

REGISTRATION FORM FOR WRITTEN SUBMISSION



Physical delivery: The DS Market Inquiry, The
DTI Campus Mulayo (Block C)

77 Meintjies Street Sunnyside Pretoria

Form DSI1

0002

About this form

This is a registration form issued pursuant to the Data Services Market Inquiry Guidelines for Participation.

The form is to be completed by parties making written submissions.

Details of person making submission

**Data Services
Market Inquiry
contact:**

(Please print)

Name and Surname:

Email:

[datainquiry@compco
m.co.za](mailto:datainquiry@compco.m.co.za)

Biko Mutsaurwa

Postal address:

The Data Services
Market Inquiry
Private Bag x23
Lynwood Ridge
Pretoria

Name of Organisation or Entity:
Right2Know Campaign

0040

Contact Details:
biko@r2k.org.za

Do you require interpretation services?

Physical/Postal
Address: **102
Community
House, 41 Salt
River Road, Salt
River, 7925**

Yes

Required Details

Does your
submission
contain any
confidential
information? If
yes, please also
file **Form CC7**

No Interpretation Services Required

**No Confidential
Information**

If yes, please indicate language:

Main focus of submission:

The submission is made in the context of what has been called a cartel in South Africa's telecommunications market. Costs to consumers are high by world standards. Although years of protests - not only by communities but by business people - have led to some improvements, it still appears that not only the regulator (ICASA) but the government itself are to some extent "captured" by vested interests in the highly lucrative cellular telecommunications industry.

Summary of the issues (*a reference to an attachment is adequate*):

This submission, a slightly different version of the submission made to Parliament on the 12th of September 2016, is based primarily on research into the lived cost of communications in South Africa commissioned by the Right2Know Campaign and conducted by the LINK Centre at the University of the Witwatersrand, which relied on quantitative and qualitative research conducted with 5 focus groups composed of participants from low-income (R6,400 – R3,201 per month) and very low income households (R3,200 per month and below) in 3 provinces: Gauteng, the Western Cape and Kwazulu-Natal.

The full report, published in 2015 is available digitally here: <http://www.r2k.org.za/wp-content/uploads/R2K-lived-cost-communications.pdf>

Signature Submitted Electronically **Date** 1st of November 2017



RIGHT2KNOW

1st Floor, Community House, 41 Salt River Rd, Salt River, Cape Town
Tel: 021 447 1000 admin@r2k.org.za www.r2k.org.za

1 November 2017

Right2Know submission to the Competition Commission of South Africa on the Data Market Inquiry 2017

The Right2Know Campaign (R2K), launched in August 2010, is a coalition of organisations and activists across South Africa focusing on issues of information access, secrecy, surveillance, media and communication rights and freedom of expression. We, as R2K, seek a country and a world where we all have the right to know – that is to be free to communicate and to access and impart information and ideas. Right2Know has worked extensively with activist communities to advocate for more affordable access to communications technologies.

It is disheartening to note that in spite of technological advances and growth in mobile telecommunication users, the economies of scale accruing to mobile telecommunication companies still enjoy super-profits at the expense of the majority of South Africans. It is quite clear that the telecommunications sector is dominated by a few companies who therefore act as an oligopoly. In this light, Right2Know campaigns welcomes the Competition Commission's Data Market Inquiry, and hereby present this submission to help expose the oligopolist tendencies of telecommunication companies and their adverse effects on the livelihoods of poor people.

This submission, a slightly different version of the submission made to Parliament on the 12th of September 2016, is based primarily on research into the lived cost of communications in South Africa commissioned by the Right2Know Campaign and conducted by the LINK Centre at the University of the Witwatersrand, which relied on quantitative and qualitative research conducted with 5 focus groups composed of participants from low-income (R6,400 – R3,201 per month) and very low income households (R3,200 per

month and below) in 3 provinces: Gauteng, the Western Cape and Kwazulu-Natal. The full report, published in 2015 is available digitally here:

<http://www.r2k.org.za/wp-content/uploads/R2K-lived-cost-communications.pdf>

The cost of communication has often been simply understood in quantitative terms, applying a certain monetary amount to the cost of a phone call or access to the Internet. This monetary amount only explains part of the story, however, as it does not necessarily capture an individual's "lived" experience trying to access their right to communicate.

In considering the lived cost of communications in urban South Africa, and noting the effective mobile substitution of voice and the emergence of mobile apps and mobile Internet, this exploratory research sought to understand how mobile phone users experience ownership of mobile phones, access to mobile communications and the cost of ownership and access. The report represents an initial exploration into this "lived experience", as a basis for (i) understanding mobile communications from the perspective of the user; and (ii) a future investigation into the strengths and weaknesses of existing policy and regulation from the perspective of the lived experience.

The research paints a dire picture in which poor and working class South Africans struggle to pay for basic communications and can scarcely even begin to imagine access to next generation networks that offer high speed Internet.

