and engagement on methodologies
- ① **COMPETITION ISSUES**
 - Prices and transparency; - Mobile termination rates
 - Asymmetrical termination rates; - National roaming
- ① **REDUCTION OF PRICE DRIVERS THROUGH INFRASTRUCTURE SHARING**
 - Enforced co-ordination of rights of way (wayleaves)
 - Spectrum sharing

POLICY AND REGULATORY ENVIRONMENT



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- ① The release of high demand spectrum for broadband through National Spectrum Policy;
- ① Further reductions of termination rates toward cost of an efficient operator;
- ① Broadband Value Chain will be concluded by April 2014 which studies broadband market and definition of specific markets and price benchmarking.



- ① Despite general reductions in prices across nearly all communication services it is evident that prices remain relatively high.
- ① South Africa's poor ranking on global and continental indices due to slow pace of price reductions with other comparator markets.
- ① High pricing is referenced in the National Development Plan as a major economic stumbling block to economic growth, innovation and job creation.
- ① Regulatory fatigue due to persistent regulatory activity and high regulatory transaction costs have been blamed for the poor responses to information requests



MARKET COMPETITION ISSUES

- ① Need to simplify prices and ensure a transparency regime is in place.
- ① Issue a policy directive to ICASA to enforce an industry code of conduct or regulate price transparency
- ① ICASA has recently released the termination regulations which are forward looking to rebalance the market.
- ① The need to address the unregulated high cost of national roaming as a major cost driver



REDUCTION OF PRICE DRIVERS THROUGH INFRASTRUCTURE SHARING

- ① The need for national co-ordination within government to assist in the reduction of prices through cost saving arising from infrastructure sharing:
- ① affordable network extension in regard to:
- ① site and facility sharing
- ① passive sharing (eg. Mast or ducts)
- ① joint and regional build
- ① spectrum pooling or spectrum sharing.

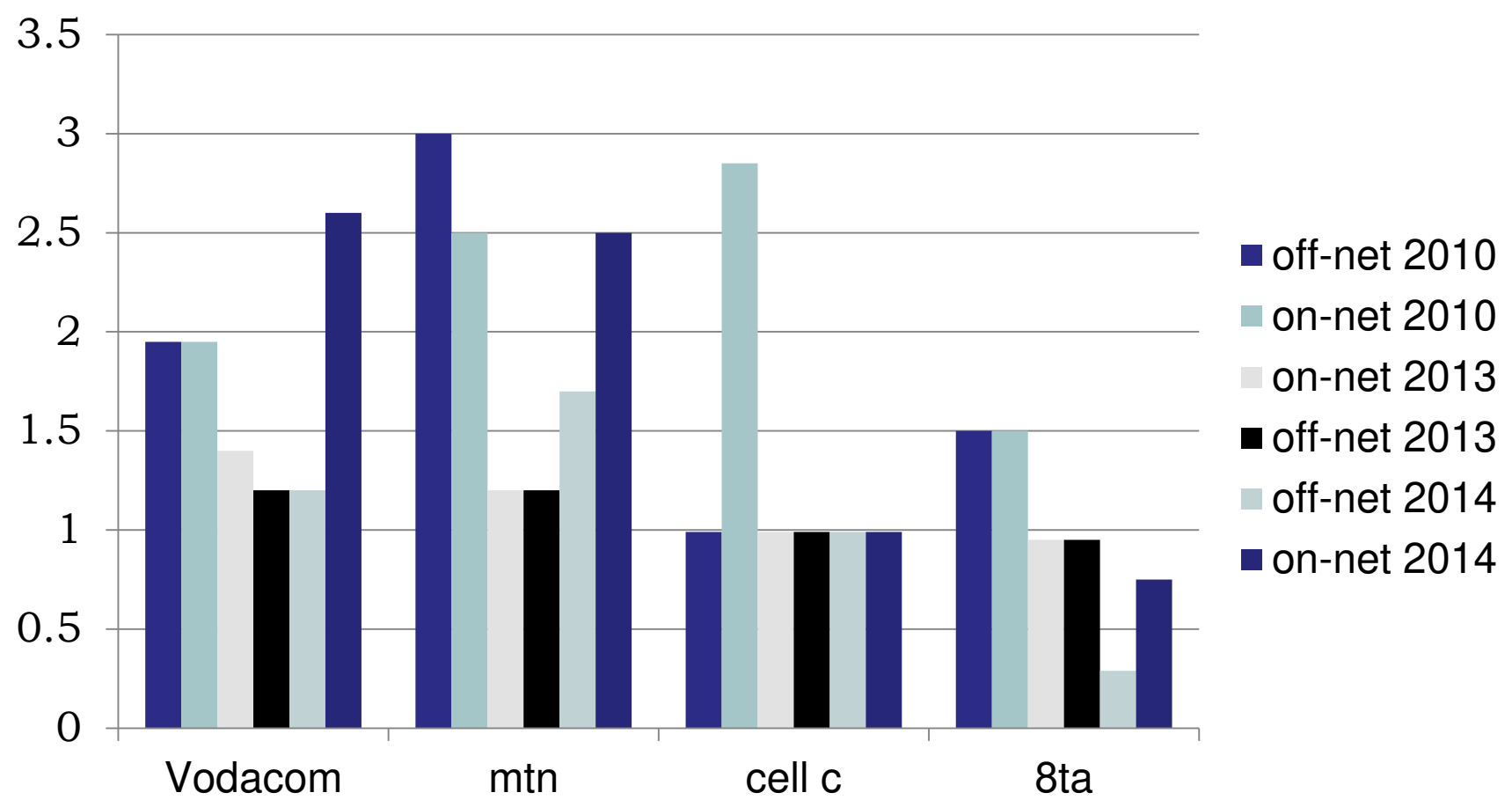


Broadband Prices

- ① The price of broadband products varies tremendously with monthly charges ranging from under R100 per month to over R20,000 per month.
- ① The cost per Gigabyte (GB) varies from less than R10 per month to over R2600 per month.
- ① National broadband coverage is around 30% geographic coverage and 75% population coverage.
- ① Including satellite services takes these parameters to 100% geographic coverage and 100% population coverage, but limited speed and affordability (access).



