CO$T TO COMMUNICATE

20 SEPTEMBER 2016

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#1 FOCUS ON COST OF ACCESS TO BROADBAND

focus going forward should be the cost of access to broadband

- Aligns with targets in SA Connect
- Reflects growth in data usage
- Acknowledges that voice is predicted to become a free service
- Recognises growth in OTT services and need for broadband to access these

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#2 UNIVERSAL ACCESS & SERVICE VS. UNIVERSAL AFFORDABILITY

- a significant percentage of South Africans are able to access mobile broadband services but cannot afford to use such services or have to use them in a limited manner
- South Africa has an “affordability gap” more than an “access gap”
  - This is created by two very simple factors -
    - the cost of mobile broadband data
    - the restriction on the provision of VoIP over mobile broadband

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#3 THE COST TO COMMUNICATE AND VERTICAL INTEGRATION

the promotion of competition in the provision of mobile broadband services should be an explicit priority in any programme to reduce the cost to communicate

- vast majority of South Africans communicate or access the Internet using their mobile handsets using the networks of the mobile network operators
- makes sense that most effective way to reduce the cost to communicate is to focus on the cost of accessing these services
- will have the largest impact on increasing the uptake of broadband and in South Africa in the short term

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#3 THE COST TO COMMUNICATE AND VERTICAL INTEGRATION

- In fixed-line broadband market there has been a massive pricing and service benefit to ADSL customers over the past seven years through competition
- This has been further enabled by Telkom's decision to separate its wholesale and retail divisions
- **Service competition is largely absent in the mobile services sector outside of the incumbents, notwithstanding that there are a substantial number of new entrants who would enter the mobile services resale market were the incumbents to create opportunities to do so**

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RECOMMENDATIONS

- require mobile networks to offer wholesale solutions on their networks at prices below current retail pricing, taking into account overhead charges and a profit margin, i.e. a resale model
- enforce separation of networks services (ECNS) and communications services (ECS) and the offering of non-discriminatory access to network services
- this will create a fully-competitive reseller market below the MNOs, in the same manner that such a market exists below Telkom
- ISPA believes this will have a substantial impact on broadband penetration and usage in South Africa in the short term
- prohibit restriction on providing VoIP services over the mobile network to further reduce cost of voice communication

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