

SUBMISSION ON THE ELECTRONIC COMMUNICATIONS BILL

Convergence Partners & Fibreco

March 2018

Who we are

Impact investor with a focus on African open access infrastructure

South Africa



Pan African



Commentary and submission

- Convergence Group welcomes the opportunity afforded to the industry and key stakeholders in commenting on a critical piece of legislation that aims to transform the sector.
- **Supports the pro-competitive** nature of the proposed amendments contained in the legislation
- The focus of the wholesale open access model is supported
- **Support the drive to implement the rapid deployment framework with some urgency**
 - consideration be given to **industry driven self regulatory models**
- Important that the **digital future of South Africa remains a focus** of the principles contained in the Bill

Wholesale Open Access

- The principles of facilities sharing and **wholesale open access is a well established principle and successfully implemented**
- **Opportunity to ensure effective infrastructure deployment in underserved areas** based on existing carrier neutral models that have been deployed in the fibre space
- Shown that the **status quo would not have extended reach** and reduced communications costs unless entry of independent open access players
- Spectrum remains one of the only levers for Government to ensure policy and national objectives are fulfilled

Introduction to FibreCo

FibreCo was established by 3 leading South African ICT players to unlock the economics of fibre ownership within the national long-distance transmission market by building a national open-access fibre-optic network



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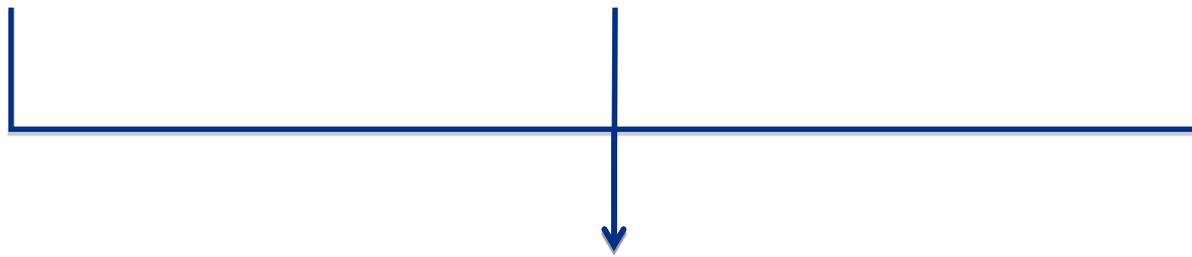
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internet solutions

A DIVISION OF DIMENSION DATA

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*Chairman and Founder:
Mr Andile Ngcaba*

