

COMPETITION COMMISSION

DATA SERVICES MARKET INQUIRY

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VENUE:

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Introduction

DR MNCUBE: Good morning everyone. Good morning and welcome to the Competition Commission. I would like to formally start by welcoming, welcoming you all to the Commission, today the 17th of October 2018. The Competition

5 Commission is doing a market inquiry into the market for data services. This inquiry formally began last year, and we are in evidence gathering face today. I am Doctor Liberty Mncube. I'm the Chief Economist of the Competition Commission. In the panel I'm joined by Mr Bukhosi, Mr Bukhosibakhe Majenge, who is the Chief Legal Counsel of the Competition Commission. Mr Jason

10 Aproskie he is the evidence leader and he, he is also the head of the Technical team. Mr Arthur Mahuma, he is also an Evidence leader and his also part of the Technical team of the Commission conducting this market inquiry into data services. An inquiry, a market inquiry is a formal process in respect of the general state of competition in a market. The market inquiry is not specific to the

15 conduct of individual firms, it only focusses itself on the general, the general state of competition and it also focusses itself on the, on maintaining on doing an inquiry into the state of competition in respect of whether the market is competitive. So, whether the market, whether the market has features that distort competition. The inquiry into the data services market has four broad

20 questions that it is asking. The first question is, are data prices in South Africa very high? The second question is, to the extent that data prices are high or higher than they ought to be? What are the factors that drive these prices? Third, how can these factors be effectively remedied, so the factors that drive high data prices. How can they be effectively remedied? And the last question

25 we asking ourselves is, what is the impact of these high data prices and access

issues on lower income consumers? So, we are now continuing, we began the process of gathering evidence as soon as the inquiry began. We are now continuing with that processes, with that process of gathering evidence. In by doing formal public hearings and, also giving an opportunity for stakeholders to present their own views, so that they can all have a chance to, to present to the Commission.

CHAIRMAN (MR MAJENGE): Thank you Doctor Mncube. I'm just going to outline the rules of procedure that will be applicable to this public hearings. Because as you all know the process is, it's an evidence gathering process. And it's not an adversarial process. The first rule is that the formal seatings of the inquiry will be opened to the public, at all times. Except when the Chairperson rules that part of the proceedings will be closed on the grounds related to confidentiality or for any other reason deemed justifiable in terms of the Competition Act. But we'll try as much as possible to ensure that the proceedings are conducted in an open hearing and are not, are not closed. Secondly, all sessions will be recorded and will be streamed live on YouTube, say for that sessions or parts of the sessions that, that may be closed. In order to allow for the proper ventilation of issues, the Chairperson, the panel members as well as our evidence leaders, may pose questions to any person making submissions. Thirdly, the Chairperson will not permit any person, need that personally, nor true legal representatives, to put questions to any persons making submissions in this public hearings. Fourthly, in the event that there is any stakeholder that has an objection, comment or question in respect of any submission made during these proceedings. That stakeholder must submit such an objection, comment or question to the inquiry in writing and the inquiry will

attend to such an objection, comment or question as soon as possible at an appropriate time. We will now receive the first submission from Amandla.mobi. Welcome lady and gentleman, thank you very much for coming. There should be a piece of paper in front of you, please take the oath or the affirmation and
5 switch on your mic as you do so.

Amandla.mobi.

MS MOETI: I, Koketso Moeti affirm that the evidence I shall give, shall be the truth, the whole truth and nothing but the truth.

CHAIRMAN (MR MAJENGE): Thank you very much. Your colleague may also
10 do likewise.

MR DE LANEROLLE: I, Indra de Lanerolle affirm that the evidence that I shall give, shall be the truth, the whole truth and nothing but the truth. [intervenenes]

CHAIRMAN (MR MAJENGE): Thank you. Before we get into your presentation, if you could just indicate what your current role opposition is within
15 Amandla.mobi? As well as how long have you held your current role? And you may take us through your presentation that will then be followed by questions from our evidence leaders as well as the panel.

MS MOETI: I am the Executive Director of Amandla.mobi, a position I have held for just over four years now.

CHAIRMAN (MR MAJENGE): Ja if, we can also get your position within
20 Amandla.mobi?

MR DE LANEROLLE: My name is Indra de Lanerolle, I hold the position of Director at the Journalism and Media Lab at Tshimologong, Digital Innovation

Precinct, University of Witwatersrand in Johannesburg. I've held that position for about two years.

CHAIRMAN (MR MAJENGE): You may take us through your, your presentation.

5 **MS MOETI:** It is the 26th of the month. On the day without fail, the first thing I get is a SMS from my mother. My mother simply says, [vernacular *may I have data*]. For someone like my mother, data means being able to keep in touch with me, who lives far from home. My mother like millions of other South Africans is unemployed and what this means is that, my mother would not
10 qualify for a contract device. And contract devices offer bundle rates that are more affordable. Over and above that my mother is part of what we describe as the less connected. Consumers who buy data in small bundles. My mother like millions of South Africans lives in informality. And what this means is that, she has no access to the wide range of data services and Internet service providers
15 that more affluent people have access to. For someone like my mother she is solely dependent on mobile data for her needs. Over and above keeping in touch with a child who lives far, being able to access data means, being able to access opportunities. For someone with a kid whose unemployed who lives with her, it means the ability to apply for jobs and get access to various information.
20 Across the country we have seen a wide range of services that are becoming much more available online. We are also seeing an increase in responsiveness on different services online and what this means is, that somebody who cannot afford or has no access to data is shut out from a whole range of things. For example in Gauteng the application process for applying for schools is now
25 being done online. Even my own participation in the submission in this process

was facilitating and enabled by my ability to access data and have the infrastructure of an office where I could. And what this means is for those who are solely dependent on mobile data who are buying it in small packages and are therefore paying a poverty premium. Because as the evidence will show
5 these are the consumers who are paying much higher prices for data at a per megabyte rate. What this means is that you are effectively shut out from so many things in a country that claims to hold values of participation as central to the way we exist. My colleague Mr De Lanerolle will take you through some of the figures. What it means for low-income consumers? What does poverty
10 premium look like and the recommendations we are there for proposing? I'll hand over to you.

