13 September 2016

Parliamentary Portfolio Committee on Telecommunications and Postal Services

Parliament

Attention: The Committee Secretary

Per email: hsalie@parliament.gov.za

Dear Madam

The Wireless Access Providers' Association's Submissions on the Cost to Communicate

1. WAPA refers to the advert issued by the Honourable Chairperson of the Portfolio Committee on Telecommunications and Postal Services inviting submissions on the cost of electronic communications in South Africa.

2. WAPA notes that the scheduled hearings form part of the broader programme mandate of the Committee to investigate the impact of high costs-to-communicate to the public, and we welcome and thank the Committee for the opportunity to bring our position on this critical issue to the attention of the Committee.

3. The departure point raised by the Committee in the advertisement is its recognition that "despite reduced mobile termination rates, the cost to communication in South Africa is still high and competition remains fragmented". WAPA understands this to be an intentionally broad invitation designed to solicit submissions on a range of issues relevant to the cost to communicate in South Africa.

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Who does WAPA represent?

4. A typical WAPA member is an SMME which self-provides its own electronic communications network in a rural area and provides Internet access and sometimes voice services over this network to subscribers. In many rural and peri-urban locations WAPA members provide the only cost-effective alternative to the mobile networks for Internet access.

5. WAPA members collectively own and operate communications networks throughout South Africa. The map below – created from information collected through WAPA's 2013 internal census - indicates that there are WAPA members providing Internet access services in every district and metropolitan municipality in South Africa.

Legend:
Number of WAPA members serving the District Municipality.
- 1 – 4
- 5 – 9
- 10 – 11
- 15 – 19
- 20 – 24
- 25 – 30
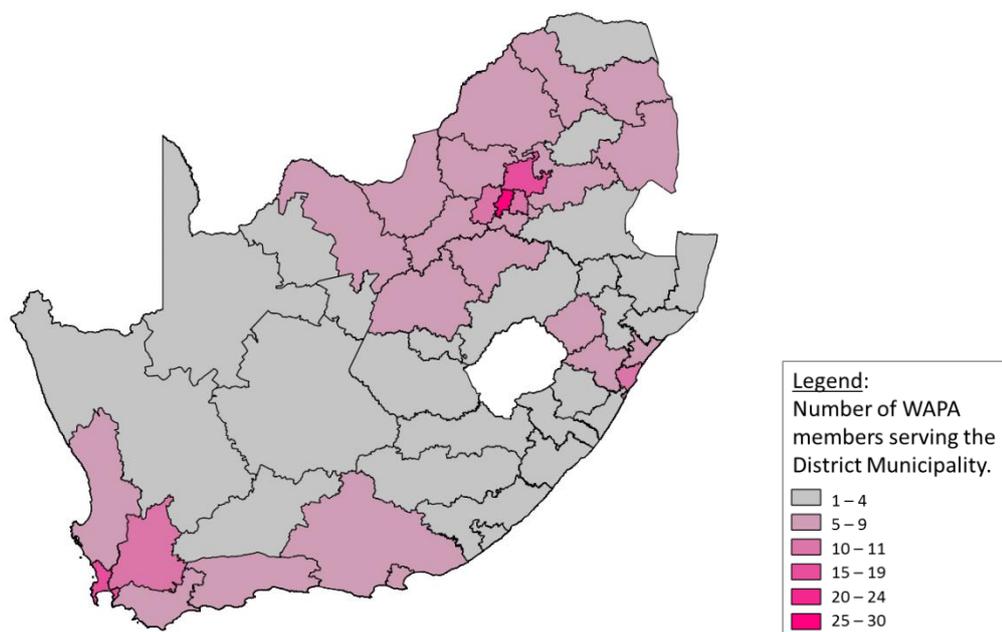
6. WAPA's 2013 internal census also reveals that WAPA members:
   6.1. Provide more than 300 000 subscribers with broadband and voice services;
   6.2. Have BBBEE Ratings within Levels 1 to 4 held by approximately 50% of WAPA members;
   6.3. Provide free or discounted services to:
        6.3.1. More than 200 hospitals and clinics; and
        6.3.2. More than 4 000 schools/educational facilities;
   6.4. Employ more than 10 000 people; and
   6.5. Provide more than 4 500 public Wi-Fi hotspots

