



Internet solutions
A DIVISION OF DIMENSION DATA

03 December 2012

Mr Godfrey Maulana
ICASA: Compliance Division
Pinmill Farm, Block C
164 Katherine Street
Sandton
2146

Per email: GMaulana@icasa.org.za

Dear Mr Maulana

RE: IS SUBMISSION ON THE DRAFT ALF REGULATIONS

Please find the attached submission in respect of the ICASA Annual Licence Fees Regulations.

Please do not hesitate to contact the writer hereof should you have any questions.

Yours sincerely,

PP
A handwritten signature in black ink, appearing to read 'Siyabonga Madyibi', written over a horizontal line.

Siyabonga Madyibi
Regulatory Director



1. INTRODUCTION

1.1 Internet Solutions thanks the Independent Communications Authority of South Africa (“ICASA”) for the opportunity to make its written submission on the proposed ICASA Annual Licence Fees (“ALF”) Regulations, as published in the Gazette Number 35819 on 24 October 2012.

1.2 Internet Solutions is a division of Dimension Data Middle East & Africa, a subsidiary of Dimension Data, which is a global systems integrator. Internet Solutions is the leading African Internet Protocol-based Communications Service Provider, which strives to offer a superior client service experience for client and partner organisations.

2. MAIN CONCERNS ON THE DRAFT ALF REGULATIONS

This submission addresses IS concerns in respect of certain provisions proposed in the draft ALF Regulations.

2.1 THE BASIS FOR THE PROPOSED 0.75 PERCENTAGE

Internet Solutions also notes with concern that the proposed ALF Regulations do not provide the rationale for substantively increasing the percentage of licensed annual turnover to be paid at 0.75%, as compared to 0.1% as was applicable to VANS licensees prior to licence conversion in 2009. Internet Solutions is concerned about the exorbitant increase of fees without any justification for departure. This will have a direct impact in increasing cost of providing communications services in South Africa and is prejudicial to telecom consumers and operators.

2.2 LICENCE FEES FRAMEWORK: ANNUAL TURNOVER VS GROSS PROFIT

In the draft regulations, ICASA states that the current formula of calculating annual licence fees on revenue generated from licensed services less total costs directly incurred in the provision of such services has proved to be cumbersome for ICASA in that the accuracy of the total costs incurred in



generating licensed revenue cannot be verified. However, the proposed formula of calculating annual licence fees on annual turnover does not take into consideration that the licensed revenue is generated at a cost.

Further, the fees to be collected using the proposed formula will far exceed ICASA's operating costs. As such, it makes the new formula inappropriate and non-justifiable. While Internet Solutions appreciates that ICASA intends to address administrative challenges by charging fees on annual turnover and not gross profit; such a regulatory move may hinder the development of the ICT industry on the basis that the costs of generating licensed revenue will be passed onto consumers of communications services.

Internet Solutions further submits that the draft ALF Regulations constitutes sweeping regulatory changes, and as such, a public hearing would have been expected to inform this process. Internet Solutions submits that it is in the public interest for ICASA to conduct public hearings as public consultation contributes to better policymaking.

3. CONCLUSION

While Internet Solutions recognizes that ICASA intends to address administrative challenges, ICASA should not change the current ALF formula of paying fees on gross profit as the proposed regulatory shift will increase the cost of communications services. Internet Solutions strongly encourages ICASA to reconsider the proposed ALF Regulations and address concerns raised in this submission.

Internet Solutions is of the opinion that ICASA should be careful not to upset the telecoms industry growth which has developed in South Africa. Further, we also urge ICASA to conduct public hearings with industry operators in order to afford concerned stakeholders an adequate opportunity to discuss draft ALF Regulations.

Again, Internet Solutions thanks ICASA for the opportunity to make a submission on the proposed ALF Regulations, and we look forward to a positive outcome.