MR DE LANEROLLE: Thank you Koketso. So I'm a Researcher in digital technologies and their accesses and use in South Africa and elsewhere on the continent and we have been working with the Amandla.mobi to support their
15 work around available research concerning especially use amongst those on lower incomes. Who's meant to run the slide? We seemed to have lost our [indistinct 00:12:40]. [intervene] Apologies. The main research that is relevant to your deliberations that we've done recently is a qualitative study of about 90 people drawn from three parts of the country, all of whom are on low incomes.
20 As you see from this, it shows how we sampled the quotas that we used. And we did this study to produce with them a diary in each case of 24 hours of mobile phone use, so everything they did with their phone. About half the sample used the internet and half the sample didn't. We tried to balance by location, rural and urban, by age, by gender and in income terms we looked at
25 three groups. Very low income, which is to say a household income per capita

of a at or below the food poverty line approximately R355.00 per month, per person. Low income taking that as R1 030.00 or below which is the upper bound poverty line to find by stats SA and then we had some people who will although we'd originally tried to keep them in that group turned out and a little
5 bit more, so little bit more than R1 000.00 household income per capita which is about the average in the country. So if you take those on a on a national level, about 20% of the population fall below the food poverty line. About another 30% fall below the upper bound poverty line. So together they, they account for about half the population. And as I'm sure you will hear later today from
10 Research ICT Africa, the after-access study representative survey done last year shows that about 53%, 54% of the adult population use the internet. So all of those who don't plus as I research shows many of those who do, fall into this group as in low-income, below average, real average, median average incomes in South Africa. This is a very important group to consider when we're thinking
15 about affordability and how we even define the question of what is to, what costs are too high? Because affordability, many of the measures used globally for affordability take average incomes and then talk about percentages of average incomes. The Broadband Commission takes that measure, but in South Africa or any country with the high Gini coefficient that's really not very
20 useful. The internet is affordable for the well-off. It is the people we should be concerned about when we considering affordability and what the cost to high for those at below average, real average medium income, which is somewhere around that figure of about R1 000.00 per person, [intervene] household income. So last, so we conducted this study and we were looking at assembling
25 people's mobile practices, as we call them that is all the things they did with

their phones. Who they we're talking to, who they're communicating with. Whether they were, how they were using, whether it was irrelevant to their work, their social life, their church life or anything else. And we also looked at how they connected. How they got online if they did use the mobile Internet. How

5 they bought data and such things. The first clear issue is that, the less connected as we described them, buy airtime and hence buy data in very, very, very small quantities. So of the 88 people we have data for in this study, 43 at the time of interviewing had no airtime on their phone whatsoever. And as you can see from this chart, the vast majority had less than R5.00 and a significant

10 majority, almost two-thirds had but either none most commonly or, or less than a R1.00 of airtime. And as I'm sure you're aware, data purchases are done by generally by converting data, airtime into data. If you look at when we asked them what they most recent airtime purchase was, we see the same pattern where most commonly again the majority R10.00's, R5.00's or R2.00

15 purchases. Which in data terms turns into very, very, very small amounts of data. So then we look at the policy implication and are special concern from a policy point of view that has arisen from the research we've done, is about price discrimination in the mobile data market. So, for those who're well of, first very important point, fixed line data is cheaper than mobile data. And everyone in

20 this room for example, as you put up at the beginning of the of the session. We have free public Wi-Fi while we're in this room and that's provided through a fixed connection into the DTI buildings. And purchasing data off fixed line of whether it's of copper or fibre, generally speaking there it's a highly competitive market. Prices are much lower than they are per gigabyte of data on fixed. So

25 for, for the well of we often have and for the professional classes, we have

multiple access apart from mobile data. So we not 100% reliant on mobile data for our connectivity. I work at University, we have Wi-Fi at the University. I'm sure throughout this building the same story. So the poor first of are entirely dependent often on mobile data and second, we have price discrimination. And

5 as their status digest extreme price discrimination in the pricing of data by date by bundle size. So this is, we took these figures in April this year. If you look we compared it with so sachet pricing or price discrimination for purchasing small quantities is, our, wide spread phenomenon and of course it's perfectly legal and is not necessarily, it's generally argued by economists, anti-competitive. So

10 for example, it was first written about extensively by [indistinct 00:19:42] noticing major FMCG companies in India specially Unilever who did it. So we took Sunlight soap powder, which is the market leader in washing powder and if you look at the smallest quantity you can buy of Sunlight it's a 250g packet, the largest quantity is a 5 kg packet. If you take those in price per kilo, if you buy in

15 the smallest quantity, you're paying R40.00 a kilo and if you buy the largest quantity you're paying R20.00 a kilo. So there is price discrimination. It costs you effectively double out of a kilo rate, to buy in small quantities. If we take the market leader in mobile, the smallest bundle, they sell, sold at the time was 15 megs, 15 megabytes for on, this is on the 30-day bundles. 15 megabytes and

20 the largest, that we found and at the time, was 10 gigabytes. The price difference there if you could buy, afford to buy 10 gigabytes, you could buy at R60.00 per gig. If you were buying in 15 megabytes, which is the kind of quantities were looking at when we look at the airtime balances that we spoke of earlier, then we're talking about R667.00 per gigabyte. So when we average

25 data costs and look at say a standard used by the UN Broadband Commission

which is 1 gig, that's very, very unrealistic and doesn't represent the actual purchasing patterns of the poor because they're not buying 1 gig. And they are paying multiples of the pricing if they could pay 1 gig. 1 gig on Vodacom at the time 30 days, R149 or even if you take the two for one pricing that would come
5 down to about R70 something per gig. Meanwhile if you're buying 15 megs, you're paying R667.00 for the same service. So this is quite extreme form of price discrimination. I'm not an Economist but my understanding of price discrimination and markets is, it is legitimate tactic that competitors are allowed to deploy. There are two fundamental courses that can be, can lead to it.
10 Number one is differentiated costs, so for example with soap powder, there may be additional costs to selling in lots of small packets or getting those packets too lots of small outlets. And they may be, additional manufacturing costs, it may be more expensive to make lots of small packets, rather than one big packet. With mobile data it's very difficult to see any significant cost differences, those only
15 two that we could think of. So the first is, a mobile operator has to send messages to tell you that your bundles been activated and also to tell you, that it's running out, or run out. As other Economist have argued SMS's don't really cost the operators any money because you can't even put an infrastructure cost of them because, if they run out of infrastructure that were they would simply
20 slow down the delivery of SMS's, unlike voice. So they do have to send some more SMS's the other thing they would have to do is to store a tiny amount of additional data, because each transaction has to be recorded. But these would be almost immeasurable in data terms, they tiny amounts of very, very small data. So that leaves prices discrimination as in for market segmentation
25 reasons and this is a concern of ours, which is that we have got, we may well

have a very competitive market at the top end of the market. And there's a number of reasons why that might be the case. So first off because as I've referred to earlier, better of people, professionals, corporate customers those kind of people have choices between mobile and other forms of infra structures, so it's competitive to the other infra structures. And also these are the high ARPU customers, the people who are spending more money per year. If that's the case then what we have in the price discrimination is, that we may have a competitive market at the top and at the market but not a competitive market at the bottom end of the market. Which is very, very concerning and especially concerning for the overall policy objective of closing the digital divide, because almost all the people who need to be connected now are those on, on lowering incomes. You see this, this the effect of the cost you see in the kind of practices of people on low income. So as you see here when we looked at their diaries, there's almost no use of the Internet to go and search for information. Almost all the use of the Internet was on WhatsApp, which was by far the most popular application and the actual practice there were talking to potential customers, friends, things like that, but not going to find out about job opportunities and less they came from there and friend network, for example. So only three people out of the 25 would use the internet in the previous day of about 40 who used it at all. Only three of them used Google, for example, in other words searching the broader Internet for information. We included in our paper that we deliver to you but the kind of stories about what this means so for example one woman, in her diary, we've called her Thandiwe, it's not her real name. But she buys R12.00 per month of data, she spends R12.00 per month, she only uses WhatsApp. She leaves WhatsApp and her data off, by default, she turns it on the few times

a day and yet it's a key business tool for her. She does hair at home. She'd love for example, she said, she would love to use Facebook to look up hairstyles for her client's and things, but that would be completely unaffordable. Even on Facebook she'd worry about the cost. So she's, she, it's a core instrument for

