



INDEPENDENT COMMUNICATIONS
AUTHORITY OF SOUTH AFRICA

Briefing by ICASA on how the availability of the spectrum will transform and create competition in the telecommunication sector with respect to the reduction of costs to communicate

Presentation Outline

1. ICASA's Organisational Mandate
2. Introduction
3. Promotion of competition and reduction in cost to communicate
4. Auction Design vs Competition Promotion
5. Auction Results
6. Expected impact of spectrum on Competition and Prices
7. Concluding remarks

ICASA Mandate

ICASA is established pursuant to section 192 of the Constitution and in terms of the ICASA Act of 2000

ICASA's primary mandate is to *amongst others*:

- **Regulate** electronic communications, broadcasting and postal sectors **in the public interest**
- Ensure **universal availability** of **high quality services**, including broadband services, for all South Africans at **affordable prices**

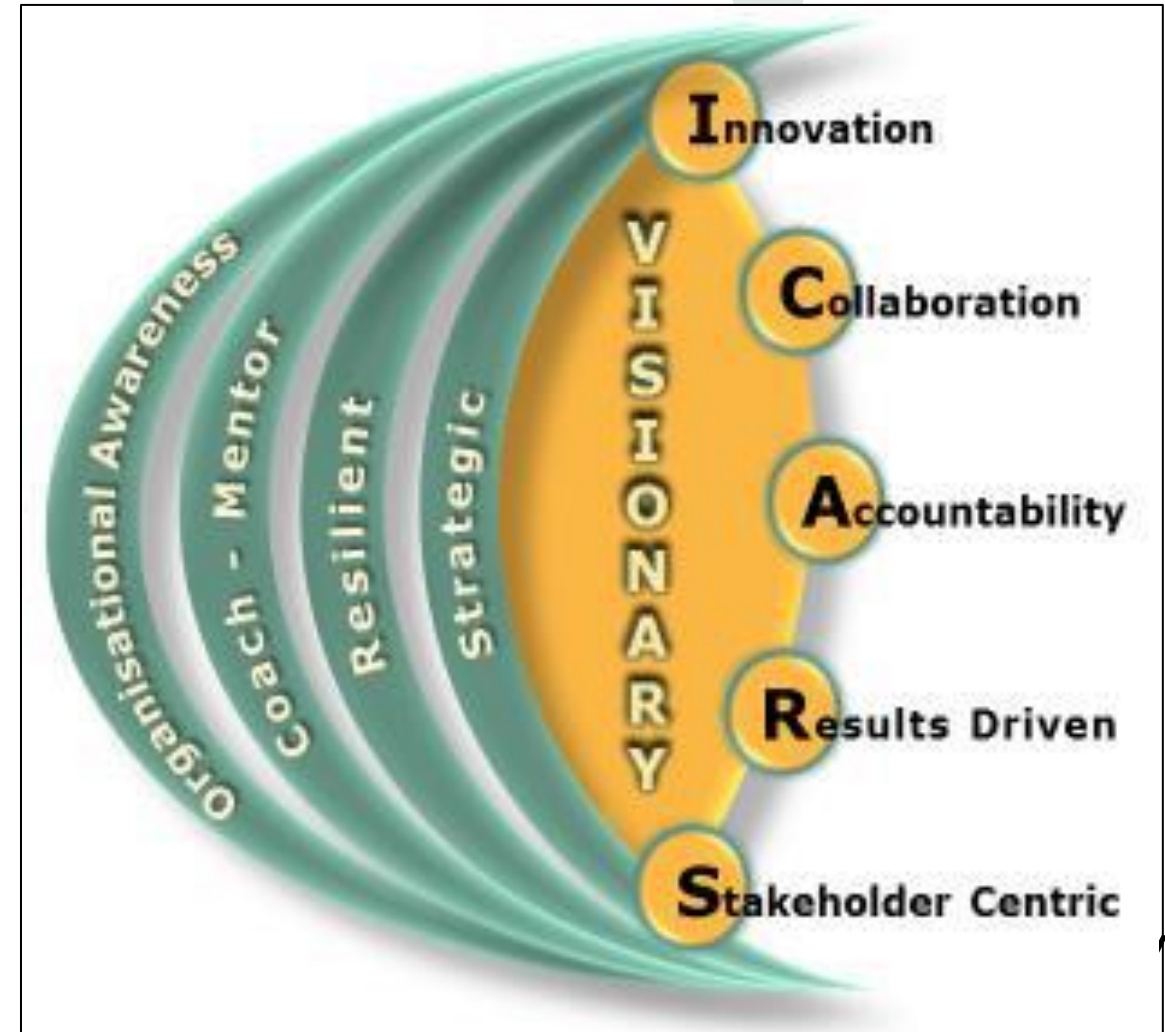
Vision, Mission and Values

Vision

- ❑ An inclusive digital economy

Mission

- ❑ To regulate electronic communications, broadcasting and postal services in the public interest



Introduction

- Spectrum is a finite resource requiring prudent management on behalf of and for the public. A responsible ICT Regulator should ensure that all the spectrum is made available to the users and is used for the benefit of all.
- The Authority initiated the licensing process of the radio frequency spectrum in the bands: IMT700, IMT800, IMT2600 and IMT3500 for the purposes of providing national broadband wireless open access services.
- The licensing of the International Mobile Telecommunications (IMT) aimed, amongst others, to deal with growth in demand for spectrum as a result of significant growth in traffic for broadband services.
- Other objectives aimed to be achieved include the promotion of Broad-based black economic empowerment, universal provision of electronic communications networks and connectivity for all, development of SMMEs, encourage investment and innovation in the sector, **promote competition** within the sector and ensure efficient use of the radio frequency spectrum,

Promotion of competition and reduction in cost to communicate

- Access to the right type and amount of spectrum is important for the provision of mobile services.
- The assignment of spectrum (especially in the sub-1GHz bands) lower barriers to entry as entrants possessing such spectrum do not have to make costly infrastructure investments as the propagation or coverage of this spectrum is greater and can easily penetrate buildings.
- ICASA's auction design and rules considered, among others, the outcome of competition to ensure that any competition concerns were addressed.

