

Public Hearings for Data Services Market Inquiry

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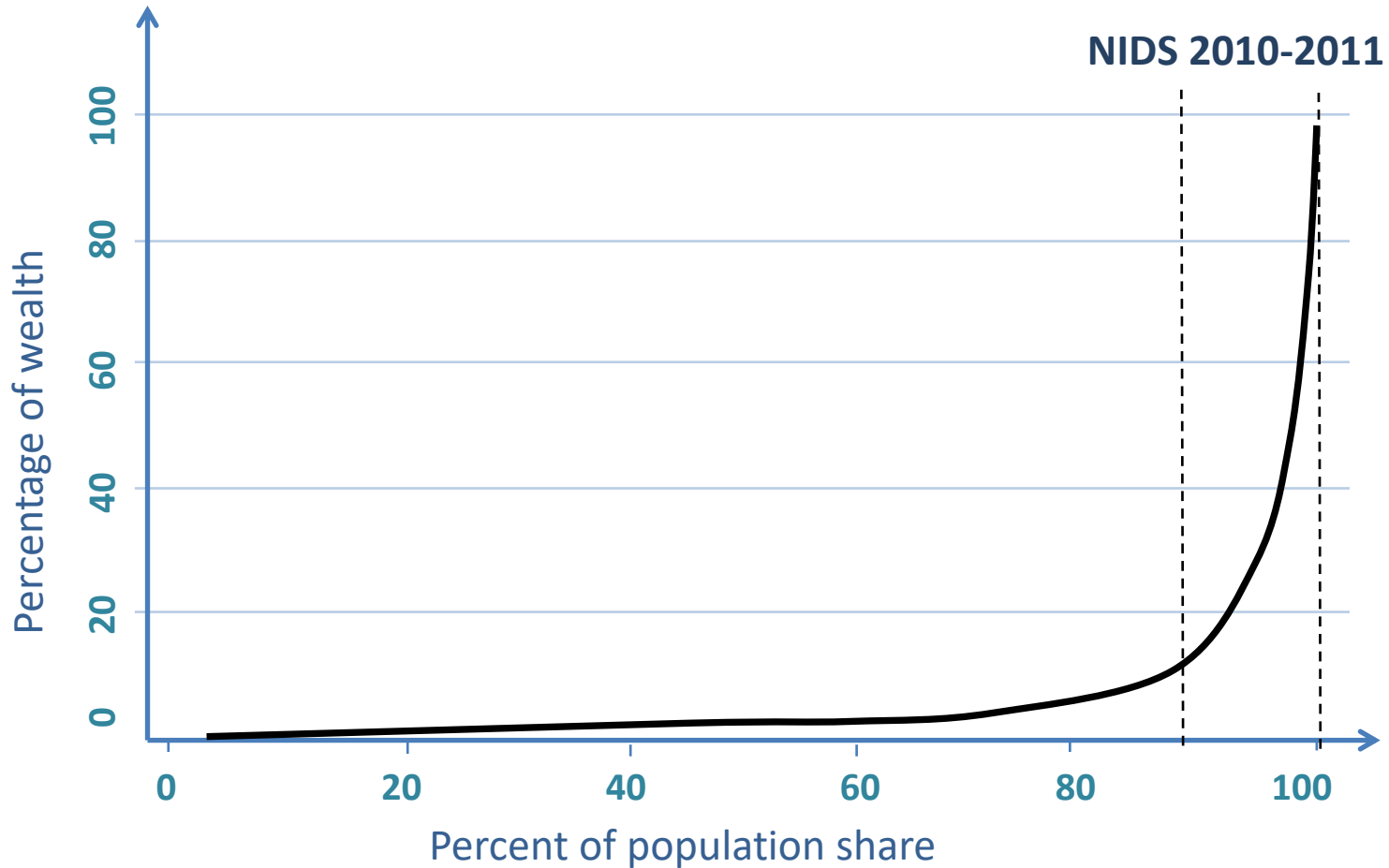
CEO The DG Murray Trust

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2. Structural barriers continue to choke national development
3. Mobile technology provides an opportunity to leapfrog some of these structural barriers and build a more inclusive and innovative society
4. Opportunity has been lost over the past decade in particular, as high data prices have excluded the poorer half of the population from access to available information
5. Recommendations