5 her business because her clients tell her when they come in and book times via WhatsApp, but even that [intervene] she finds an unaffordable to leave it on. We also found, and this is particularly onerous is, that I haven't even mentioned, but it's something we've raised with ICASA. Actually we've found people who, who weren't buying data bundles but using data which means that, they're paying

10 even higher prices than I mentioned earlier, because they are paying out of bundle prices, which could be up to R2.00 per meg. And as you're probably aware, although the new regulations would've partly addressed that, they're not being enforced, because of a court challenged those regulations. So overall, we have the findings that we think irrelevant to your questions that you raised at the

15 beginning. Sorry, excuse me. The, that, people on lower incomes, because of high costs are not able, to your last question, are not able to make use of the internet as you may understand it. They using a very limited part of the Internet and they are as we find the whole connection to the Internet, is in fact highly fragile. It's not often on. It's used for a very limited purposes to manage the cost

20 of using it. The affordability, as we said, your questions of is the Internet expensive and is data expensive, we need to ask that in the context of a definition of what's affordable or what's expensive that's appropriate for low-income consumers not average consumers, defined in some of the metrics used. The price discrimination by mobile operators is creating a significant

25 poverty premium for connectivity. It can't be justified on, it's unlikely could be

justified and cost grounds. So the question that arises is, is it really a product of the fact that there is low levels of competition for the bottom of the market, I for low-income consumers? And the research we've, we've presented here is called several large exploratory, but it does in itself suggest that we need to get
5 more information and data from operators. For example operators tell us how much out of bundle income they have in the income statements, they don't break it down between data and voice and they don't for example tell us their sales by, by bundle size. So we can't see the kind of effects in detail that would help us understand how regulations are working or not working in the
10 competitive market, especially at the bottom end of the market. Thank you.

CHAIRMAN (MR MAJENGE): Thank you very much. Mr De Lanerolle. Ms Moeti, I don't know whether you wish to maybe add or any points of emphasis before we get into our questions?

MS MOETI: So I think, based on Mr De Lanerolle's presentation and the issue
15 of competition for low-income households. Often when we talk about Internet and the possibilities of Internet, it's spoken of as a really democratizing tool, but if people, low-income consumers who make up the majority of this country are unable to enjoy the benefits there of, are limiting their use deliberately because of the cost we know that there is a fundamental problem.

20 **CHAIRMAN (MR MAJENGE):** Thank you. We will now put our questions to you, starting with Mr Jason Aproskie our evidence leader. Over to you Mr Aproskie.

MR APROSKIE: Thank you and thanks for your presentation and submission this morning and your written submission that you gave before this hearing.

Before I get into a couple of the prepared questions, I just wanted to check so, from your perspective and obviously you can't talk for operators, but your understanding is that or at least your suspicion it seems is that, the driver for the price discrimination is the fact that there are alternatives at the higher end of the market. Whereas your poorer consumer or your lower end consumer is faced with mobile and mobile only. Is that correct? Is that your submission?

MR DE LANEROLLE: My submission is that is one or maybe one significant factor.

MR APROSKIE: Yeah.

10 **MR DE LANEROLLE:** The other factor may be other things to do with the profitability of different consumers. So, given that the central business models and for MNO's for mobile operators is, your costs are largely infrastructural or they're high proportionally and then you got to get that money back and a profit out of revenues from services that, if richer customers generate more of that income. You may focus on products and services for them and you may end up a situation where your four or five operators, including the MVNO are competing aggressively for those customers because their more profitable and competing less for low end customers. The other issue which again, I don't have evidence for but is something that you might want to investigate with the MNO's is, the MNO's have for some years been telling the communications regulator that they're running out of bandwidth, out of spectrum. So in that case, there is also limit to the extent to which they want more customers. I mean lower prices would mean more data consumption. Now in many industries that's a good thing, if it ends up with net growth. But in their case if they're constrained, then it

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may be that they're not so incentivised to actually encourage greater use of mobile data amongst the poor, because they're constraint on bandwidth, on spectrum and they don't want to lose their top end customers. They're most profitable customers by lowering their service quality. And other research, by

5 Research ICT Africa for example suggests that actually mobile data services in South Africa are of a pretty high quality, especially in urban areas. So, but I don't have evidence for that. So I'm not saying we know why, but we do know that there is this huge difference.

MR APROSKIE: Thanks. I just want to ask you a couple of questions around

10 your first recommendation, which is to regulate, to limit the spread of pricing between small and large data bundles. And we see in the policy brief you submitted, and you also talked to it now, that you recognise that price discrimination is not always anti-competitive. But in terms of this recommendation, do you have any sense of how you would decide to limit that

15 spread? So what would inform that decision? How would an appropriate spread be determined? Obviously, you're not a regulator, so it's your opinion maybe from the research that you've done but how would you think about getting to appropriate spread, rather than the spread that we seeing now?

MR DE LANEROLLE: So, if you look at a number of campaigns, people, if we

20 focused on how much, you know, what is what is a fair gap? I mean one question would be if we looked at other sachet pricing in other sectors that would be one benchmark. It does seem that this is out of kilter with sachet pricing in other FMCG for example and those sectors, so that will be one benchmark. The reason why we're focusing on this, I've argued for the,

25 regulational prices discrimination, which we recognised is relatively unusual

solution. Is that would maintain competitions, no one is telling them, how much specifically to charge and it allows them to differentiate their products and services. But if it's true that there is effective competition at the top end but not at the bottom end, then this seems a way of linking the two. So the closer you
5 got them, the more that would make competition exist at the bottom end as well. It would, that's what the input regulation would achieve.

MR APROSKIE: Ok thank you. Then in terms of the policy brief you submitted, I don't know if you have it in front of you, but I can I can read it to you I'm sure you...

10 **MR DE LANEROLLE:** Yeah, I got it.

MR APROSKIE: Ok so on page six, just before the paragraph before the second conclusion. You say, I say you, I assume you are the author. Limiting price discrimination is an indirect means of addressing the affordability of data for the poor. There's a theoretical risk that operators could raise prices of the
15 cheapest large bundles rather than lower prices of the most expensive small bundles. However evidence suggests that there is a competitive market at the top end of the market for customers with higher op of use and that this outcome is therefore unlikely. So my question is, I'm an Economist, sometimes I ask questions that are maybe too theoretical, but the question then is, your
20 recommendation is partly therefore based on the idea that if you reduce price discrimination the marketable, only benefit the lower volume consumers and they wouldn't necessarily be any cost of change for high-volume consumers? If that assumption or that fact was not right, how would that affect your

recommendation? So, if this would impact both large volume and small volume consumers?