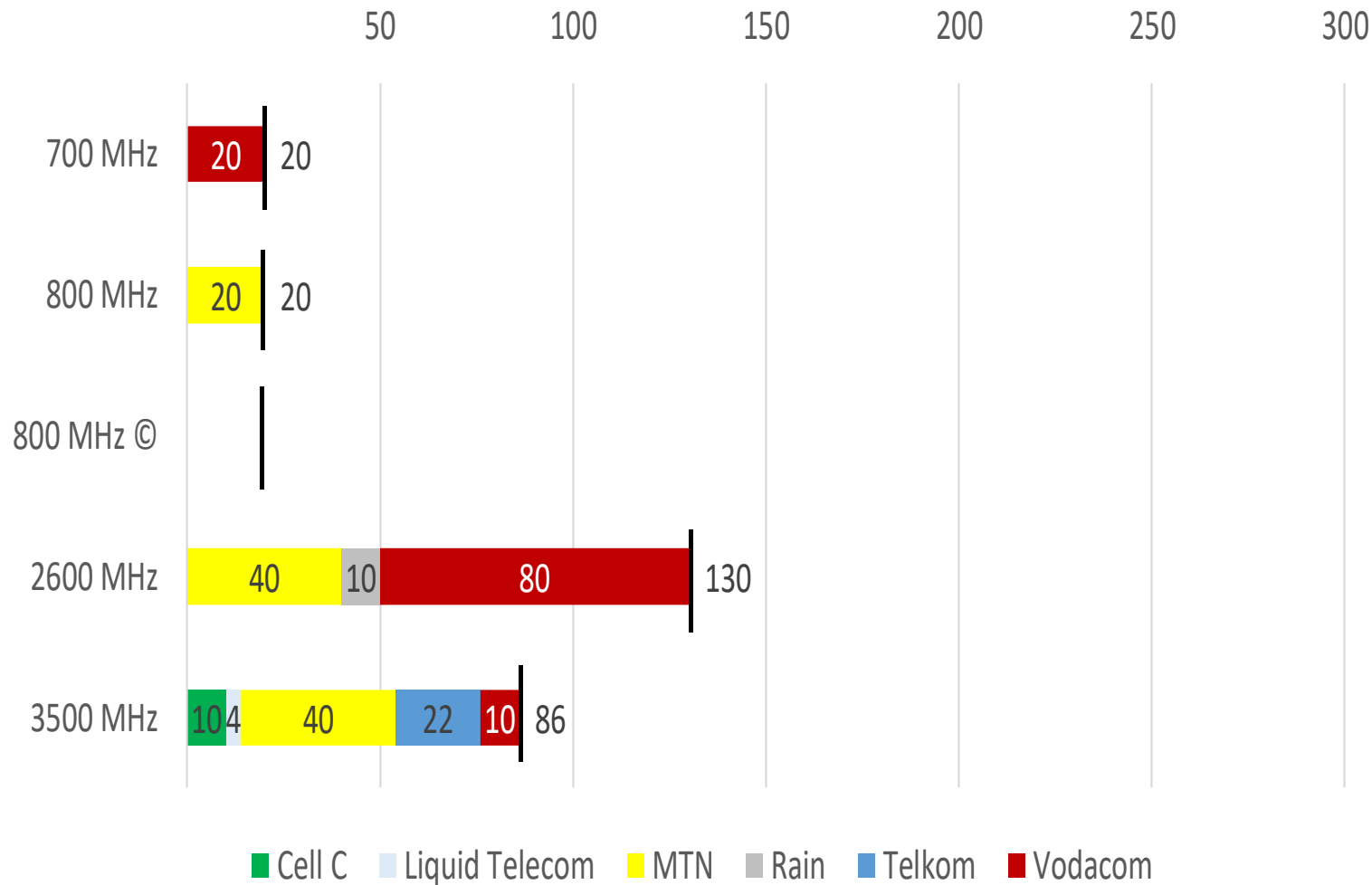
Auction Design vs Competition Promotion

- The spectrum auction took cognisance of different players in the market and their different positions as follows:
 - Tier-1 Operator: A wholesale National Operator that has a retail market share in excess of 45% in at least 1 Region.
 - Tier-2 Operator: A wholesale national operator that is not classified as a Tier-1 operator.
- A Wholesale National Operator was defined as a licensee that controls access to its Radio Access Network and is capable of providing IMT Services on a wholesale basis to roaming and MVNO customers, where the licensee's RAN is capable of serving more than 50% of the population in South Africa.

Auction Design vs Competition Promotion

- In the spectrum auction – the Authority imposed coverage obligations that are consistent with the promotion of competition by giving support to the Tier-2 operators to catchup, wherein the outside-in approach applied only to the Tier-1 operators.
- ICASA also introduced the Opt-in auction round which enabled the Tier-2 operators or new entrant to acquire the minimum spectrum portfolio before the main auction. This was to ensure that at-least 5 operators post the auction will have spectrum holding that will make them credible to compete with each other.

AUCTION RESULTS



33 Lots across four bands were competed for in the main auction, and all six bidders participated in the main auction with the sub-1GHz and Overall Spectrum Caps imposed to ensure that equitable spectrum can be acquired by all.

The Authority opened the Main Auction Stage on 10 March 2022. The Main Auction Stage concluded on 17 March 2022, after 58 rounds of bidding held over 6 days. All but one of the Spectrum Lots was sold, and the Main Auction Stage raised a total of ZAR11.8 billion.