Some key responses from focus groups and findings of the research are briefly outlined below:

Importance to households and communities:

Social communication makes the household easier to run in ways that are very important in communities with limited income to spare. Specific forms of economic importance include reliance on the mobile phone for receiving a response to job and other work-related transactions. Respondents find mobile phones to be useful at a household level for cellphone banking, transferring money and for paying bills (only 1), but experience trust issues because they are unfamiliar with these services. They also find mobile phones to be useful at a community level to distribute information, making community meeting

announcements is very common, as well as for crime prevention (dial 10111). Organisations dealing with crime prevention use cellphones extensively to send information. While these “everyday uses” may appear very basic, they are vital and directly translatable into cash and time savings, as well as safety benefits for low income households.

Views on costs:

Perceptions of the price of calls and the actual cost of communications were relatively consistent across the five focus groups. The price of a call, the cost of airtime and data bundles were seen as expensive. A smartphone is expensive, both because the device is expensive and because consumers can't afford to recharge data, they need a high volume of airtime on a smartphone, which is beyond what most households can afford. Two strong lines of thought emerged (i) many people are not buying smartphones due to price and (ii) those who can only just afford a smartphone are buying the phone on credit in order to access better communications, but will need to advance their usage of the smartphone in order to receive real value and benefit.

A key area of discussion was the constant promotion of new smartphones. The complaint was that smartphones are constantly being promoted to replace the previous series, but consumers are not guided with respect to the benefits of the applications. Consumers buy smartphones in response to advertising, but are not clear on the value they are getting. When they buy a smartphone, it requires additional funds to pay for the apps, which many cannot afford. Owning the smartphone thus becomes pointless. Furthermore, consumers are opening accounts at retail stores unnecessarily in order to get the smartphone at what is perceived to be a lower cost. There is continuous pressure to upgrade to the next model of smartphone, which consumers respond to because of the perceived threat that a particular platform of the previous version of the phone will be cut off. Thus, advertising push consumers to keep buying and upgrading, while the benefits are constrained by income. Participants said that many people make real sacrifices, for example some people would prefer to buy airtime than to buy bread, or share money. They feel they must “lose something” (i) because communication is necessary and (ii) there is no easy alternative way to communicate. Respondents believed it would be beneficial to have very low prices for calls (for example 1c per minute) in a small geographic radius, thus reducing the cost to communicate. They say that the high prices during office hours make communication difficult because this is the time of day when they need to communicate. The suggestion was made that price packages should be set at a level that enables communities to be connected,

through low priced Internet, because connecting through Facebook requires more data bundles than can be used for R12, a typical daily amount available for Internet access.

Consumers are creatively using a range of packages to maximize the benefits, noting that consumers have to buy multiple sim-cards to get the benefits of different packages. Participants also stressed that the effect of free airtime is to get people to constantly buy airtime every day, because airtime is attractive but constantly depleted. Free airtime isn't free. Consumers buy free airtime and experience limited usage and limited value. They perceive the "free" airtime as lost and sometimes the "bought" airtime as well. "Free" airtime is a driver of consumer behaviour, pushing continual topping up, which effectively constitutes experiencing access at the margins of the communications market. Participants perceive "free airtime" as a ruse and do not experience this as a free service.

Analysing the focus group discussion indicates a real sense of exhaustion of the participants, with trying to figure out the value gained from so many price packages, from the often complex and convoluted way in which actual cost is unclear in the various specials and deals available.

Value for money:

The experience of mobile communications of the majority of participants was limited to making calls, receiving calls, sending or receiving SMS's and instant messages, and even engaging in those activities was very limited. Few participants living in low and very low-income households experience the wide array of communications services and mobile Internet communications that are on offer. This is largely because price levels are out of alignment with household income levels. Despite the high price for communications relative to household income, the majority of participants used private access, not public access. This indicates the limitations of both private and public access to mobile communications and the Internet for these income groups. Most focus group participants expressed the need for affordable, low-cost mobile communications, rather than "free airtime" packages, which in their design often did not meet the needs of these consumer groups.

Consumer rights, consumer protection and scams in the mobile communications environment:

The focus group sessions indicate that consumers are very concerned about possible scams that have negative financial implications, and are not clear on how to manage these risks. As mobile communications becomes available to many households, more people are affected by the risks associated with scams set up in the mobile environment. Quality of service was of some concern, though not major concern, but should be further explored from a regulator's perspective. Consumers participating in the focus groups have explicitly expressed the need for regulation of consumer protection, hence the agenda for social regulation should include greater attention to consumer rights and consumer protection.