MR DE LANEROLLE: Yes, I think but I didn't say here is because we don't know wouldn't affect or benefit high in consumers at all, it might. But obviously
5 the case, the extreme case we we're concerned about was could only benefit them, as in the to know change amongst low income consumers. Which we think is very unlikely, having said that, if it also benefited them to some extent that's not necessarily a bad thing. But the extend, there is a very competitive market at the top end and would be unlikely to affect them very much.

10 **MR APROSKIE:** Thank you. And then my last question is just on your second recommendation. So your second recommendation is to regulate to limit the spread of pricing between contract and prepaid customers? So in your policy brief, just where I read to you now, you say all the arguments concerning price
15 discrimination between bundles apply to the discrimination between prepaid and contract customers. And effectively you're [intervene] saying it's for the, for the same reasons you should limit that spread. And I suppose my question, was the difference between prepaid and contract pricing seems to be a slightly different question for me because it's more about the type of contracting approach, it's not necessarily determined by the volume size it contract and prepaid doesn't
20 have to be of different volumes necessary. So I suppose my question is maybe you can just explain a little bit more on that point and why you think the price discrimination between prepaid and contract is also a problem? And how that relates to your argument on the small bundles verses large bundles?

MR DE LANEROLLE: Ok, so as I'm sure you're aware the vast majority of consumers and, and the vast majority of low-income consumers are all using prepaid. Contract customers account for a very small number, less than 20% but they count for a very disproportionate amount of revenues and profits, according to the major mobile operator's income statements. The danger, so those two issues here. Obviously contract pricing is quite complex if we're looking at mobile data because it's only one element of a price it's packaged together. You can't easily compare like for like with prepaid in the contract but what you can compare is contract pricing includes additional bundle purchase pricing. So whatever your contract is, if you run out of data you can buy additional bundles with the major operators and the pricing of that is often cheaper than the prepaid bundles available. So contract customers are getting again its case prices discrimination, are getting often a lower price than the prepaid equivalent. So, that you could compare in a very straight forward way.

15 **MR APROSKIE:** Ok thank you. I'm not sure if anyone else on the panel has a question?

CHAIRMAN (MR MAJENGE): Doctor Mncube.

DR MNCUBE: Perhaps one question from my side, which is, you have a very small sample that you are relying on. Would you expect these results of to change if then in a sample increased?

MR DE LANEROLLE: Yes, as I said in the beginning, this was qualitative research. I know you having a presentation later this morning from Research ICT Africa, who are, who conducted a study, a quantitative study. We we're, so we see these two kinds of research as mutually enforcing. We would at some

point in the future love to do a large-scale representative sample with the same kind of approach. But we, the results even of that 80, given they were quite carefully selected on quotas to be representative of the kind of people were talking about, we would expect that to be true of a quantitative representative
5 sample broadly. Because also the results was so extreme they were so few cases of people buying large bundles for sample. And the Internet practices that was so overwhelming that they didn't, I mean, there was one in the whole study we did only remember that was one case of someone who would actually, you know, they'd taking their girlfriend, it was his birthday, he taken his girlfriend to
10 town, to the cinema and he'd used an app on his phone and use Google and things like that to research things and that was the only case that came up. So the differences were so extreme that yes, we would expect some similar results on a large scale someday.

DR MNCUBE: I think that's fine I also know that you've also tried to diversify
15 the people that you'd spoken to. Thank you.

CHAIRMAN (MR MAJENGE): Just one last question from my side and this relates to your first recommendation in your submission. Proposing a regulatory intervention to limit the spread of pricing between small and large data bundles. Can you perhaps give us a practical example's of how these regulatory
20 interventions should, should be structured and how it should work? Just from a practical perspective.

MR DE LANEROLLE: I have to refer to, not only Economist but Lawyers. My understanding and the basis of the recommendation is the under law both the ECA, so under the, and competition law, regulating price discrimination is

allowed. Although it's a really used tool. So you have the power and ICASA has the power to regulate this spread. So the, the mechanic of that would be to say there is a limit on how wide that gap can be? And obviously we would argue in such a situation, it must be a lot less than 11 times. And obviously there is some
5 details to that, so you have to be able to compare like for like as you know there are different products in terms of mobile data especially by time? So we have, you know, bundles that last one day, seven days, one hour and you know the standard one of 30 days? So the, the, the regulation of it would have to accommodate or account for that? And compare like for like comparisons. But
10 the key thing about the data size is I think of the bundle size, would yes, would be captured by quite a simple regulation I think. Or be it, which would need Lawyers to related to your general powers or the general powers of ICASA.

44:19

CHAIRMAN (MR MAJENGE): Yeah, thank you very much Ms Moeti and Mr De
15 Lanerolle for your time as well as for your submission. Thank you very much. You are excused.

[intervene]

We'll now receive the next presentation from the Right2Know Campaign.

[intervene]

20 It looks like the Rright2Know Campaign are running a little bit late. So we'll just take a short five-minute break and will, we will be back after after five minutes. Thank you.

Research ICT Africa.

CHAIRMAN (MR MAJENGE): We will now take the next presentation from the Research ICT Africa. If you could just, please state your name and surname for the record. And after that, you may proceed to take the oath or the affirmation.

5 **MR MOTHABI:** I, Onkokame Mthobi affirm that the evidence I shall give, shall be the truth, the whole truth and nothing but the truth.Managing the pricing section and the survey data collection section.

CHAIRMAN (MR MAJENGE): You may proceed with your presentation.

MR MOTHABI: Thank you very much and good morning ladies and gentlemen.

10 As I have already mentioned, my name is Onkokame Mthobi I am presenting or let's say our data service market presentation is mostly based on data that as been collected by our organization like Research ICT Africa for the past or let me say since 2010 and this data consists of pricing data for mobile telecommunications which based on quarterly, we collect it on quarterly basis.

