



Independent Communications Authority of South Africa
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**SPEECH BY COUNCILLOR THABO MAKHAKHE ON RECENT
DEVELOPMENTS WITH REGARD TO THE LOCAL LOOP
UNBUNDLING PROCESS**

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Good morning and I welcome to you all to ICASA as we engage in the recent developments with regard to the LLU process.

The objective of this briefing is to share with our stakeholders ICASA's views on the regulatory process regarding local loop unbundling for public consultation and discussion

The release of the discussion document (some copies are circulating right now) is to begin the national debate on any regulatory action on Local Loop Unbundling, the process by which licensees will be able to more effectively and efficiently share existing infrastructure to provide services to all South Africans.

The motivation behind the introduction of Local Loop Unbundling is based on standard network economics where more users will generate more traffic and therefore reduce per unit costs. How does one stimulate more users and/or more uptake per user? The Authority is of the view that increasing consumer choice is a crucial tool to increase the number of users and effectively increase the "size of the pie" for all licensees providing services.

All that is needed is more people seeking fixed line connections for broadband services and for them to be provided with the desired service. Is this possible without an enormous capital investment? The answer is yes and no. Some resources exist which are capable of immediate use without a significant capital investment. Other potential resources will require considerable investment before they can be made available for use.

We believe that the available resources that are currently unused represent a substantial opportunity cost where existing network elements are effectively under-utilised, yet paid for through annual maintenance programmes.

The goal of LLU is to ensure that access to existing infrastructure is achieved in a fair and equitable manner to ensure that, among others: -

- more people are connected to the Internet through fixed line or other connections
- consumers have more choice about who provides what service for fixed line connectivity
- jobs in the industry are secure.

This last point is worthy of further elucidation given the recent concerns raised by stakeholders in the media or otherwise.

Firstly, given the low levels of fixed line broadband uptake in South Africa, any initiatives to stimulate an increase in fixed line broadband, i.e. LLU, can only increase the security of employment in the installation and maintenance of fixed lines and associated infrastructure.

Secondly, LLU does not replace any employment where maintenance of existing fixed lines and associated infrastructure is required.

Thirdly, LLU requires alternative operators to increase employment to manage their LLU-based wholesale and retail products.

LLU, in the case of South Africa, also represents a revenue generation opportunity for all operators, including Telkom, which further supports both job retention and job creation.

We believe that the “size of the pie” may be increased by over R 1 billion, which may be generated in new revenue and shared by the operators every year just by achieving full utilization of the ADSL ready network. This revenue may be used not only to retain jobs, but to fund further network expansion to increase the scope of ADSL capabilities of the network.

The Authority has outlined its approach to achieving LLU in the discussion document, asking stakeholders to respond to a range of questions, including the type of LLU most preferred as well as other matters such as funding for any potential access line deficit.

The Authority looks forward to engaging on a one-on-one basis with any stakeholder who seeks to do so, as well as in the public hearings that will take place after receiving all the written submissions.

One-on-one engagements with licensees will be scheduled on request and on a first-come-first-served basis between the 15th and 26th of August 2011.

Please note that written submissions are due by the 14th September 2011.

I thank you for your indulgence and we will now take questions.