



COST TO COMMUNICATE

PRESENTATION TO PARLIAMENTARY PORTFOLIO COMMITTEE ON TELECOMMUNICATIONS & POSTAL SERVICES

20 SEPTEMBER 2016



DTPS Delegation:

Mr. Willie Vukela, ADDG: ICT Policy Development

Ms. Mameetse Masemola, CD: Economic Analysis

Ms. Adelaide Masemola, D: Economic Analysis

Mr. Ephraim Adom, D: Impact Assessment



Table of Contents

- ☐ Context
- ☐ Problem Statement
- ☐ DTPS` Interventions 2015/2016
- ☐ Mobile Operator tariff plans
- ☐ Data Tariffs
- ☐ Wi-Fi Project
- ☐ Data Depletion
- ☐ Postal Tariffs
- ☐ Cost to Communicate Programme of Action 2016/2017



Context

- ❑ The National Development Plan 2030 and Government's Medium Term Strategic Framework have identified the high domestic cost of broadband internet connectivity as a major hindrance to socio-economic development in the country.
- ❑ Over the past few years, Government policy and regulatory interventions have reduced costs to communicate, predominantly in relation to voice services.
- ❑ South Africa's ranking has improved from 75 to 65 out of 139 countries according to the World Economic Forum's (WEF) Network Readiness Index (2015-2016), which measures how well an economy is using ICTs to boost competitiveness and well-being.



Context

- ❑ Improvements in technological readiness has helped South Africa reverse a four-year decline and being on the Top 50 in the WEF's Global Competitiveness Report (2015-2016).
- ❑ The vision for broadband is that by 2020, 100% of SA citizens will have access to broadband services at 2,5% or less of the population's average monthly income. All citizens should have access to affordable broadband.



Context

- ❑ SA Connect, South Africa's national broadband policy has identified the high prices charged for communications services as one of the primary factors hampering South Africa's competitiveness. It further emphasises that access to broadband must be affordable for it to contribute to economic growth.
- ❑ The high tariffs of the broadband services have kept penetration levels of internet low.
- ❑ The majority of South Africans citizens use mobile broadband as their primary method of connecting to the internet.
- ❑ Major shift from voice to data usage driven by Over The Top (OTT) services and in the increased smartphone and tablets penetration.

DTPS' INTERVENTIONS ON HIGH COST TO COMMUNICATE 2015/2016



telecommunications
& postal services

Department:
Telecommunications and Postal Services
REPUBLIC OF SOUTH AFRICA

Policy direction by the Minister

- ❑ **Price Transparency:** Minister issued and consulted ICASA on the policy directive on Price Transparency. The directive addresses the issues of information disclosure on the services, tariffs, costs and service quality information for electronic communications services.



Implementation by ICASA

- ❑ ICASA published an analysis report on prepaid retail voice and data tariffs in December 2015
- ❑ Subsequently the Regulator gazetted the End-User and Subscriber Service Charter regulations in April 2016.
- ❑ The regulation addresses, amongst others, bill-shock. Transparency in data billing, prepaid packages and roaming billing in line with the Price Transparency directive

DTPS INTERVENTIONS ON HIGH COST TO COMMUNICATE 2015/2016



telecommunications
& postal services

Department:
Telecommunications and Postal Services
REPUBLIC OF SOUTH AFRICA

Policy direction by the Minister

- ❑ **Data costs reduction.** Minister issued a policy direction to ICASA (04 March 2016) on effective competition in broadband markets and the reduction of data costs. The Minister directed the Regulator to commence an enquiry defining relevant markets and market segments in the value chain and impose pro-competitive measures on licensees with Significant Market Power (SMP) and prescribe regulations where there is ineffective competition



Implementation by ICASA

- ❑ ICASA responded by saying it will undertake a review process to determine priority markets for review.
- ❑ The Regulator has undertaken to consider the policy direction in deciding on priority markets.

Policy interventions to reduce costs to communicate



The National Integrated ICT Policy White Paper outlines various policy interventions aimed at ensuring universal service and access to all South Africans and reducing the high cost of communications. These policy interventions include:

Rapid Deployment Policy

This policy provides a simplified, streamlined and coordinated framework which is supported by strategies and measures to accelerate the infrastructure deployment process

Digital Development Fund

Digital Development Fund will provide support for both infrastructure and demand stimulation projects and programmes.