15 So we collect data on voice SMS services and the, the basket for voice SMS services is based up of 30 prepaid mobile voice calls that for a total of 50 minutes. Which we distributed according to destinations and then we also have add to that a 100 SMS. But this data inquiry is based on the data that we collected, but that is on data baskets. We have been collecting data on 1 GB

20 that is the cost of 1 GB data, for each firms in almost 49 African countries and for each mobile operator we kind off collect information on the cheapest 1 GB data. However in 2018 we decided to extend our database so that our database can collect data on 500 MB and 100 MB and then we also changed the way we kind of collect the data. While we keep the 1 GB data for continuation in terms

of collecting the cheapest 1 GB for, for all operators, we also decided that for each of this data 1 GB, 500 and 100 MB, we, we are collecting them as an as an for the validity of one day, weekly and monthly validity period. That is we collect prices as they appear and the, and the, and the market for all those validity period. Which means to our database we kind of added nine more products. So this presentation will be based on this products or data products. So trying to answer the questions that are kind of being asked on the terms of references that are the state of data costs in South Africa. Prices in South Africa high and therefore we use the cheapest 1 GB data that we've been collecting to compare South Africa with other countries that we been call, that we've been collecting data on. So for this we kind of take the cheapest 1 GB in for each country. Let's say for instance in South Africa we know that Telkom kind of provides the cheapest 1 GB at a price of R99.00 and therefore you, that means for South Africa the, the, the amount of data that would be capturing to compare with other country will be R99 the, the, the price of Telkom which is R99.00 and we, we, we changed that into US dollar and it becomes around 8.28 US dollar. And then using this basket, which we call it the Research ICT Africa Mobile pricing index, this data is actual available online while we have been working on it too or to cater for this other products that we, we, we just introduced. So, but it's, it's, it's online, so using that data and using the cheapest 1 GB data, South Africa is actually ranked position 35 out of the 49 African countries. Looking at that one could conclude that indeed prices in South Africa for data are high, but as we move on we show that might not be the case we're, you have to look at issues including the quality coverage and other factors. So, as already mentioned in our Ramp Index, South Africa comes 35 out of 49 African

countries and we find that the cost of 1 GB in South Africa which is calculated at 8.28 US dollar, is actually seven times higher than the cost of 1 GB in Egypt. Which is at ranked position one at 1.13 dollars and nearly three times the cost of the same data in Ghana, Kenya and Nigeria. So that's how South Africa compares with the rest of African countries and we kind of take the best performing countries there and we show, it's evidence that indeed, the cost of a communication or the cost of data in South Africa is high compared to Ghana, Uganda and Nigeria which are selling at about the cost of data at about 2.68, 2.75 and 2.79 as it shows that indeed the cost of a 1 GB is high. And this in most cases tend to affect people in the lower, as I'll show, it effects people in the, in the, in the lower pyramid or low-income earners. So another way of trying to answer this question is to look at a benchmarking exercise. A benchmarking exercise is, requires one to take countries of similar characteristics and see how South Africa compare with those countries and in such, in doing so we took countries that is Ghana, Kenya and night and Nigeria. These are the largest markets and in, in Africa and these markets that we kind of have, a presence of mobile operators that are operating in South Africa. And we take average to see how our prices in South Africa compare and when compared to those average of the cost of communication in those three countries. And we find that the cost of communication in South Africa still remains high and this is, might be something for policy or for regulatory authorities to look into. [intervene] But then, what does the pricing or this high prices mean to South Africa and how does a, so we find that, actually Research ICT Africa has been collecting data, which is survey data, from about this year we collected from eight countries and we're currently doing two more countries, Senegal and Uganda, yeah Senegal

and Uganda. So I'm using that data we kind of compare penetration rates of Internet. Internet penetration rate or maybe let's say Internet use, to find out how prices, whether prices affect penetration use and or what. However we find that compared with other African countries, actually South Africa is doing very well in terms of coverage, I meant to say Internet use with around 53% of South Africans using the Internet. However when you compare South Africa to other countries such as Argentina, which are high income countries, Argentina, Peru, Columbia and Paraguay we found that South Africa is not doing well there with Argentina having around 86% of its population connected to the Internet. And then we tried to look at, but who is mostly affected by the cost of communication in South Africa. And, actually our survey shows that, the cost of communication in South Africa especially data is kind of taking a significant amount of, of, of, of, of low-income earners and therefore in most cases it is, it is unaffordable to people in the, in lower pyramid. And our survey shows that of the 53% of the 47% that are not connected, they are all in lower income brackets. Which means actually, income is kind of driving the Internet use in South Africa and yeah. So I think most of this thing I have explained and yeah, the survey shows that almost 50% of South African to not use the Internet and further this 50% are in the bottom of the pyramid. I've explained that. [intervene] So moving on we also tried to look at but what could be the, the factors that leads to high costs of data in South Africa. I think one of the main, main drivers of high cost is the issue of a high rand dollar exchange rate. We all know that mobile operators for them to improve they're infrastructure, they mostly import the required I mean, infrastructure from abroad and therefore they have to pay in dollars and the volatility in rand has not been a very good thing in terms of that and, and

also have another issue is in the electricity cost of input cost such as electricity which kind of put inflationary pressures on the, the cost of data. One of the main thing is there is the issue of access in high demand spectrum, not being released for operators for 4 G and then we kind of have a high bandwidth services are not being deployed in the cost-effective manner. That is due to the fact that the high band or the, yeah, the high demand spectrum has not been released. Operators and using low, low band spectrum and therefore this are not effectively in terms of the cost. And we also have issues of regulatory issues, where ICASA kind of fail to put some mandatory and fundamental regulatory, issues and that means like for this. It kind of effect, we all know that in the wholesale market they need there is always a need for regulation and if the regulation is not kind of effective, there's likely to be problem in the wholesale market and when the wholesale market is not effectively competitive this is likely to lead to high data prices in the up market or the retail market. And then we also looked at what has been happening in terms of the wholesale market in South Africa in terms of issues, that is fibre. And we all know that the appointment of Vumatel in, I think in 2014 in Parkhurst to actually role out fibre to home. That's actually kind of improved competition in the fibre to home market and this market has also kind of lead to competition in the data market which is the mobile data market. Now today we see mobile operators' kind of providing high data products such as, 10 GB products, 20 GB data and all that to compete with this kind of the fibre to home market. And however we kind of see some kind of, you know indoor in this market [intervene] there have been a number of operators that have entered this market 35 market, 35 operators we see them, this market still concentrated among four men players which are

Vumatel, MTN, Vodacom and Openserve which turns to own 80% of the market. So in the retail market we kind of have, four mobile operators that is MTN, Telkom, Vodacom and Cell C and what is actually happening in the telecom and the retail market is that we find the market to be kind of dominated

5 by two players which is MTN and Vodacom. And there seems to be low pricing a competition among, among players as shown here. We only see data prices for 1 GB being constant for since 2014, however we see that even though, I meant to say Telkom has reduced its prices to around 99% there's not been any improvement or any switch in terms of a changes in market. Which kind of

10 shows some kind of, some kind of consumers, not actually reacting to prices, but to something else. Which in the data market is the quality and we all know that this two operators which are MTN and Vodacom. Which have mark, high market share kind of have high revenue share also. Which means they can also invest in their infrastructure and their quality and coverage and therefore

15 operate, subscriber's kind of find it easier to pay a premium so that they can always be connected and enjoy I high quality data. But then as I've already mentioned one has to consider the issue of quality while looking at, at the data market and Research ICT Africa has kind of data which they collect using an application called speed checker and therefore we kind of a I created a basket,

20 which is quality adjusted kind of basket and we find that, when you look at the quality actually Vodacom becomes, Vodacom and MTN becomes more cheaper than the other two operators. So this are one of the issues that regulators has to look into while looking into the data market and see whether how all these things are matters and the competition issues. So in terms of quality and