The top 10% owns 90-95% of wealth in SA



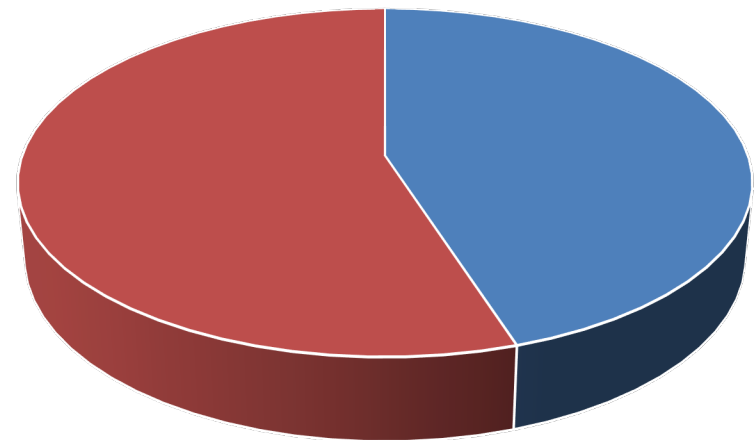
Orthofer A, 2016. Wealth inequality – striking new insights from tax data. Econ3x3.

<http://www.econ3x3.org/sites/default/files/articles/Orthofer%202016%20Wealth%20distribution%20and%20tax%20data%20FINAL.pdf>

Structural barriers continue to choke national development

- Apartheid’s social and economic divides persist and continue to choke national development
- According to Statistics South Africa, in 2015, 30.4 million South Africans (>55%) lived below the poverty line of R992 per month
- On the other hand, 10% of South Africans own 90-95% of wealth.
- The poorest 50% of the population have no wealth at all, implying extreme polarization

55% of South Africans live below the poverty line



■ > R992/Month ■ < R992/Month

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Mobile technology provides an opportunity to leapfrog some of these structural barriers and build a more inclusive and innovative society

- **Mobile technology provides almost singular opportunity to release the chokes on national development and social innovation over the next decade**
- Mobile technology can rapidly address the massive gaps in access to information and services in poorer communities reaching job seekers, parents and practitioners for early childhood development, parents and teachers for education, and those requiring access to social welfare services
- There is significant demand for mobile information and communication services, with very high rates of utilisation of data-light services but the use of relatively data-rich applications is limited by the high costs of connection and data transfer. There is opportunity to fast-track user cost reduction for specific socio-economic development initiatives

The DG Murray Trust and its funding and implementing partners have together designed and tested a number of mobile platforms for development

- **Nal'ibali** – a national reading-for-joy campaign (including mobisite) that provides access to reading material in six of South Africa's official languages (Afrikaans, English, isiXhosa, isiZulu, Sepedi, Sesotho) and is targeted specifically at children; where literacy begins. Average utilization of 13,500 new users per month.
<http://nalibali.mobi>
- **CareUp** – resources for practitioners and young parents on early learning and parenting for 4-5 yr olds) <http://careup.mobi>
- **FunDza** – a mobile platform for teenage readers who download chapter-by-chapter and can publish their own stories. Current readership about 60,000 per month.
<https://live.fundza.mobi/>
- **SmartStart** – an early learning social franchise of over 3,000 practitioners and 35,000 children who need continuing training and support (www.smartstart.org.za)
- **JobStarter** – a mobile platform for workseekers (combining information, on-line training and work links). It currently has over 40,000 users a month.
(<http://jobstarter.co.za>)
- **Activate! leadership** – a network of 3500 young innovators across South Africa who require mentorship and the benefits of networking.
(www.activateleadership.co.za).