7. Many of WAPA's members are at the forefront of the focus on providing free Wi-Fi services at local government level. Due to restrictions on access to spectrum and costs associated with acquiring licensed spectrum, WAPA members are specialists in the use of licence-exempt spectrum.

8. WAPA members have a track record of price reduction and service innovation in the provision of broadband services in areas where larger operators will not go.

9. WAPA has launched a number of initiatives to self-regulate and professionalise the industry, including:

9.1. Binding members to its Code of Conduct which includes a complaints resolution mechanism.

9.2. Hosting the Future Wireless Technology Forum which creates an opportunity for bilateral conversations between industry and ICASA relating to future spectrum management in South Africa.

9.3. Developing a High Site Best Practise Manual to raise the standard of high site deployment and maintenance and to ensure that health and safety legislation is being complied with.

9.4. Developing a white paper on spectrum management in South Africa.

9.5. Offering regular training programmes relating to radio frequency spectrum, safety and regulatory matters are offered.

9.6. Implementing an equipment labelling initiative for high site equipment has facilitated interference management and enforcement of compliance by ICASA.

9.7. Participating in the trialling of Television White Spaces (TVWS) technology in Cape Town together with Google, the CSIR's Meraka Institute and others.

10. A full list of WAPA members is available from http://www.wapa.org.za/members/.

History of this process

11. The scheduled hearings are a continuance of a series of hearings and proceedings undertaken by this Portfolio Committee and its predecessors.

12. The Portfolio Committee on Communications (as it then was) adopted its final report on the hearings into the cost to communicate in South Africa on 4 February 2014. The report notes, amongst other things:

12.1. That it was "widely reported that the cost of communication is still high in South Africa and is mainly due to a lack of competition in the market. And that despite ICASA's regulatory intervention to regulate the Call Termination Rates (CTRs) for both Mobile Termination Rates (MTRs) and Fixed line Termination Rates (FTRs) regime, the cost of communication still remains high while competition remains fragmented with anticompetitive conditions for new entrants and challenger networks."[1]

12.2. That interventions planned by the Department of Communications (as it then was) included the imposition of a flat rate regime on mobile voice calls in South Africa, standardization of national roaming retail prices for mobile services and regulation of transparency in the pricing and publication of mobile retail prices.

12.3. ICASA proposed that it would undertake a value chain market review incorporating cost models for the voice and data value chain to allow identification of areas for intervention, after which it would regulate prices where necessary. ICASA also proposed to make high demand spectrum available as soon as possible to "(i) new entrants; (ii) to an open access network; and (iii) to the incumbents and attach universal service obligations to assigned spectrum in order to achieve universal access, increase access for all and guarantee competition leading to lower prices and contribute to Growth Domestic Product(GDP) growth.

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[1] PCC Report on Cost to Communicate in RSA, 4 February 2014

13. WAPA's submissions in response to the previous focus on the cost to communicate noted the following:

13.1. There are more than 500 SMME wireless access service providers in South Africa providing access to areas where communities have no alternative access.

13.2. The nature of its constituency means WAPA promotes a model of community-based SMMEs covering small areas and interconnecting with each other to provide ubiquitous access to the internet to rural predominantly places contrary to mobile operators. See map below.

13.3. There are three major barriers to effective competition for WAPA members:

13.3.1. No access to affordable spectrum suitable for last mile service delivery;

13.3.2. Limited access to last mile or access infrastructure; and

13.3.3. Limited access to national backbone networks.

14. WAPA proposed to the Committee that in terms of local access infrastructure there is a need to promote infrastructure and service-based competition where economically feasible and to use SMME's because they are best-suited to providing services in hard-to-serve areas. WAPA further proposed that there is a need to promote expansion of last mile access infrastructure and technologies.