25 coverage cause there's a question that also ask how is South Africa in terms of

quality and coverage compared with other countries. We find that actual South Africa is connected to about six submarine cables and they've been, there been heavy investment over the past years in both backhaul and backbone infrastructure. Which actually given South Africa the most extensive coverage in the continent. And this is been submitted by recent improvement in fibre networks and large Metropolitan areas. So as I already mentioned that are the dominance of the two operators that is MTN and, and Vodacom in terms of the market share has actually led, also lead to dominance in terms of revenue share and therefore also allowing this two operators to invest heavily in their network coverage with MTN. Actually having about 80% MTN, Vodacom having about 80% coverage in 4 G and about more than 90% in 3 G. [intervene] And therefore what does this mean to smaller operators? This actually means that because, because of revenue it is difficult for smaller operators to actually compete with big operators who, who are likely to invest, re-invest their revenue and improve their infrastructure. [intervene] And offer quality, high quality data services. So you've seen the speed checker, we also looked at the quality of [intervene] the speed that is the download speed, comparing South Africa with the rest, with the rest of African countries and it shows that indeed as South Africa has high quality in terms of Internet with a high download speed and high this is mainly due to a technical innovations and development that we are currently seeing in the market. Thank you. [intervene]

CHAIRMAN (MR MAJENGE): Thank you very much Mr Mothobi. Mr Aproskie.

MR APROSKIE: Thanks very much. Just a couple of questions. [intervene] Couple of questions just based on your presentation and then I'll maybe take you to some questions based on your written submissions. So the first thing is, I

think it was on one of your first slides, but you were talking about the ranking of South Africa on the one gigabyte versus other countries in Africa, I think it was 30 something out at 40 something African countries. And if I'm correct that is driven by the, the number that's fed into that comparison for South Africa is the

5 Telkom number of R99.00 for a gigabyte. Do you have any sense of what that comparison would look like if you didn't look at the cheapest price but for instance if you looked at the dominant operators? And I the reason I ask that is that, I understand Research ICT Africa's approach is to look at the cheapest price in each country, but is there not value and looking at the prices for the

10 operators which are dominant for that possibly where the majority of people are buying data? And so, I suppose that's the first question is, is there not a role for looking at not the cheapest price but the most dominant price on the most prevalent price? And then the second part of that questions is to ask, do you have any sense from, from your knowledge of the market, if South Africa would

15 compare worse if you started to look at those operate, main operator or dominant operator prices rather than the cheapest price? So will the ranking be worse if you took that approach or better?

CHAIRMAN (MR MAJENGE): The mic [intervene].

MR MOTHABI: I think it's something that I can look at because for now I don't

20 have, I mean it's something that I can look at but from the benchmarking exercise that I talked about, we compared the 1 GB basket and we looked at dominant operator mobile prepaid 1 GB basket also. Where we also find that when we compare South Africa with her against Ghana, Kenya and Nigeria still South Africa is not doing well in, in that, in that comparison. For instance for

25 those three countries an average of, took an average and the average cost will

be around 4 dollar, 6 cents but in South Africa is for the dominant operator is 10 dollar, 94 cents.

MR APROSKIE: Sir is that 10.94 (unclear) you say the dominant operator?

MR MOTHOB: Yes, yes.

5 **MR APROSKIE:** Okay. And then you showed a slide about internet penetration across different countries and in that slide yes, that slide you said that South Africa is particularly relative to other African countries, South Africa is very good at 53% whereas, I can't make out all those country names, but I think on the right-hand side is mainly African countries. What would you say the reason for
10 that is if, if by one hand was saying that South Africa has higher prices in the rest of African countries, at least for the one gigabyte? What is driving that penetration or what do you think is the reason for South Africa doing so well on a, on a measure like Internet penetration while we also saying that our pricing is ranked bad versus or badly versus South African countries?

15 **MR MOTHOB:** I think it's a swift shown the, we shown the data usage and we have shown a line there which represent GNI per capita which is more like income and I think as much as a data is expensive in South Africa because of income levels. People, a lot of people are able to connect but what is important to note from this is the next slide that shows that who is not connected and who
20 is connected. And I think as the regulator and policy-makers that's where we should put our focus at because, while like issues, this brings us to issue of affordability. And for South Africa which we all know that there is so much inequality, this is one of the big thing that we have to look at and it shows from our survey there, that the 53% that we're saying are not connected, are actually

people in the lower and the lower income bracket. And therefore the main issue as I've explained is that drives connection or Internet connection being high Internet use being high in South Africa, is the issue of income. But then once you split to look at the income itself and you look at the country characteristics, then we say who is not connected and who's not connected. The low-income people are not connected and therefore as a regulator we should do something to look at how best can we connect this people who are low in the low-income bracket.

MR APROSKIE: Okay, thank you. And then just the last question, just from your presentation and then I'll go into your written submissions? You were talking about the fact that all your view that there's no real price in competition in terms of data so, Telkom's at R99.00, but your view is it's not really affecting market shares, or at least the dominant operators market shares? And you related this your position is that you say that consumers aren't switching due to quality. And so I just I suppose all I wanna do is just, just try and summarise all the factors that you believe that are driving this lack of switching. So you mention quality and I know you mentioned that, you mentioned speed when you try to quantify it. Is there anything else that goes into quantity and the second thing is you mentioned investment, so the dominant operators are able to reinvest their, their profits? Is there anything else and then maybe just to describe quality? What quality means? Your microphone is not on. And maybe just speak a little closer to the micro, just for the recorders or just bring it towards you.

MR MOTHABI: There are number of issues that one has to look at when it gets to issues of switching. First, I think we know that in the telecommunication

industry is there's an issue of first mover advantage and because of first mover advantage, a lot of people get to find themselves in a particular operator and over time people kind of get used to that particular operator they kind of, we call it, they get in love with a particular operator. And then once that happens, even

5 when another operator comes because of they say whether I'm trying to, so because of that, people find it difficult to leave the operator that the kind of used to and they kind of find themselves, they get to stay in that particular operator.

[intervene] I don't know if this will be okay? As I'm give an example of myself like I've been using MTN for a number of, I mean for, for, for since I got

10 connected to the, to the, to the mobile line. But I'm aware that Vodacom offers some other cheap products, but it took me long to switch into that. So, there are those issues that actually I, limitations to people switching and the and the telecommunication industry. I think one of the things that I would like to clear here all to, to, to, to, to, to, to talk about is that, in this market which I probably

15 have not talked about is that, we kind of find two operators that is the dominant one. If Vodacom is to reduce prices more, we are likely to find MTN to reduce its prices. So for instance when you look at the market share that I showed earlier on there, we found that when MTN kind of lost market share, because of reductions or because of the innovations and the promotions that Vodacom is

20 currently running. MTN decided to react to that, by reducing its price from 160 rand to 149, which is the current price that Vodacom is currently offering, a 1 GB at. But these two operators are not in any way responding to the Telkom price of 99 and this is where the issue comes in because of quality, because people are willing to pay a premium, to always be connected, to enjoy high-

25 speed, download and all that. The two operators that is Vodacom and MTN are

aware of that and this are one of the things that are, you know, kind of yeah.
Answered that question. I hope I've answered your question.

