



◀ Submissions to the Data Market Inquiry ▶

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Focus of Internet Solutions Submission

- A) IP Connect prices have decreased over the recent years. However irrespective of the price decreases, the focus of this submission is based on the pricing of IP Connect Bandwidth from Openseve.
- B) The current cost of IP Connect is R175 / Mbps / month.
- C) Internet Solutions forced to buy IP Connect bandwidth from Openseve as it's the only way to provide Internet over Openseve's ADSL, VDSL or Fibre to the home networks
- D) Openseve's national ADSL network allows it to charge high IP Connect pricing to its wholesale customer base like Internet Solutions due to lack of alternative networks with same coverage and reach
- E) High cost of IP Connect bandwidth prevents ISPs like Internet Solutions from reducing pricing to its own customers, hence reducing growth of the Internet across South Africa

What is IP Connect ?

- A) IP Connect service are the links & throughput (bandwidth) which allows ISPs access to the Openserve copper ADSL and fibre last mile connections
- B) Purchasing IP Connect bandwidth from Openserve is the only means ISPs have to connect to its last mile ADSL and fibre networks that enable ISPs to deliver services to home and business users
- C) ISPs connect through 3 Openserve centres of Johannesburg, Cape Town & Durban
- D) The IP Connect charge is the largest single cost of ISPs providing broadband to its home and business users
- E) The only other way of ISPs providing broadband services to home and business users is through independent fibre and wireless networks (e.g Vumatel) that have limited coverage as compared to Openserve's ADSL and fibre network



IP Connect Pricing

- A) Openserve currently charges IP Connect at **R175 / Mbps / month.**

- B) Automation Exchange currently charges **R7.30 / Mbps / month**
 - i. Automation Exchange provides the connection to the Vumatel last mile fibre network

- C) Internet Solutions believes a significant and immediate reduction in IP Connect pricing is required

Market Impact

Current high price of IP Connect has the following consequences:

- A) Negatively affects the pricing of Internet to consumers due to high data costs from Openseve to its wholesale customer base - ISPs
- B) Barrier for ISPs to compete effectively in providing Broadband services – high input costs
- C) Reduces the affordability of Broadband services in South Africa & hence speed of roll-out of Broadband services
- D) Only alternative is independent fibre or wireless networks that are generally only available in more affluent areas across South Africa.
 - Alternative networks will take many years (if ever) to replicate the footprint of Openseve ADSL network
 - No real alternatives in provincial and rural areas

CONCLUSION

- ✓ Telecommunications facilities such as IP Connect are an unavoidable cost input in the business of Internet Solutions. Without IP Connect, Internet Solutions and other ISPs cannot provide widespread internet access services to their end-users.
- ✓ The pricing of IP Connect hinders the effective rollout of broadband in the country as end-users pay more to ISPs due to IP Connect pricing.
- ✓ It therefore follows that these high prices detrimentally affect consumers and hinder the effective roll out of broadband in South Africa.



THANK YOU