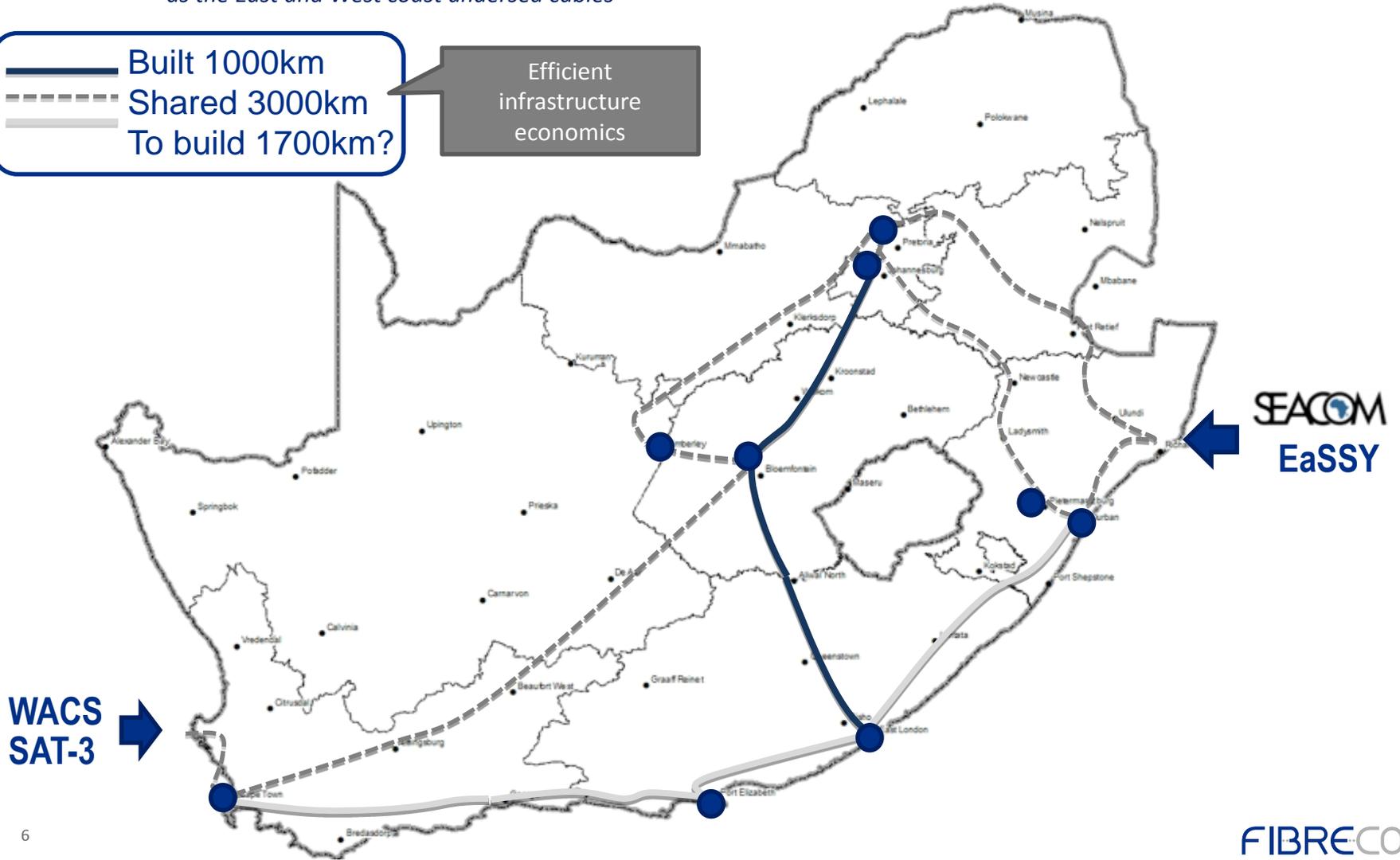
... one of the largest new self-funded, open-access broadband infrastructure projects in South Africa

