



Vodacom's response
to the Draft Electronic
Communications
Amendment Bill

6 March 2018

South Africa's ICT objectives

Vodacom supports Government **ambitious objectives for the sector**, including:

Promoting
**broadband
coverage in
rural areas and
underserviced
areas**

Ensuring that **as
many people as
possible** can
benefit from
**affordable
broadband**

Promoting
**innovation that
addresses national
developmental
challenges and
goals**

Transforming
the sector
through **broad-
based black
economic
empowerment**

The Government's overall objectives for the telecoms sector as generally expressed over a number of years from the 2012 National Development Plan right through to the 2016 White Paper and most recently in the Memorandum on the objects of the Bill



The Bill is proposing radical changes to how the mobile market in SA functions currently

Existing spectrum

Spectrum which is **currently assigned** to MNOs **must be returned** following a study by ICASA, potentially before the expiry of the current licences.

Existing spectrum

All **assignments of spectrum** will be subject to the principles of **open access and non-exclusivity**, with spectrum licences being renewed annually.

The WOAN

A Wholesale Open Access Network (WOAN) will be established. **The WOAN** is expected to be **assigned a substantial amount (if not all) unassigned spectrum**, and granted advantages currently unavailable to other licensees.

New spectrum

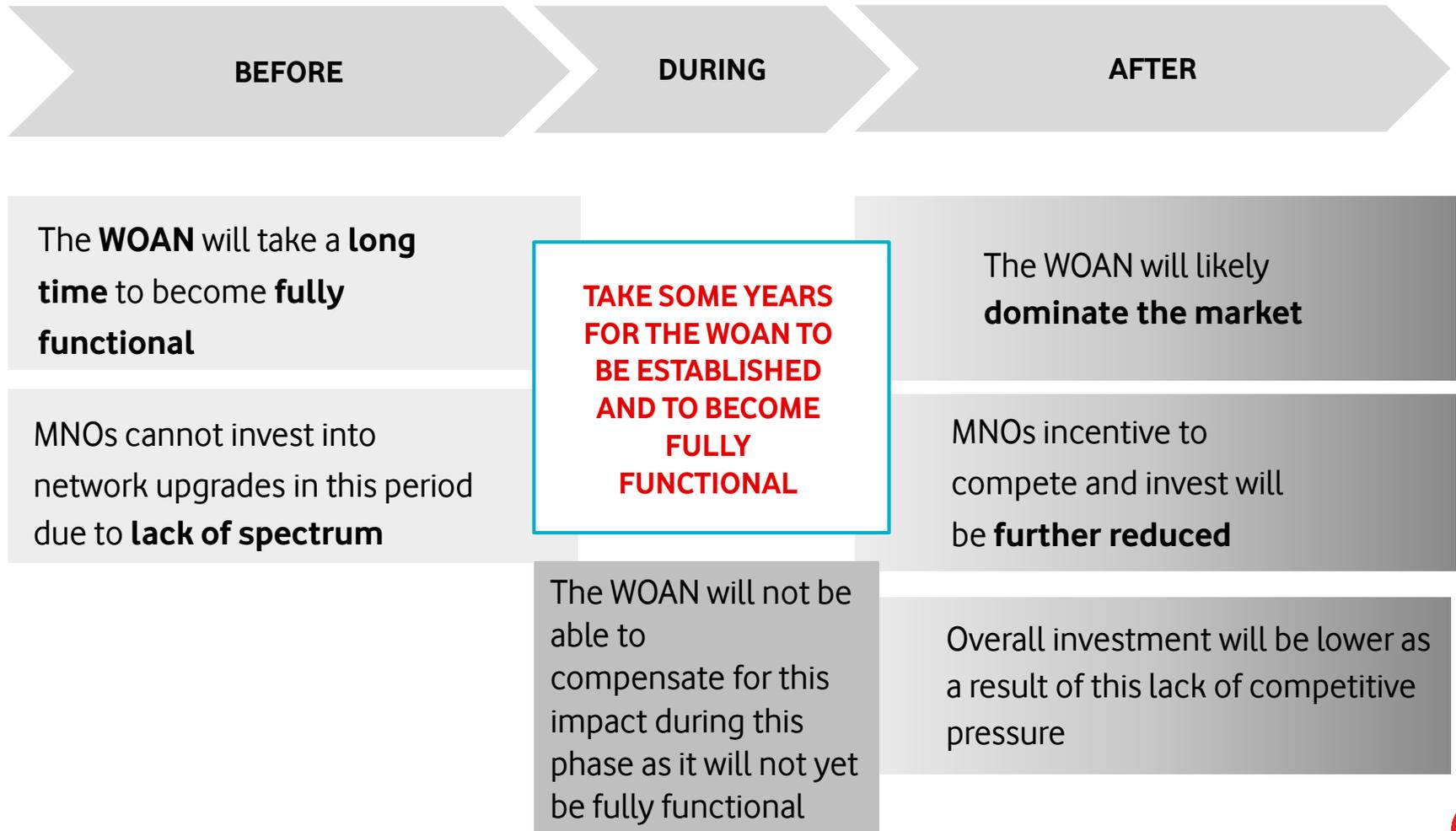
The WOAN will need to be established and **functional, before the award of any remaining unassigned spectrum to the MNOs.**