MR APROSKIE: No that's fine, thanks. My next question it's, if I can take you to your written submission? Do you have it in front of you? [intervene]

5 **MR MOTHABI:** Yes, I have it.

MR APROSKIE: Alright, thank you. If you look on your, it's paragraph eight in your section one. At the top of the page. You said two things, so to the end of that paragraph you say, wholesale price regulation is critical to creating a fair and competitive environment, but it has to be done in a way that does not
10 remove incentives for investments by operators to build out an upgrade their networks. And then further up in that paragraph, the second sentence you say, Vodacom and MTN's dominance in the market, enables them to have the liquidity to reinvest their network extending the network coverage and improving the quality they offer. So my question there for you is, or what you are in effect
15 saying in that paragraph and what I'm reading is that you're saying, that Vodacom and MTN dominance or alleged dominance, provides them the liquidity to invest and reinvest. And doesn't this suggest, in a sense from what you've written that, it's always the lack of competition and that position of dominance that gives those two firms both the ability and the incentive to invest
20 and hence the question is, if there was more competition with them then naturally be less incentive for MTN and Vodacom to invest?

[intervene]

MR MOTHABI: Please say that again?

MR APROSKIE: Sure, so effectively from that paragraph, what I'm reading and see you saying that it's due partly or fully but due to MTN and Vodacom's [intervene] alleged dominance. It's due to that, it gives them the ability, both the ability and the incentive to invest more to both retain that dominance, but also
5 gives them ability because they've got this additional profitability that come from their market par, that they're able to invest and reinvest. And so, on one hand you appear to be saying that their dominance drives their investment? [intervene] Right? So you're saying that their dominance drives their investment. So my question is weren't you then naturally, when you introduce more
10 competition on make that market more competitive won't you naturally decrease the incentive term to invest? So the first sentence I read says, you got to introduce wholesale price regulation, but as long as it doesn't decrease the incentive to invest it, but weren't naturally do that how won't it decrease the incentive to invest?

15 **MR MOTHOB:** Interesting question. There, I think as regulators, policy makers and researchers all what we want is to find a kind of fair competition. And across operators and once we have fair competition across operators, it means that all operators will kind of be able to... For instance, let's assume all operator's kind of there was no dominance in the market. All operators had
20 equal market shares on all that. More to be seeing will be kind of seeing all operator's kind of investing and kind of you no competing on quality and all this all, all other issues. But because of already the small operators who entered into this market at a later stage, found this two operator's and being dominant in the market, is difficult for them to kind of compete with them. And yes if it was
25 possible to get some kind of fair, I don't want to say fair competition, because

competition is fair, fair market shares across operators who would kind of have, all these operators reinvesting into their networks, to be able to get market shares. Because now the competition will be more on to getting a new, new customers. And it would be easier for customers to move across the operators
5 because, if we assume that they have enough revenue to invest in their network, it will not be difficult for one consumer to leave one operator to the other. Now thinking that if I move to that probably I'll not get connected when I'm in that particular area.

MR APROSKIE: Thank you, so what I'm partly hearing from you and let me
10 know if I'm correct? But in a sense, you're saying if there's some measure of fair competition or some measure of the operators being on more of a level footing, then what you've got is a greater incentive across all, all the operators to invest sort of in total? Whereas right now maybe that incentive or that ability lies with two operators, you're saying if there's more competition as a market there's
15 have a greater incentive to invest? Sort of [intervene] in total in gross? Is that a fair representation of what you've said?

MR MOTHOB: Yes.

MR APROSKIE: [intervene] Thanks, then if I can just take you a little further
20 down your written submission. Your section two, where you talk about undersea cables and then in your paragraph 2.2 in that paragraph you talk about and you've touched on a little bit in your presentation but not as much as in your written submissions. You say that the consortium arrangements and open access models of new and undersea cable operators, change structure and ownership of the international transmission market entirely. Then in paragraph

2.3 you say, the real cost challenges shifted to national transmission which now makes up the bulk of costs. So I just wanted to just, just give you opportunity to talk to that. So the first question then is just, is it your view now that prices in the national transmission segment are higher than they ought to be or they're not competitive because you saying national transmission now takes up the bulk of costs and you're comparing that against the undersea cables? Is it your view that the national transmission is not competitive? And I suppose the following question is, I suppose what's the basis for that for you?

MR MOTHOB: Okay. This [intervene] this conclusion was actually based on, as I've shown there on quantitative kind of research that we did with operators and the market. When to be precise Anthony Brooks there, which is a Internet service provider. And this is where the conclusion comes from that the, you know because of international we all know that the arrival of undersea cables kind of reduced the prices of, of, of, of, of, of, of data bandwidth and however now the, the challenge of as they say, is in the national market. So as Research ICT Africa we, we really do not have much data on the wholesale market and it would be difficult for us to kind of make any statement there. But because of the qualitative research that we had with there, there, there, there players I think it is safe to say that and their view is that, while international event with prices have reduced, the national ones are now their main cost.

MR APROSKIE: Thank you. Then if I can take you a little further on in your document. Sorry, I'm just looking at my prepared questions if you've covered them already.

MR MOTHOB: Okay.

MR APROSKIE: So if you look at paragraph 2.20, which is on your page, there is no page number, but it's in your section two, paragraph 2.20, just before your graph of African countries? Which I think was your figure 4. So one of the criticisms we picked up from submissions that have been given to us, is that the
5 kind of comparisons, Research ICT Africa does, doesn't account for non-price factors, like the quality of services, demographics or macro-economic indicators. Your results in your figure four, in your document, which is maybe for the benefit of the audiences, is similar to another graph you presented in your presentation. Maybe you can go to that. [intervene] I think it's the one where you
10 compare against the top performers in Africa?

MR MOTHOB: Okay.

MR APROSKIE: Yeah that one. So, I suppose my question is, how do you respond to that criticism [intervene] that graphs like these and some of the comparisons you do don't account for the quality factors and account for the
15 differences between countries? The difference in quality between those offerings?

MR MOTHOB: [intervene] Thank you very much for your question and I think your question is very fair. As you get to the data market, like we, I have alluded before is that quality and other things are very important. And the market
20 characteristics issues are very important. And that is why in this presentation we tried to look at all those economic factors, such as the GNA per capita issues and we normally in this particular case, look at issues of benchmarking. Exercises whereby we benchmark countries based on economic factors or country characteristics in terms of population, in terms of coverage, mobile

coverage and all that and quality issues. And I think as we move forward as researchers this are the things we should take into consideration to, actually look into the data market issues.