Understanding the lived costs:

At the time of research individuals and households were paying between R120 per month for 40 calls and R300 per month for an unknown quantum of calls and SMS. This is relatively high cost against a household income of R3500 per month, the top end of the household income for the majority of focus group participants. At approximately 3 - 6% of household income, there is limited financial opportunity to move to the next level of electronic communications usage, demonstrated by the comments about the limitations of owning a smartphone, while not having the money to effectively utilize its greater technology and service capacity. By virtue of the experiences shared in the focus groups, it can be deduced that the experience of the call is limited to the most basic conversation with a focus on the efficient use of the limited airtime available.

Households with the demographic profile and income levels reported above will not move easily into the digital Internet age. The experience of the limited Internet usage that can be bought with a few rand is so meagre as not to constitute a realistic Internet experience that leads to socio-economic impact. Yet, the mobile phone is the device that is already in the hands of most households. The cost of almost any other device constitutes a barrier to Internet use for low-income communities, living on a monthly household income of R6,400 or less. Furthermore, the high cost of mobile Internet relative to monthly household income limits the value of the mobile phone as a piece of technology that can bridge the digital divide.

Lack of Competition:

The research discussed above must be seen in the context of what has been called a cartel in South Africa's telecommunications market. Costs to consumers are high by world standards. Although years of protests - not only by communities but by business people - have led to some improvements, it still appears that not only the regulator (ICASA) but the government itself are to some extent "captured" by vested interests in the highly lucrative cellular telecommunications industry.

As an illustration, when a session of parliament's portfolio committee on Telecommunications and Postal Services was held to consider so-called Over The Top (OTT) services (such as WhatsApp voice calls over data, which threaten the exorbitant profits of cellular voice providers), ICASA's representative openly supported the position of the dominant incumbents, Vodacom and MTN, that OTTs should be restricted. In general, the failure of government to foster more competition in the market begs the question of the extent of advantageous equity deals between telecommunications companies and politicians.

Alternatives:

Steady advances in telecommunications technology mean that the once-high capital costs of creating a network are now only a fraction of what they once were. The most significant entry barrier remaining is paperwork – obtaining licences and entering into contractual relationships.

Zenzeleni Networks Mankosi is an ICASA-registered telecommunications provider owned by a cooperative which is registered as an enterprise by the Department of Trade and Industry. It provides its members, who are rural and poor, with free local calls and half-price calls to other networks. It's also in the process of connecting local schools to the internet. Much could be written about the struggle to get it to where it is, but suffice to say that it still faces an uphill battle. When seeking better connectivity between its network and the rest of the world, it faces a demand from Telkom's wholesale fibre provider for a non-refundable deposit of R10 000 before pricing is revealed. It must be remembered that Telkom is a former parastatal in which government is still the largest shareholder.

Government claims to support co-operative businesses but events on the ground tell a different story. There are few co-operatives, but many new millionaires – even a few billionaires.

Conclusion:

Possibly the best way of summing up the focus group interactions is the sense of frustrated digital citizens, people who have strong needs and interests in using advanced digital communications services, but for whom very few services or packages are either suitable in terms of their communications needs or affordable in terms of their individual and household incomes. A notable area of silence with respect to communications and Internet access was the absence of experience of community and public access to the Internet, as only a few participants referred to access at a community library and none of the participants referred to Internet access at a public access centre.

If South Africa is to transition effectively towards experiencing digital futures in health, education and work; to transition towards living in “smart cities”; to see e-transformation influence social and economic development; then the participation of citizens in low and very low-income households in such digital futures and transformed social and economic environments should be constantly monitored and understood. The lived experience shows the reality beyond the objectives of policy.

Importantly, the focus group discussions indicate that the agenda for communications policy and economic regulation should explicitly include the needs of mobile communications users with household income below R6,400 per month. This is important with respect to fostering a digital future in which the majority of households can experience the array of possible benefits from mobile communications technologies, services and content.

No individual should have to negotiate between putting food on their table and accessing communication technologies. Unfortunately, this is the reality for many ordinary South Africans. The massive digital divide in South Africa risks entrenching inequality in one of the most unequal countries in the world. Market conditions have led to such gross distortions that prepaid customers, who tend to be poor and working class, effectively cross-subsidise wealthier post-paid customers who pay far less for each megabyte of data or minute of airtime. We therefore need strong intervention from regulators to bring down the costs of

airtime and data. While mobile termination rate (MTR) reductions have helped bring down prices, representing a victory for civil society and the public at large against ruthless profiteering by the biggest telecoms giants, more evidently needs to be done. Meaningful access to communications technologies are simply priced out of the reach for far too many, depriving them of life chances and access to the growing digital economy. A consequence of apartheid and the migrant labour system that tore poor black people away from their homes is that working class people continue to be separated from their families and dependents. On an even more human level it is just wrong that poor people in urban areas are deprived from communicating with their kin in distant rural areas.

For more information contact:

Biko Mutsaurwa, R2K communication Rights Organiser, 0718578703
Or 0214471000