Access

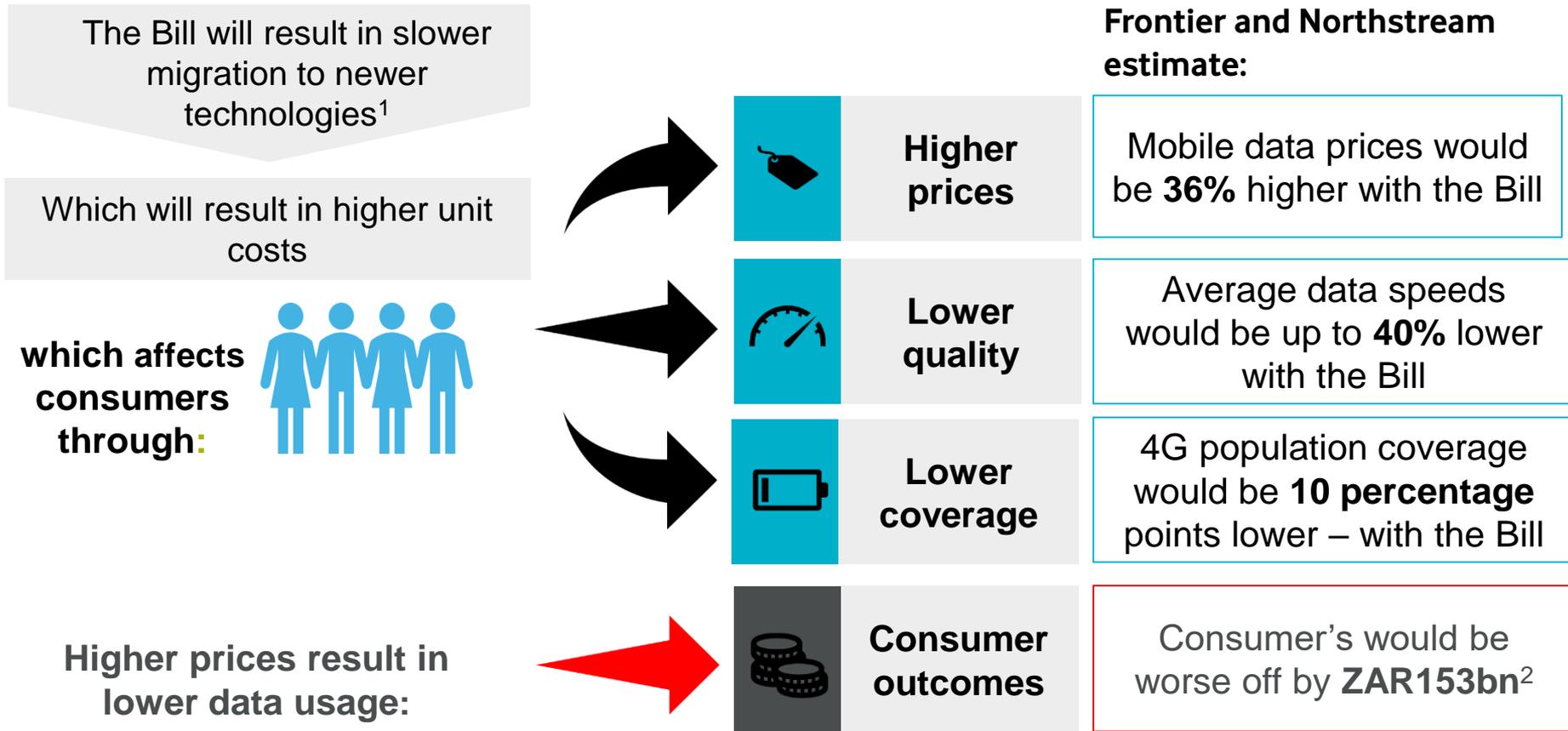
All mobile operators have to **provide cost-based wholesale access to their networks and services.** This can no longer be refused on the grounds of reasonableness (technically or economically viable).