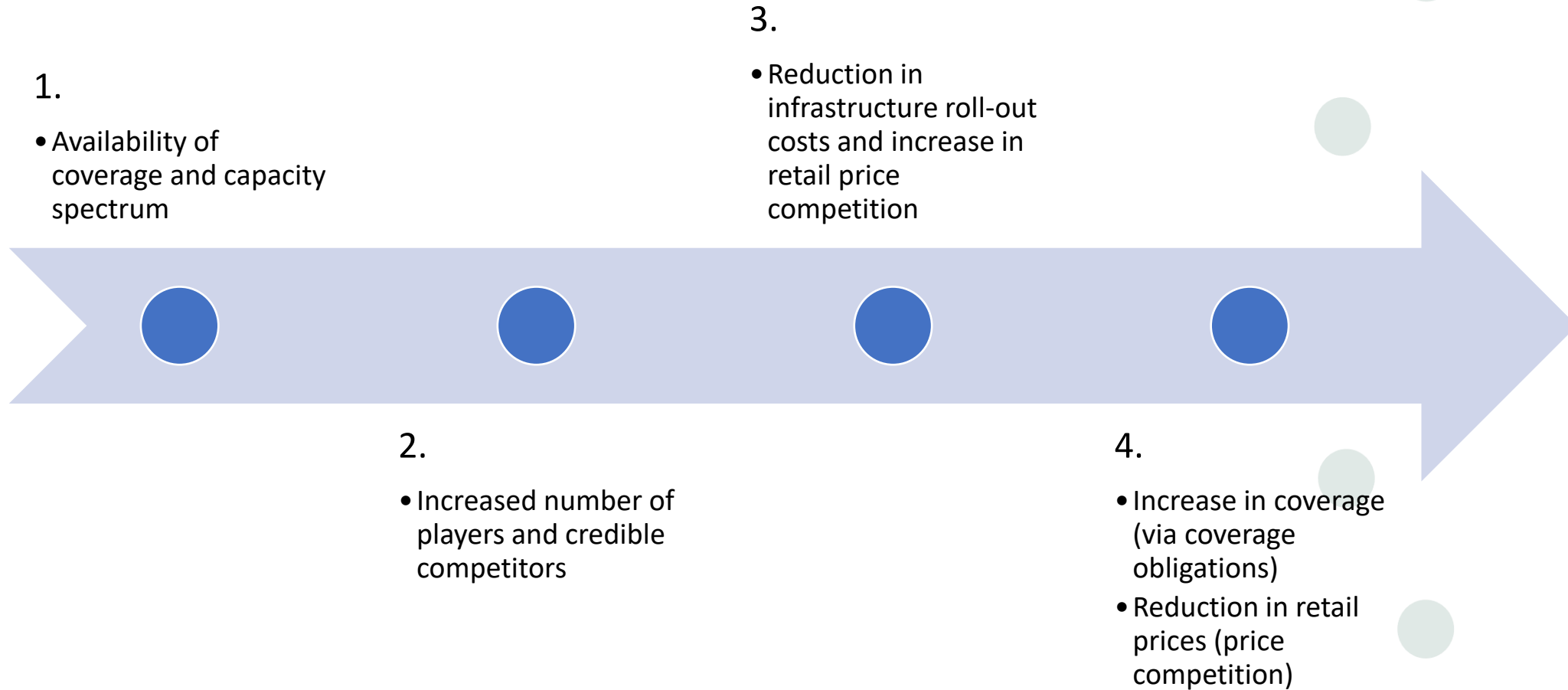


AUCTION RESULTS

- One Lot in the IMT800 band was not sold due to the coverage obligation attached to it, which required the successful winning bidder to achieve nationwide population coverage of 99.8%.
- In aggregate, the Opt-In Auction and Main Stage raised a total of 14.48 billion rand. The table below summarises what each bidder won across the entire auction:

Bidder	700 MHz	800 MHz	2600 MHz	3500 MHz	Total Price (ZAR)
Telkom		2x10		22	2,113,615,407
Liquid Telecom				4	111,000,000
Cell C				10	288,200,000
Rain	2x10		20		1,431,374,106
MTN		2x10	40	40	5,152,100,000
Vodacom	2x10		80	10	5,381,600,000
Unsold		2x10			

Expected impact of spectrum on Competition and Prices



Concluding Remarks

- Through its spectrum auction process, ICASA created 6 (six) credible competitors in Rain, MTN, Vodacom, Telkom, Liquid Telecom and Cell C.
- It is envisaged that competition is going to be more intense with more rather than less players in the market. Consequently, the intense competition becoming more beneficial for the citizens and consumers.
- In the spirit of efficient spectrum management, spectrum resources should not be hoarded and must be released to capable hands in order for the social and economic benefits to be realised by all citizens.

Thank You



ICASA