WAPA's 2013 submissions revisited

15. It is WAPA's perception that there has been little progress made by the Department and ICASA in implementing the interventions they proposed in 2013. For the most part this is due to the delay experienced in finalising the ICT Policy Review Process and the publication of a new, comprehensive ICT Policy White Paper.

16. Industry and technology have not, however, stood still. The cost to communicate has undoubtedly decreased: in the mobile sector due to greater competition in the provision of voice and data services and in the fixed line sector due to the explosion in optic fibre networks being deployed as part of the national backbone and local access networks.

17. Wireless technologies continue to evolve both technically and commercially, such that new analysis needs to be done to identify which bands / spectrum should be promoted in view of the SA Connect vision.

Radio Frequency Spectrum for access services

18. WAPA is aware of the contestation regarding high-demand spectrum and will make representations thereon at the appropriate forum.

19. The undoubted importance of the assignment of this spectrum should not, however, disguise that there are other spectrum bands available which would facilitate the provision of broadband access services by SMMEs in rural and other hard-to-serve areas.

20. In this regard WAPA wishes to highlight and commend the work done by ICASA in opening up such bands for use, with particular reference to:

20.1. Investigation of alternative spectrum management techniques such as dynamic spectrum access;

20.2. Reform of the spectrum allocations for the E and V Bands; and

20.3. Consideration of reform of the 5GHz band to allow for more licence-exempt spectrum suitable for the provision of affordable broadband services.

Access to and sharing of infrastructure

21. One of the biggest obstacles for WAPA members in reducing the cost to communicate is the high cost of renting space on high sites or communications towers.

22. Awareness, construction guidelines and protection of high sites is of increasing importance to maintain the growth of wireless networks that provide a key backbone to achieving the coverage and reach required to address the SA Connect objectives.

WISPs as the "third pillar" of delivering broadband services to South Africans

23. WAPA's core submission in response to this process is that the discourse around the cost to communicate and access to affordable broadband continues to ignore the more than 500 WISPs providing fit-for-purpose broadband networks and services in rural and hard-to-serve areas.

24. While we recognise that the WISP industry is small compared to the incumbent operators in terms of subscribers served, we wish to point out that:

24.1. The growth of the WISP industry is a direct response to the demand from South Africans for affordable broadband services which they cannot obtain from the incumbent operators.

24.2. WISPs provide flexible, reliable and low cost access for situations where the incumbents cannot. And this is a surprisingly common need throughout South Africa (including in urban and peri-urban areas).

24.3. Identifying WISPs as a crucial component of broadband delivery in South Africa meets a number of national socio-economic objectives with broader application than the electronic communications industry. These include:

24.3.1. job creation,

24.3.2. entrepreneurship,

24.3.3. the promotion of SMMEs,

24.3.4. skills transfers,

24.3.5. innovation, and

24.3.6. the development of local intellectual property.

A clear split between wholesale and retail services

25. WAPA believes that the structural separation effected at Telkom by separating out the wholesale division (OpenServe) from the retail division has benefited the entire industry and the South African consumer.

26. A major and continuing challenge for WAPA members and other independent service providers in South Africa is the refusal of the mobile network operators to offer commercially-reasonable wholesale services to any other than their own retail divisions. Equitable access to wholesale

services under the MNOs does not exist, and we believe that this is probably the single biggest obstacle to reducing the cost to communicate.

27. We urge the Committee to recognise that interventions designed to combat the negative effects of vertical integration by mandating a split between wholesale and retail components is absolutely critical to lowering the cost to communicate in South Africa.

28. WAPA's position is that this is not an insurmountable task. The key is to define "open access" so that this consistently applied across all operators and providers and WAPA suggests that a technical colloquium should be convened as soon as possible for this purpose.