The Bill is likely to have a negative impact on investment in the SA mobile sector



Lower investment and slower transition to new technologies will materially affect mobile users in SA...



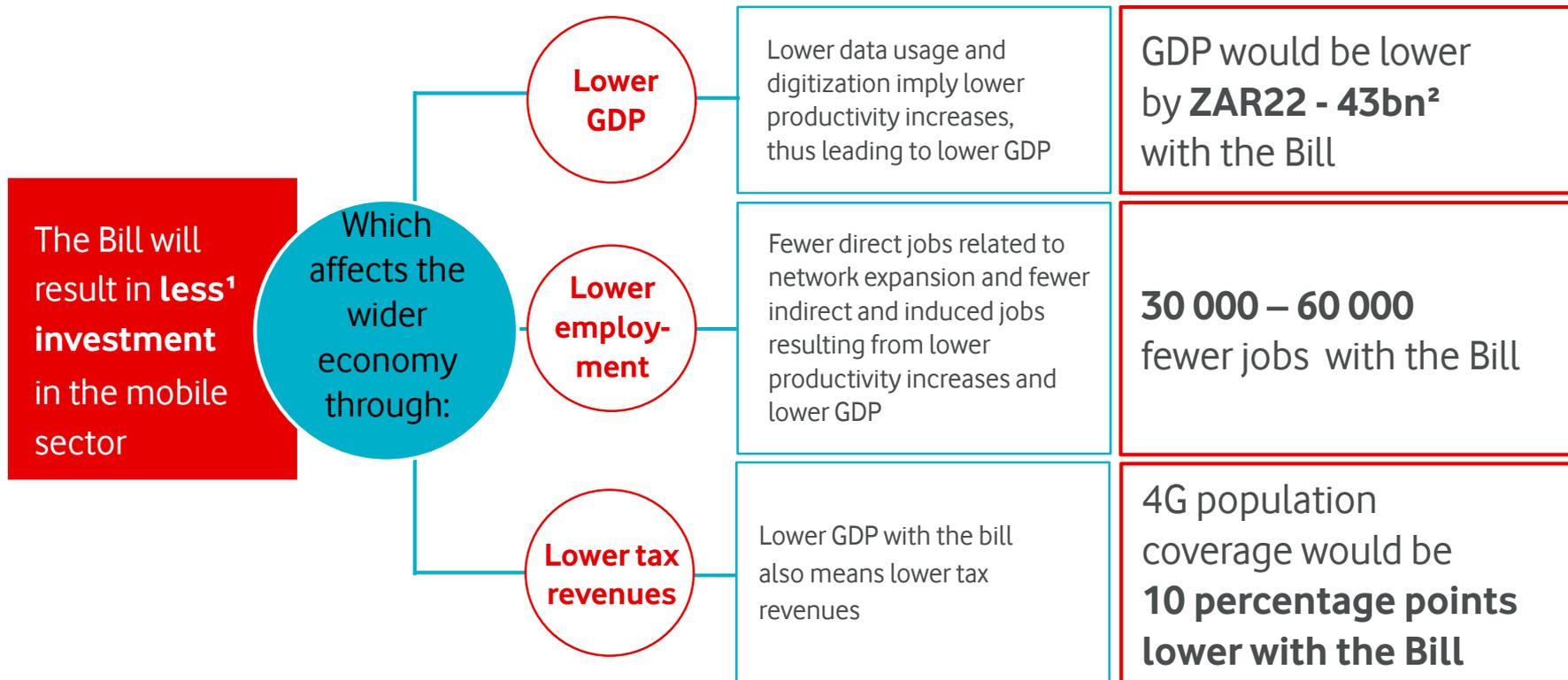
¹Compared to a world where there was no Bill, but continued improvement in the functioning of the mobile market using the current framework and initiatives.

²In Net Present Value (NPV) terms.