FibreCo network development Phase 1

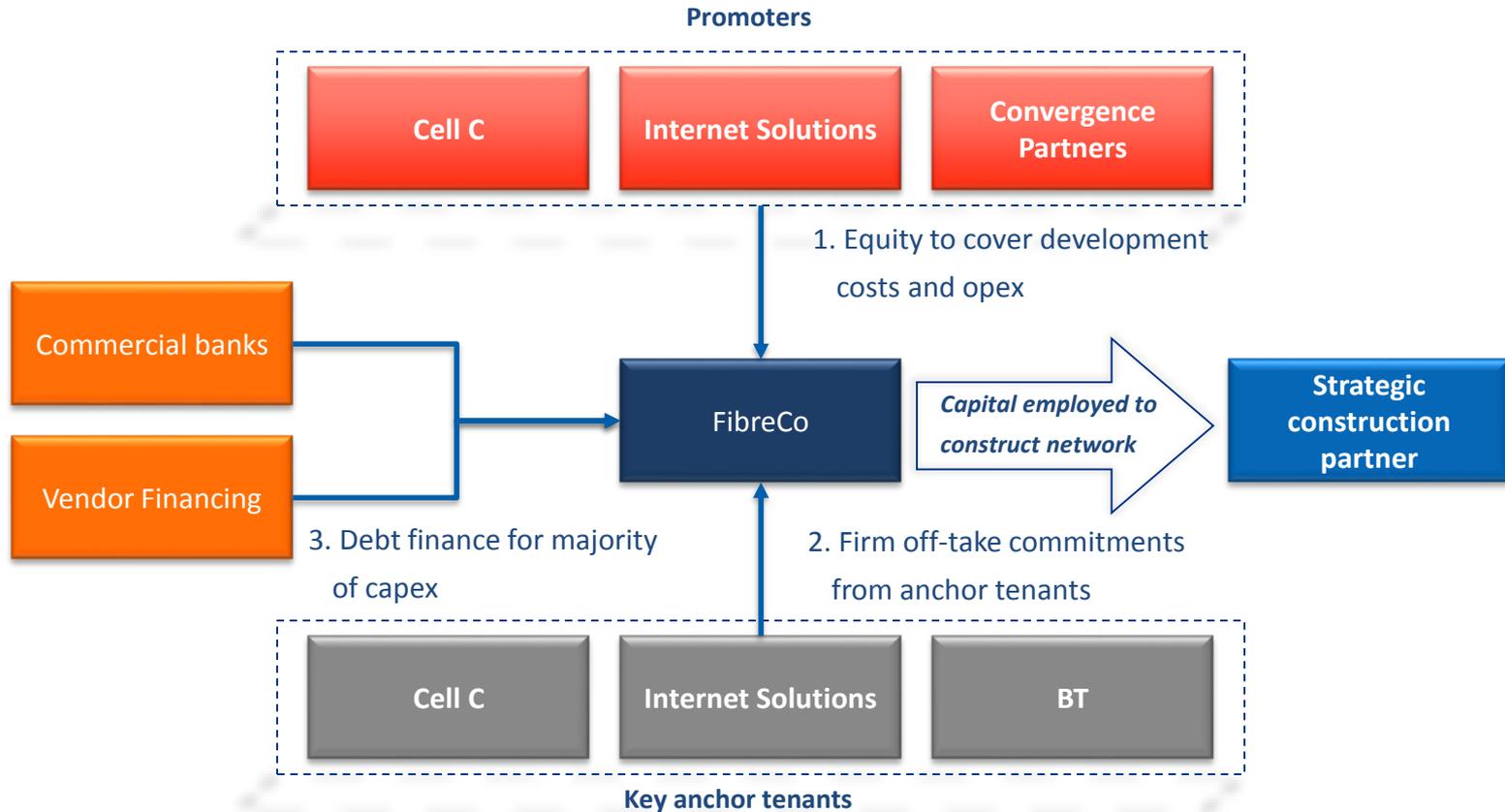
Phase 1: backbone network required to link the country's major cities, as well as the East and West coast undersea cables

Built 1000km
 Shared 3000km
 To build 1700km?

Efficient infrastructure economics



Case study: FibreCo financing structure



For a stand-alone infrastructure investor raising finance on the strength of the project, mitigation of Construction Risk is fundamental ie ensuring Total Project Cost and construction timeline are predictable up-front

Project financing risks

Government Depts ICT spend underpins investment case for wider roll-out

Market Risk

- Thorough competitive analysis
- Clear product definition and market sizing
- **Pricing of complex products**
- **Up-front commitments from bankable customers**

Financial Risk

- Adequate seed funding of development costs and opex
- **Clear and enforceable security package**
- **Thorough financial modelling and scenario analysis**

Operations Risk

- Carrier-grade service levels
- **Experienced management team**
- **Adequate provision for sustainable operations costs** (commercial pricing)
- Defined process and systems architecture

Construction Risk

- **Contract with reputable construction partner**
- Experienced Contract/Project Management capability
- Detailed designs/studies prior to commencement of build

Regulatory Risk

- Clear licence rights and obligations
- Predictable timelines
- **Environmental approvals** (crossings, towers, etc)
- **Construction permits**

Government involvement and developmental agenda could fast-track permitting processes

Wholesale Open Access Network

We support the concept of the WOAN with certain conditions:

- **Credible party to operate:** cannot be state-owned, must be in hands of proven open-access wholesale providers that have shown they can do this. Wholesale separation must be enforced; and
- **Workable economics:** to ensure WOAN can be effective in delivering on its mandate it needs one or both of a guaranteed offtake from existing operators in urban areas and/or offtake from Government services

No historic spectrum required, however **needs exclusive spectrum** allocations in bands that will ensure the above conditions are met

Conclusion

- Wholesale open access models – **Supported**
- Facilities sharing to be accelerated - **Supported**
- Transformation – **Supported**
- Pro-competition nature of the Bill – **Supported**
- WOAN as a private sector driven player – **Supported**
- Rapid deployment with clear timelines – **Supported**
- Focus on skills development and capacity building - **Supported**

THANK YOU