There are also several additional large-scale mobile platforms providing essential information

- Pregnant women and young mothers (**MomConnect** – sms and whatsapp-based – 800,000 women per year)
- **Hi4Life** provides South African women and their partner's access to relevant, up-to-date health information on HIV (hi4life.co.za)

- These are just a few examples of the type of mobile applications that can help overcome the information and communication divides and promote development. Our experience is that the biggest constraint to their use is the cost of mobile data

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Mobile technology provides an opportunity to leapfrog some of these structural barriers and build a more inclusive and innovative society

- **Data prices are simply exclusionary – by a long way**
 - In its Broadband Policy published in 2013, Government states: “In line with the broader vision of the NDP, the 2020 vision for broadband is that by 2020, 100% of South Africans will have access to broadband services at **2.5% or less of the population’s monthly income.**”

But

- With just over a year to go, over half of South Africans would currently have to spend 15%-40% of their income to buy a modest 1GB of mobile data – marginalised South Africans often pay R12 for just 30MB (R400/GB)
- Even dropping data prices to R50/GB, regardless of bundle size, will require 33 million South Africans to spend an unaffordable 5% of their income on only 1GB of mobile data alone

- **Until mobile data prices drop to below R15/GB, it will likely be unaffordable to the majority of South Africans, national development through communication will remain hamstrung and the digital divide is unlikely to be closed**

Network operators charge the poorest South Africans disproportionately high rates (1/2)

- Wealthier individuals that qualify for post-paid contracts pay approximately **half** the cost of prepaid users for 1GB of mobile data and receive even greater discounts when purchasing more data
- Poorer individuals, who pay R12/30MB (**equal to R400/GB**) often **pay 10-30 times more** for their data than wealthier individuals that, for example, can afford to buy 100GB of data (valid for 1 year) at a time for R16/GB.
- **South Africans living in poverty are more likely to run out of data and be exposed to excessive out-of-bundle data rates.** Mobile data operators have been known to promote certain data bundles that expire within a few days, making it more likely that users will end up using very expensive out-of-bundle data, potentially without their knowledge

The specific advantage of mobile for national development has been largely squandered (1/3)

- It is our view that the specific advantages of mobile technology i.e. to be accessible right in people's homes at relatively low cost, has been largely squandered in the implementation of **the universal service and socio-economic development (SED) obligations of network operators**
- While government spends tens of billions of Rand to install an ever-expanding fixed data network to provide South Africans with internet access at clinics, schools and other selected nodes, **the majority of South Africans are still not be able to afford to access the internet in the safety and comfort of their own homes.** In particular, this has meant that the over 50% of young people aged 15-34 years who are unemployed have no regular access to the internet – which could be their only real point of connection to interactive sources of information outside of their immediate community.

The specific advantage of mobile for national development has been largely squandered (2/3)

- Network operators have been required to provide connectivity, hardware and software to a targeted number of schools. Given the difficulty of sustaining hardware and software in public facilities, and with few exceptions, we contend that this has resulted in massively inefficient expenditure. **Unfortunately, the full costs and benefits of the implementation of universal service and socio-economic development obligations on network operators have not been made public.** Thus we stand to be corrected, but there appears to be little to show for the substantial investments made by network operators in this regard. We can no longer afford to throw any money down the drain
- A further consequence of high data prices has been to keep **the costs of social innovation through mobile technology unsustainably high.** The result has been that investors in social innovation, including the DG Murray Trust, have been reluctant to fund new innovations with the prior knowledge that user numbers will plateau quickly and the applications will become unsustainable. Even the sustainability of critical large-scale initiatives such as MomConnect (providing weekly sms messaging to pregnant mothers) is currently under threat

The specific advantage of mobile for national development has been largely squandered (3/3)

- The fundamental question that was either never asked or ignored in the framing of these obligations was: **How can the specific advantages of mobile technology be used most effectively in expanding access to digital technology for national development?**

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We must start to implement specific, pro-poor strategies to expand access to digital information.