... and there will be further negative effects on the wider economy

Frontier estimate based on Deloitte and SA connect methodologies:



1. Compared to a world where there was no Bill, but continued improvement in the functioning of the mobile market using the current framework and initiatives.

2 In Net Present Value (NPV) terms



Impact of the Bill on technical viability



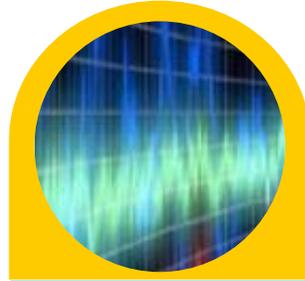
Infrastructure costs and mast loading

- **4 times more** RF equipment required ¹
- **3 times more** the cost @ today's prices ¹
- **2 times more** mast space ²

¹ Nokia S.A Bill of Material and Costing Proposal

² RBI Tech International Infrastructure Impact Study

³ 3GPP Rel 15, V15.1.0



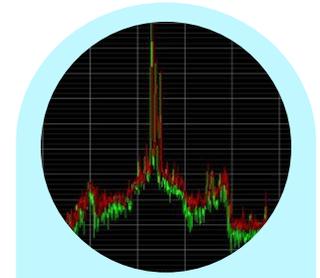
Spectrum Efficiency

- **Limitations** on CA bandwidth and band combinations ³
- Dominant WOAN will only utilize **42%** of 700, 800 and 2600 MHz for CA, if assigned all of HD spectrum



Network Resiliency

- S.A will be **critically reliant** on a single mobile network on performance and resiliency
- Network outages will **impact all** consumers, businesses, emergency and security services



Non-exclusive Access to Spectrum

- **Interference challenges** and limits proper network planning & RF optimisation
- **No investment incentive and certainty** for licencees
- **Negatively impacts QoS** on end user experience



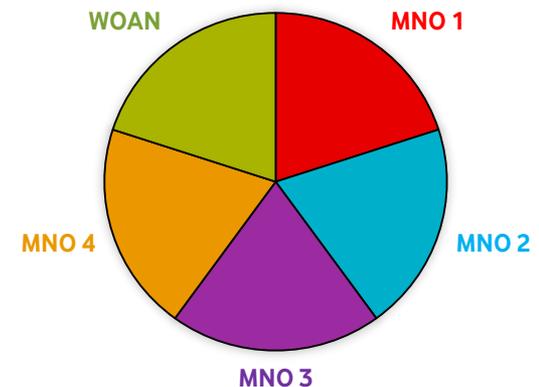
Vodacom proposes a competitive WOAN



Vodacom proposes that...

- Spectrum blocks - equal allocation of HDS to five blocks
- Feasibility - MNOs' committed to but capacity from the WOAN
- Transformation - At least 51% black owned
- MNO block's either awarded via auction and/or assigned with obligations (coverage investment)

Unassigned spectrum to be allocated equally



The alternative as per the Bill will...

Create uncertainty with investors

Stifle investment

High risk of failure



Vodacom's positions on key matters in the Bill

Existing spectrum

- Spectrum assigned should not be returned

New spectrum

- Assignment as per ITA (4 blocks to be auctioned or assigned, and a fifth assigned to the WOAN)

The WOAN

- Envisaged a competitive WOAN
- Committed to support the WOAN (buy capacity)

Access

- Access and sharing based on commercial agreements
- Economically and technically feasible, and achieve efficiencies

ICASA

- Independent capacitated regulator

The Bill falls short of the requirements of the Constitution

- it **violates the rule of law and the doctrine of legality** – the Bill is irrational and arbitrary in many important respects; the Bill is vague; the Bill purports to incorporate the White Paper, which is a breach of the doctrine of separation of powers
- it **infringes the constitutionality guaranteed independence of ICASA**
- it **violates Vodacom's property rights** – arbitrary deprivation of Vodacom's existing rights to spectrum; expropriation of Vodacom's rights to spectrum; arbitrary deprivation of Vodacom's existing rights to property in its facilities



Vodacom is committed to South Africa

VODACOM IS A LONG TERM INVESTOR IN SOUTH AFRICA

Vodacom is the **biggest investor in South African ICT infrastructure**

R100 billion CAPEX

Vodacom spend almost R100 billion CAPEX since inception

VODACOM IS COMMITTED TO TRANSFORMING THE ICT SECTOR

2016
Most empowered company
on the JSE

2017
Top black managed company
on the JSE

In 2017, Vodacom procured goods and services totalling **R23 billion** with BEE status companies with level 4 and above