Open Access Policy

The duplication of infrastructure leads to expensive infrastructure deployment, and these costs are passed on to consumers. This policy is envisaged to address costs to communicate by inter alia, promoting shared and equal access to broadband infrastructure (backbone, metro, last mile- both fibre-based and wireless last mile)

G-rate for approved public institutions

The White Paper proposes that the current e-rate be converted to a g-rate (government rate) which all approved public institutions fulfilling public needs will have access to through the Digital Development Fund.



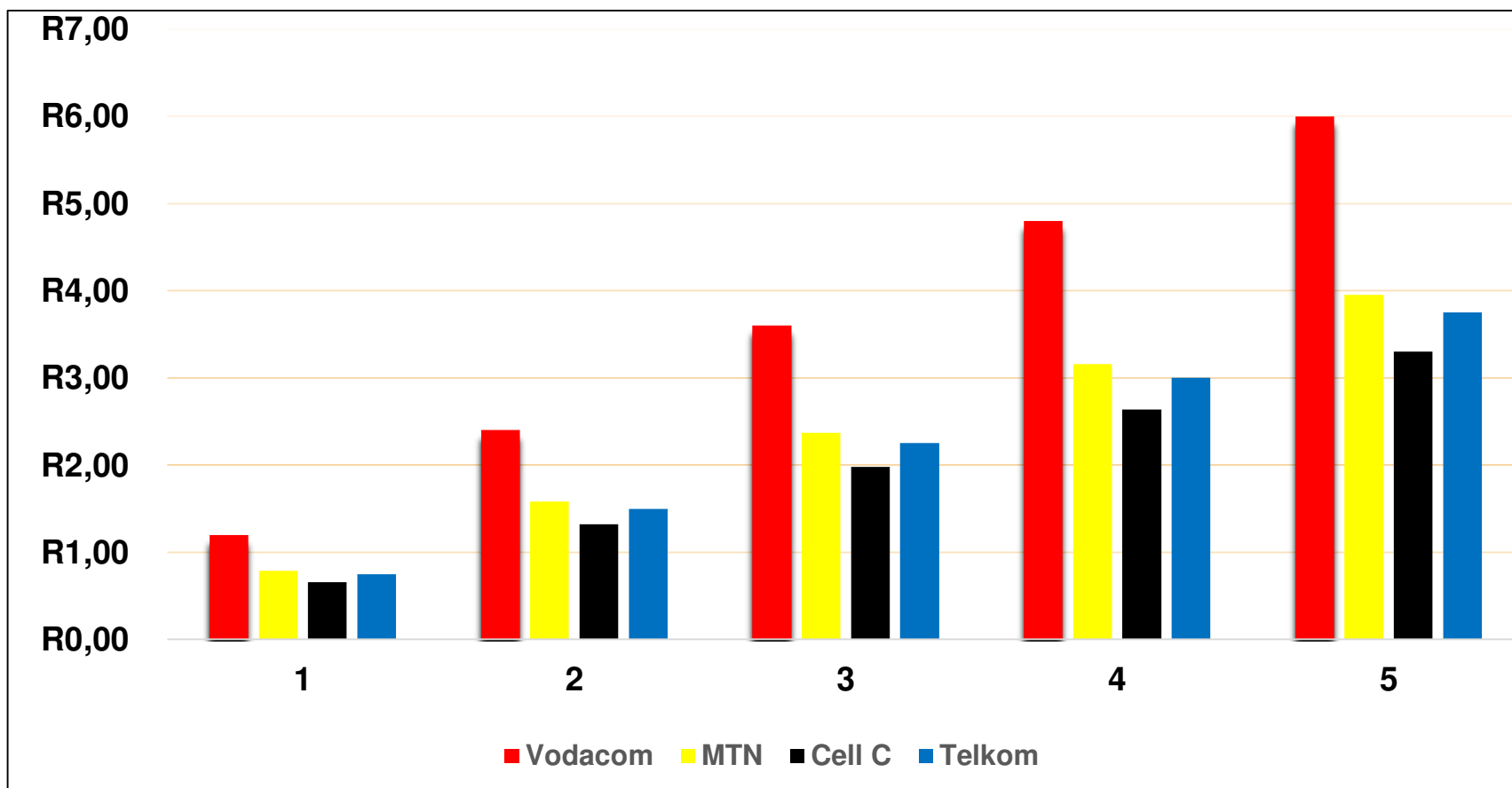
Mobile Operator Tariff Plans

Mobile Operator	Vodacom	MTN	CELL C	Telkom
Tariff plan	Anytime Per Second	Pay Per Second	66c on Prepaid	Sim Sonke
Length of the Call				
Per minute fee 1	R 1.20	R 0.79	R 0.66	R 0.75
2	R 2.40	R 1.58	R 1.32	R 1.50
3	R 3.60	R 2.37	R 1.98	R 2.25
4	R 4.80	R 3.16	R 2.64	R 3.00
5	R 6.00	R 3.95	R 3.30	R 3.75

