Note on the 2008 Department of Communications Budget Speech
June 2008

The Minister of Communications, Dr. Ivy Matsepe-Casaburri, delivered what looks to be her penultimate Budget Speech to the National Assembly on 3 June 2008. This note attempts to single out some of the issues at play.

Access to and cost of communications

The Minister acknowledged that great challenges remain with regard to the uptake and usage of communications as well as access to and the cost of communication. She noted that, although mobile penetration for the poorer sections of society (LSM 1) was now greater than 20% and middle level (LSM 4) penetration surpassed 40% in 2007, the costs relating to communication had only seen a marginal reduction.

The key according to the Minister, in policy terms, to addressing these challenges lay in

- greater levels of investments in infrastructure,
- open access principles on essential infrastructure
- greater but fairer competition on services and
- effective yet flexible regulation.

The Minister noted that there were investors currently interested in expanding infrastructure and services to underserviced and unserved areas at affordable prices. As a result of such interest and initiatives the following policy position had been adopted:

> "in order to promote the universal service provision of the electronic communication networks, ICASA should consider allocating sufficient radio frequency spectrum for the introduction of such services".

The Minister further identified the imposition of a favourable asymmetric interconnection regime with regard to traffic originating on the networks of these investors and operators as facilitating affordable access to communications in underserviced and unserved areas, She accordingly indicated that it was her intention to issue the following policy directive to ICASA:

> "I will be issuing a policy directive to ICASA to urgently prescribe procedures and criteria on how operators that best demonstrate the ability to lower the cost to communicate and increase access to underserviced or unserved communities, could be licensed".

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[The policy of using an asymmetric interconnection regime as a mechanism for subsidising service provision in underserviced areas was one of the underpinnings of the 2002 policy relating to Under-Serviced Area Licensees (USALs). ICASA got so far as publishing a draft set of interconnection regulations relating to this which was never finalised. There is little doubt in the author's mind that this is one of the principal reasons for the failure of the USAL project.

It seems, with respect, unfortunate that the Minister, in response to a request from the media as to whether she had any particular entity in mind when indicating her intent to make such a policy direction, replied that she did. While the author unreservedly supports the initiatives revealed by Smile Communications, the admission by the Minister in this regard is unfortunate given the prohibition in the ECA on Ministerial involvement in the licensing process.]

Increased state participation in the provision of electronic communications infrastructure
The Minister noted that the "strategic thrust of increasing uptake and usage of ICTs to meet universal service goals and the true convergence of ICT services in South Africa demanded that government must invest in infrastructure like other developing countries where there was better usage and uptake. ICT infrastructure is globally accepted as essential and governments are increasingly playing a central role in directing development and ownership of this infrastructure, because this is key for a developmental state and the development of the sector. We therefore have been pushing policies of open, non-discriminatory access to ICT backbone infrastructure and the private sector providing services on top of that infrastructure".

Central to this policy are Infraco and, to a lesser extent, Sentech. This Minister stated that she intended to issue the following directive to ICASA in respect of Infraco:

"to issue a license to Infraco in terms of section 3(1A) read with section 5(6)".

[*In her 2007 Budget Speech the Minister stated:*
"I intend to make representation aimed at regarding Infraco as a deemed holder of an individual electronic communication network services licence. I intend to implement this through the parliamentary hearings on the Infraco Bill."]

With regard to Sentech there was a presentation as regards the Apex project 3 in terms of which Government has decided to deploy wireless broadband to 500 Dinaledi Schools as well as clinics, hospitals, libraries, post offices, Thusong Centres and government centres in the same coverage areas. Sentech has been charged with the responsibility to roll-out this wireless broadband and has been charged with the provision of a WiMax network to an initial 233 schools at a cost of R500 million (there is currently a R200 million funding shortfall).

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Undersea cables & the Rapid Guide for Deployment of Infrastructure

The Minister noted that Government had approved the building of the African West Coast Cable (AWCC), to be lead by Infraco and had also lent support to the NEPAD's UhuruNet and the UmojaNet terrestrial project. The Minister stated that both of these undersea cables "should be ready by May 2010 and will create a sustainable competitive international bandwidth market in South Africa".

With regard to the Guidelines for the Rapid Deployment of Infrastructure which was comprehensively opposed by industry, the Minister sounded an ominous note:

"In addition, we proposed that instead of getting companies to seek separate permits that will satisfy environmental as well as security concerns, these would be applied for at one point and coordinated by the department of communications working within the cluster system. Given that the Department of Environmental Affairs and Tourism was in the middle of passing a bill through parliament, it was not possible at that point to address environmental permits totally wording was left that proposed a separate application. This will however be addressed soon. Given the ICT data and network security imperatives facing us, this aspect, cannot be negotiable."

The Minister confirmed that SAT 3 undersea cable will be upgraded to meet South Africa's 2010 international cable capacity commitments.

Frequency

The Minister confirmed that the completion of the World Radio Conference 2007 meant that the policy on spectrum allocation and its implementation could now be finalised.

With regard to LLU the Minister notes that the "growing theft of copper cables has had the effect of undermining the implementation of our local loop unbundling policy". This increased the importance of the deployment of wireless technologies and the Minister noted the relative ease of rolling out such infrastructure in rural areas.

The Minister was accordingly of the opinion that government incentivisation of these forms of services would lead to greater uptake and usage of communications in these areas.

An unlikely source of spectral efficiency may be municipalities – the Minister urging them to "explore alternative sources of energy, such as solar, wind, etc. for street lights and traffic lights" and to "consider

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using these new energy platforms for broadband communications infrastructure". This will, the Minister believes, result in the increased allocation of radio frequency spectrum dedicated for public use.

Local government initiatives

The Minister notes that the Department had been able to establish that provinces are embarking on strategies for the roll-out of their broadband infrastructure to all municipalities. She indicated her intent to issue a policy directive

"for the licensing framework, in line with Section 3(1A), in the near future".

BPO

The Minister stated the following:

"Telkom has tabled a proposal for a comprehensive telecom solution to incentivize the BPO sector that will have the potential for job creation and inclusive participation of historically disadvantaged individuals in line with the ASGISA strategy. Government will be issuing guidelines for the implementation of this proposal."

2010

In a fillip for local government communications infrastructure the Minister confirmed that the ownership of the upgraded access network provided by Telkom for the tournament will be transferred to the host cities after the event.

In addition Sentech's investment in the second teleport will serve as a second back-up for 2010 for the existing teleport in Honeydew.

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