

Press Release

28 October 2009

Competition Commission refers abuse of dominance findings against Telkom

The Competition Commission has referred its findings of abuse of dominance against Telkom to the Tribunal for adjudication and has asked the Tribunal to levy an administrative penalty of 10% on Telkom's annual turnover for its financial year ended 31 March 2009.

The investigation follows five complaints that were lodged by the Internet Service Providers Association ("ISPA") and other internet service providers or ISP's, namely, Verizon South Africa (Pty) Ltd ("Verizon"), Multichoice Subscriber Management Services (Pty) Ltd ("MWeb") and Internet Solutions ("IS"). These complaints were lodged at different times during the period 2005 and 2007 but for purposes of investigation the Commission combined the complaints, as they raised overlapping issues.

During the investigation the Commission engaged with and received cooperation from the Independent Communications Authority of South Africa ("ICASA"), in accordance with the Memorandum of Understanding between the two regulators. The cooperation of the two regulators will continue during the prosecution of this matter, particularly with respect to remedies for the conduct.

In its investigation the Commission found that Telkom abused its near-monopoly position in the market for the provision of telecommunications network facilities. It did this by charging excessive prices for the basic infrastructure needed by its downstream competitors, the ISP's, to access a range of telecommunications services, while keeping its own ISP service charges low. In this way, Telkom also raised its downstream competitors costs, making it difficult for them to on sell cost effective services to end consumers.

The Commission concluded that Telkom charged excessive prices after comparing Telkom's prices to its costs, prices in other countries, prices of other operators offering similar services and prices to customers of Telkom who posed a competitive threat to it. These comparisons indicated, amongst other things, that in 2006 Telkom's prices were more than double the average of South Africa's major trading partners. Furthermore, in 2007, Telkom's prices were 30% more expensive than the average of a basket of 14 countries. Significantly, the Commission also noted that Telkom's downstream competitors have been consistently losing market share while Telkom's share has been increasing over time, pointing to an inability on their part to compete effectively with Telkom.

The excessive prices charged by Telkom affect the prices which ISPs charge their customers. Given the widespread use of the internet and the extensive use made of virtual private networks or VPN's by medium to large businesses to link various locations of a single enterprise, there is no doubt that these high prices detrimentally affect consumers and hinder economic development in South Africa.

ENDS

Further info:

Keitumetse Letebele, HOD Communications

012 394 3183 / 082 783 3397 / keitumetsel@compcom.co.za