Source: Icasa Database Tariff Notifications 2016



Per minute retail tariff per network operator

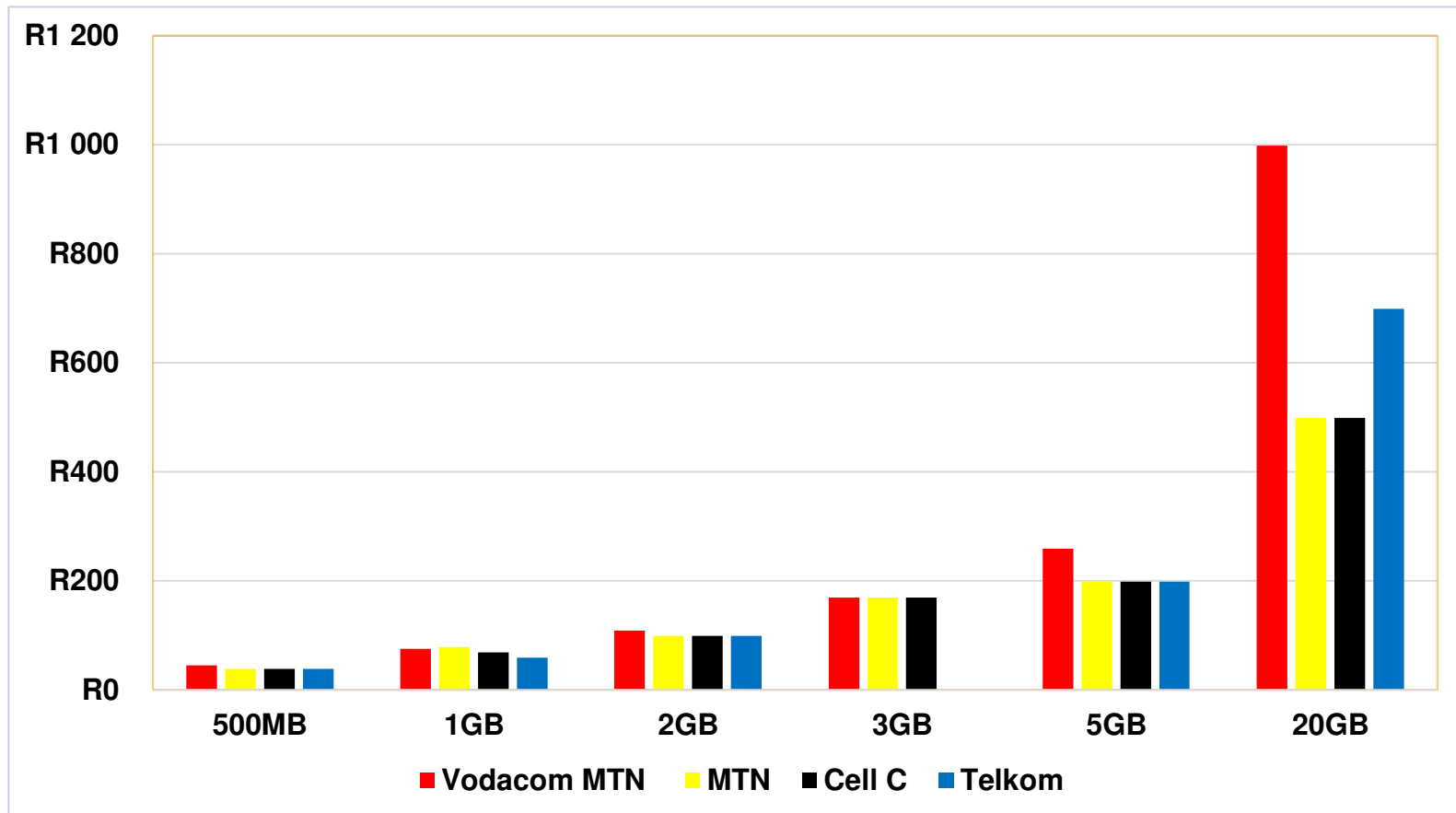


Source: Icasa Database Tariff Notifications 2016

- ☐ Looking at the above graphical presentation Vodacom is the most expensive on the per minute tariff plan at R1.20 compared to MTN at R.079, Telkom at R0.75 and Cell at R0.66.
- ☐ When looking at the length of a call, at 2 minutes Cell C charges the lowest rates at R1.32 compared to Vodacom which charges R2.40 and MTN charges R1.58.
- ☐ When looking at the length of a call, at 5 minutes all the services providers charges more or less the same tariff except Vodacom.
- ☐ The tariff rates of Cell C and Telkom comparatively are relatively cheaper on this tariff plans therefore stimulating competition.



Post Paid Data Bundles 500MB- 20GB



Source: My Broadband 10 August 2016



Data Tariffs Continued...

- ❑ The increased uptake of smartphones, require cell phone users to seek data-centric contracts. Data has become the central requirement for most cell phone users.
- ❑ A comparison of data tariffs in 2016 among operators reveal striking differences. Telkom charges R39 for 500MB compared to Vodacom's R45.
- ❑ MTN charges the highest tariff for 1GB, which is R79 compared to Telkom's R59. Vodacom charges R169 for 2GB compared to R99 which is being charged by MTN, Cell C and Telkom
- ❑ It is observed that operators with significant market power charge higher rates. Vodacom charges R999 for 20GB unlike Cell C and MTN which charges R499.
- ❑ Therefore there is an indication that ineffective competition exists in broadband markets which necessitate regulation to ensure the reduction of data tariffs.



Rollout of Wi-Fi Project

- ❑ The Department has collaborated with Metros to connect 220 Wi-Fi sites that will provide free Wi-Fi services to the targeted areas as part of broadband connectivity and reduction of costs to communicate.
- ❑ This project focuses on expanding and expediting the plans for the provision of Municipal-wide Wi-Fi networks in the 6 Metropolitan Municipalities.