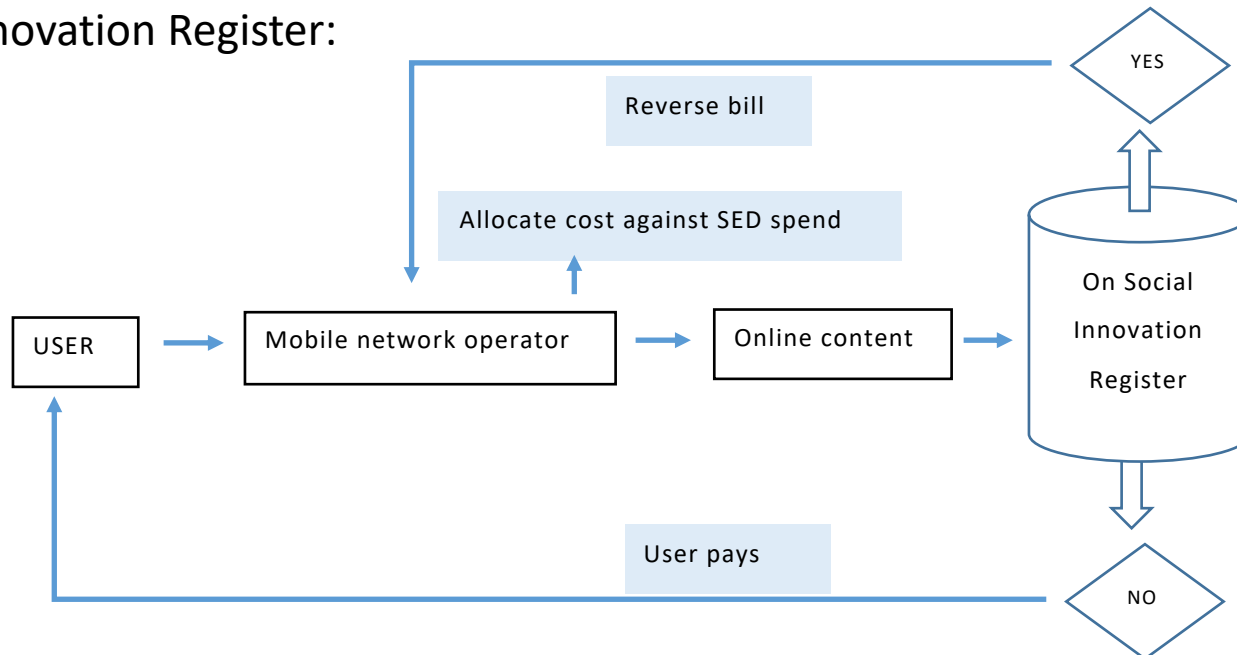
- We fully endorse the call to reduce the general cost of data in South Africa. It will improve access to and increase the utilisation of data. However, given the extremely polarized income patterns in South Africa, even an across-the-board halving of the cost of data will not be sufficient to expand access for the poorest half of the population. There are no easy solutions, but we must start to implement specific, pro-poor strategies to expand access to digital information:
 1. **Zero-rate mobile data costs for services provided by PBOs and government**
 2. **Address specific pricing strategies to stop poorer consumers being disadvantaged and address market failure**
 3. **Government should provide a full account of the real costs and benefits of universal service and socio-economic development obligations imposed on network operators**

Zero-rate mobile data costs for services provided by PBOs and government (1/2)

- We propose that all mobile data services, offered by *registered* Public Benefit Organisations (PBOs) and government entities that promote socio-economic development should be zero-rated to the user
- This will be managed through a **Social Innovation Register (SIR)** where approved PBO's would be able to provide users with free mobile data access to their ICT4D services.
- The Social Innovation Registry will be kept small, registering bona fide NPOs and monitoring content use to ensure no abuse of the system

Zero-rate mobile data costs for services provided by PBOs and government (2/2)

- The below diagram shows a simple overview of the operating model of the Social Innovation Register:



- The technology for zero-rating for users already exists in network operators, both in supporting specific non-profit projects and in commercial partnerships. In partnership with the DG Murray Trust, the new network operator RAIN has already started to implement zero-rated services for public benefit organisations

Address specific pricing strategies to stop poorer consumers being disadvantaged and address market failure

1. **Make the unit price of pre-paid and contract data the same**
2. **Ensure the same unit price for all bundles, regardless of size.** Suppliers would still compete on unit prices, or bundle configurations not determined by pre- or post-payment or bundle size.
3. Data should also be **rolled over for at least 3 months** to allow for changing usage patterns – no minimum roll over period is currently specified by ICASA.
4. **Ensure effective implementation** of current requirements that users are notified when 50%, 80% and 100% of their data is used.
5. **Require that prepaid mobile data offerings and data bundles are consistent, clear, easy to understand and comparable between mobile networks**

Government should provide a full account of the real costs and benefits of universal service and socio-economic development obligations imposed on network operators

- In the interests of both accountability and improvement, Government should make available a review of the benefits and financial costs of the implementation of mobile network operator universal service (USO) and socio-economic development (SED) obligations. This should serve as the basis for optimizing the use of these funds going forward

Thank you