R7 billion spent with suppliers with more than **51% black ownership**

R5.7 billion spent with supplier with more than 30% ownership by black women

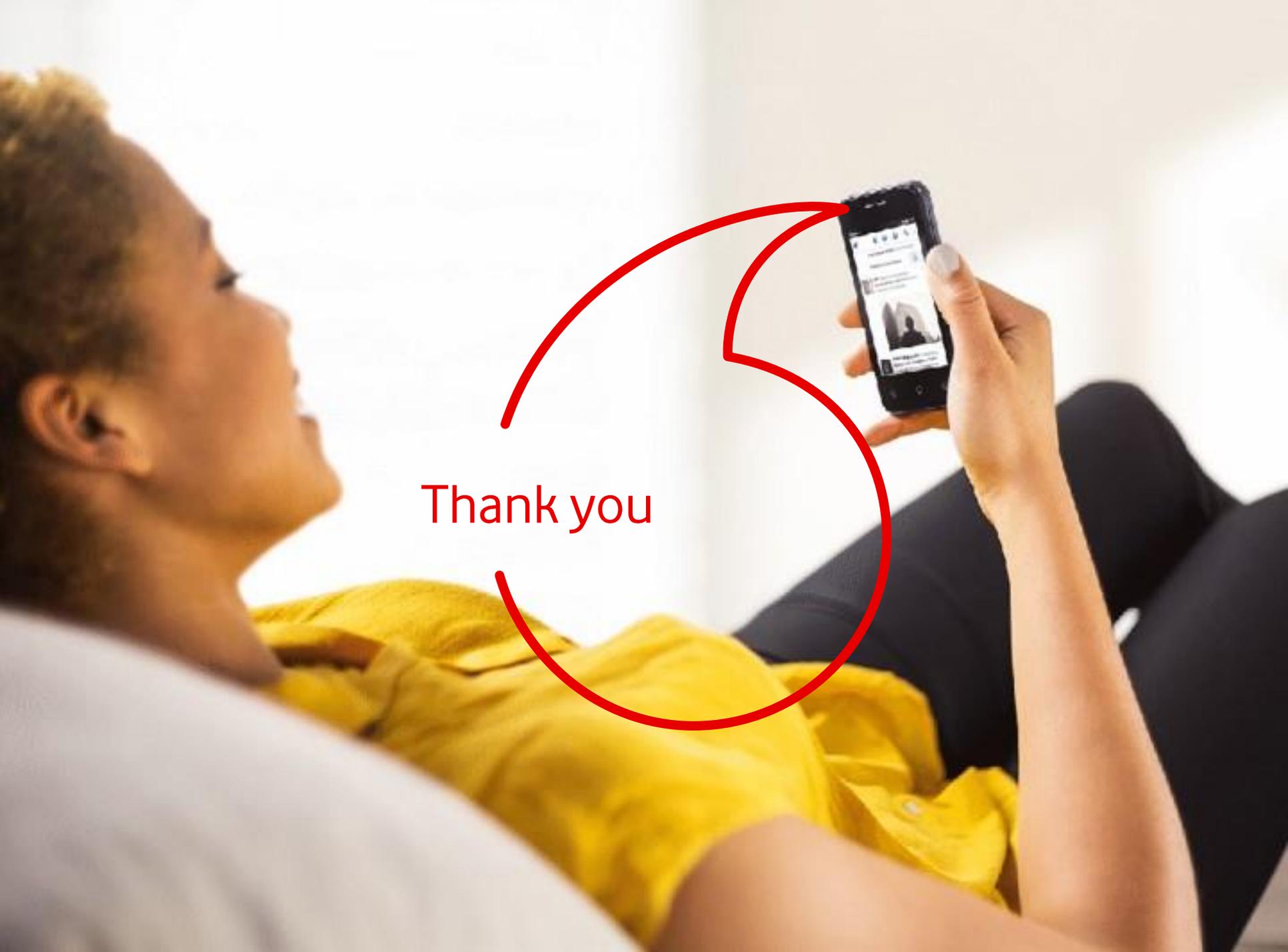
VODACOM IS COMMITTED TO DEVELOPING THE PEOPLE OF SA

In 2017
Spent **R277 million** on skills development

Enrolled **128 graduates**

Placed **838 black youths** on leadership programmes





Thank you