- ❑ So far a total of 146 sites have been connected and currently carrying live traffic.
- ❑ City of Tshwane and Nelson Mandela bay all proposed sites have been connected.
- ❑ Wi-Fi will be rolled out in Mangaung, where 30 sites will be connected, as well as the City of Joburg (37 remaining sites to be connected) and City of Cape Town (7 remaining sites will be connected)

Data depletion



- ❑ Consumers are using more and more data and at faster speeds. Consumers have also been complaining about disappearing data.
- ❑ Given the high costs of data in South Africa, many consumers, especially pre-paid consumers, have adopted a frugal approach in the manner in which they manage their data.
- ❑ The National Consumer Commission has included disappearing data into their broader investigation into network operators. This will assist consumers to determine precisely where the data disappears to. ICASA is working closely with the NCC in this regard.



Postal Tariffs

	SAPO Ordinary Mail		Postnet Ordinary Mail	
	TARIFFS			
Stamps with client's own envelope	Small	R3.60	DL 5mm(50g)	R5.10
	Medium (B5)	R7.15	B5 10mm(1kg)	R14.50
	Large (B4)	R8.75	B4 30mm (1kg)	R18.50
Postcards	Small (DL)	R3.60	Postcards	R8.20
	Medium (85)	R7.15		
	Large (84)	R8.75		



Postal Tariffs

	SAPO Fast Mail		Postnet Fast Mail	
	TARIFFS			
Registered Letters	Small(DL)	R25.00	DL 5mm(50g)	R48.00
	Medium (D5)	R28.55	B5 10mm(1kg)	R52.50
	Large (D4)	R30.10	B4 30mm (1kg)	R61.50
Cylinder/rolled items 620mm x 70mm		R16.90		R31.50
Cylinder/rolled items 520mm x 70mm		R14.20		R25.00

Cost to Communicate POA over the MTEF period



2016/17 financial year

- ☐ Research on Over The Top (OTT) and zero-rated services
- ☐ Monitoring voice and data tariffs

National Integrated ICT Policy White Paper

- ☐ Development of Roadmap and Legislation to support the implementation of
 - ✓ G-rate
 - ✓ Digital Development Fund
 - ✓ Rapid Deployment Policy
 - ✓ Open Access Policy
 - ✓ Postal Services sector reforms