CHEAPEST MOBILE TARIFFS (PREPAID)



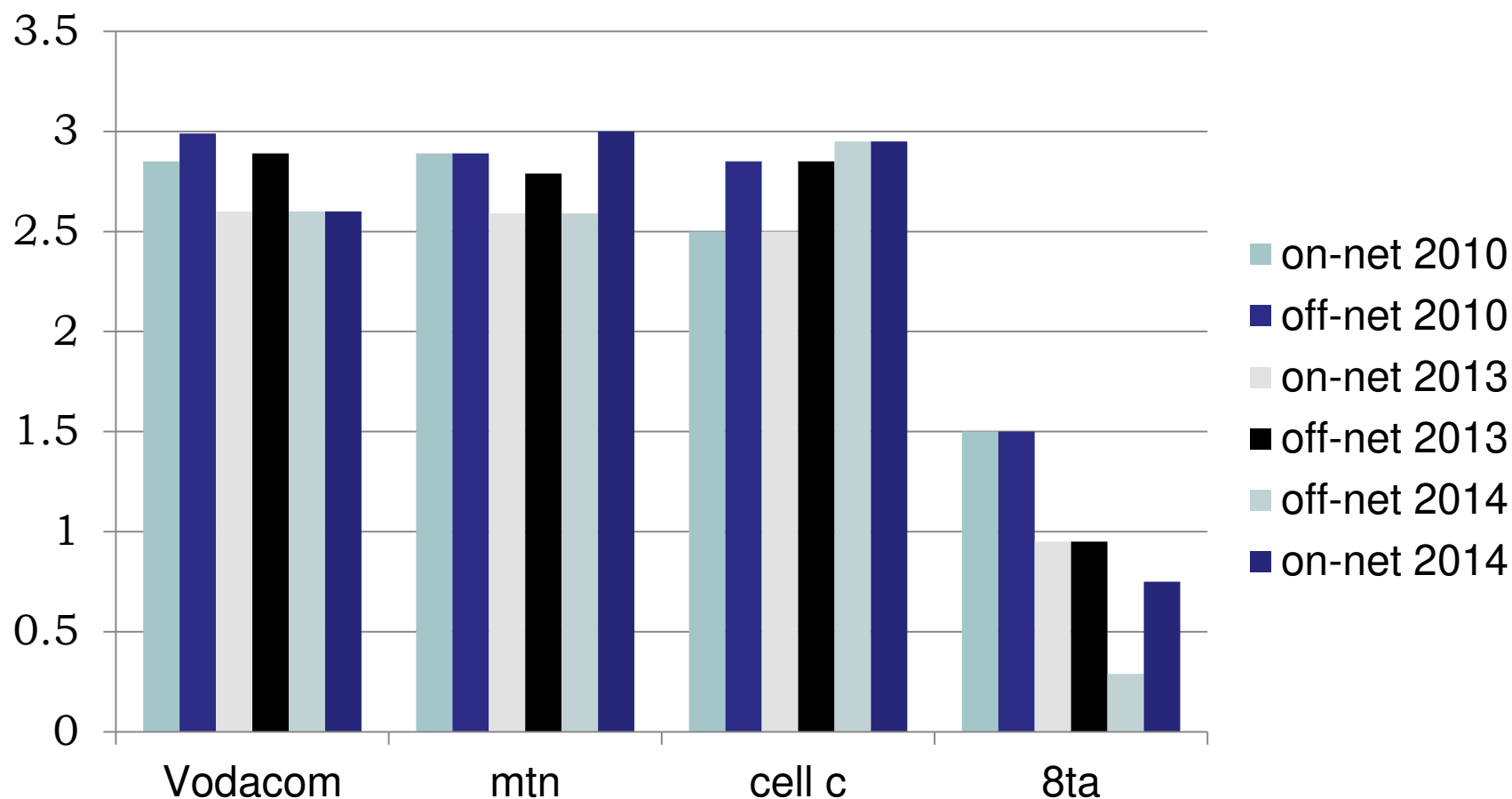
Source: Operators websites and www.mybroadband.co.za

Most Expensive Mobile Tariffs (Prepaid)



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Source: Operators websites and www.mybroadband.co.za



MOBILE AND DATA TARIFFS

- ① There seems to be relatively much higher tariff rates charged by the two big operators whose prices range between R1.20 per minute and R3.00 per minute. Incidentally these two operators account for more than 85% for mobile voice services.
- ① This suggest that the operators with SMP are not doing much to contribute to the reduction of cost to communicate by offering cheaper rates.
- ① **Challenge:** High out-of-bundle rates are excessively high especially for data services.
- ① Furthermore the time validity on data bundles – both pre-paid and post-paid (contracts services. No notification to customers for out-of-bundle data use.



HIGH COST TO COMMUNICATE

Measures to address cost to communicate include:

Interventions

Time-lines

- | | |
|---|-------------|
| ① Full implementation of Broadband Policy | 2014-2017 |
| ① Policy directive on Price Transparency | July 2014 |
| ① Consideration for Policy Directive on
National Roaming | March -2015 |
| ① Policy Directive on premium Content | March 2015 |
| ① Review on Market Data Prices | March 2015 |
| ① Amendment of ECA and ICASA Acts | March 2014 |



THANK YOU