MR APROSKIE: [intervene] Okay, thank you. Then if you can move to, you
5 have a slide, I'm just thinking if it was in your presentation. Any written
submissions under your section three and under the sub heading competition,
so under paragraph 3.7. You've got two tables with benchmarking, called
benchmarking South Africa against Ghana, Kenya and Nigeria and then
benchmarking South Africa against Argentina, Colombia, Guatemala, Paraguay
10 and Peru. I just wanted to ask, in these two tables, South Africa is performing
better, if not similar to these countries. And my understanding is that the section
of your written submissions and speaking to competition and try to benchmark
South Africa's level of competition against other countries, which seem to be
doing better in terms of pricing and you looking at things like market
15 concentration, the number of mobile operators and the market share of the
largest operator. But when I look at those two tables, they don't seem to show
much of a difference between South Africa and these other African and South
American countries. So, does that suggest that competition the, the difference
in pricing that we observe across these countries is not driven by competition?
20 Or are these measures of competition too simplistic? Do you understand my
question? Because I'm looking at that and then not a lot of red lights. It's yellow
lights and green lights.

MR MOTHABI: Yes, I do get your question and I've, I've, I've, first here we
tried to use the HHI index to measure competition and in the markets. And I
25 think it's, it's a well-known thing that the, the, the, the, the, the

telecommunication market in terms of the retail market is generally I'll say oligopolistic with just few players in the market. But because of its nature and the sense of timing. Having some few players having, you know, participated earlier in the market or entered the market earlier. And we shown, as we've

5 shown that there some kind of dominance this kind of effect all this calculations in terms of HHI index. And we showed that, I thinking all this markets, the market are highly concentrated all of them that we are benchmarking South Africa with, they're all highly concentrated in terms of the HHI index. And we find even the number of players being almost similar. But then like your question is

10 like, do this then matter in the telecommunication industry? Of course it does matter. Competition does matter and telecommunication industry. But as the market develops and we kind of get new innovations and all that, the kind of traditional issues kind of change, while pricing, because competition is, when you talk of competition here and in terms of HHI, your kind of looking at market

15 shares. So the question is what will adjust market shares, in a market? And the price? But now if, I mean, subscribers do not react to price, it means they're probably reacting to something else. The price that we are talking about here is the price that you probably observing or looking at, let's say for instance, MTN say or Vodacom is saying, our 1 GB data is 149. That is what we are observing,

20 but now as we have been talking here, quality and all that, that means that when you talk of price, there other issues that you have to take into consideration, the quality. And I think there's a new research or that has been coming up which is more of analysing competition in terms of quality adjusted prices. Because once you just look at prices as they offer, the offer then the

25 market, you're likely to miss a lot of things. So rather than just looking at prices

now take into consideration quality and then once you develop that basket which kind of looks at quality, you are likely to see a totally different things. And like I said earlier on, because small operators in the market cannot invest in their quality in order to, I mean to, to, to [intervene] If they cannot invest in
5 quality it means it is going to be difficult for consumers to come to their network. And in that particular case we are likely to see this trend going on forever, because dominant operators have enough money to invest and low operators, don't have money to invest and therefore, I mean this are the main issues that now matters rather than this measures of HHI and all that.

10 **MR APROSKIE:** Thanks very much. If I can take you to your paragraph 6.7. Here, 6.7 so here you state that the provision, will you say that you state the Electronic Communications Amendment Bill, you say in terms of this Amendment Bill, you say it's the minister of the DTSP who must determine which an assigned how do one spectrum must be assigned to the WOAN. And
15 you said that this may and quoting from what you've written, you say that this may undermine the existing rights of current spectrum licences and the high levels of investment in the sector. Not only that its asymmetrical application will serve the disadvantage other applicants for spectrum making it anti-competitive. So my question on that is, I suppose the question is on just the one part of your
20 statement and the question is why do you say that asymmetrical application is anti-competitive, especially in a sector where you've got, where you already mentioned first mover advantage. We've also seen with the mobile termination rate, regulations that you've got an asymmetrical application of rates there. And I suppose I'm asking is, is it true always that an asymmetrical application of

something light spectrum could be anti-competitive? Could it not be pro-competitive?

MR MOTHOB: [intervene] Can I get back to that question? If it's possible? Can I get back to that question if it's possible? Thank you.

5 **MR APROSKIE**: Look, we're not, we can't ask you to speak to anything that you don't feel comfortable too. So we could always follow up and [intervene] written submission as well.

MR MOTHOB: Thank you, thank you.

MR APROSKIE: Last couple of questions and I'll leave you in peace. So in
10 your paragraph 6.8, so just below there in your written submissions, you state that the country requires competitive mechanisms for spectrum assignment. Do you have examples or thoughts? What do you mean by competitive mechanisms for spectrum assignment?

MR MOTHOB: I think currently the country find itself in, I don't know, a
15 situation that we, we all know that the government wants it's taking control of spectrum, the allocation of spectrum. And we, the, one of the things that we trying to find out is, will the government, if the government is to take control of the spectrum and be the one to allocate the spectrum? Would it allocated effectively as the ICASA would do? If it was under ICASA? And I think this is
20 what we are trying to talk to, to say, if we are to move to that direction this might affect the allocation of spectrum.

MR APROSKIE: Thank you. Last two questions. In your paragraph 7.17, so couple of pages later. [intervene] Under spectrum. You make a statement that says, that first sentence in paragraph 7.17 you say, creating and enabling

environment for the entry of multiple players with benefits for all, can be done relatively quickly or fast track more efficient use of spectrum? Can you just expand on that cause, I suppose the effective is saying that the spectrum issue can be solved very quickly and fast tracked and it would be more sufficient use of that spectrum. So, I'd like you to just expand on that statement?

MR MOTHOB: I think.

MR APROSKIE: Your microphone.

MR MOTHOB: As I've mentioned earlier, think issue of spectrum also, it's one of the things that actually lead to the cost of data. For instance, if currently we are kind of the, countries currently holding an affective spectrum. A spectrum that could be used for 4 G and we know that mobile operators are forced now to reform, the low band spectrum in order to provide this 4 G spectrum. And this is of course an issue in terms of cost and all that and I think, let me actually say, their section, this section mostly any elaborations that are needed we can make them formally as Research ICT Africa. This is mostly because the samples, like the spectrum section was I was making it with my other colleague, Alison Gillwald, who would be much more competent on it.

MR APROSKIE: That's fine. And then my last question from my side is, Amandla.mobi who presented first today. In their written submissions that didn't talk about it orally this morning but in a written submissions they suggested that a very small bundles, so I'm guessing bundles of less than hundred megabytes and out of bundle rates should be tracked and compared to give a greater focus on how lower income consumers are affected. Is that something Research ICT Africa has considered? Or could do? Specifically a benchmarking out of bundle

rates and benchmarking very small bundles like your kind of 20-megabyte bundles that affect lower-income consumers much more?

MR MOTHOB: May you kindly say that again? I didn't hear the first part.

MR APROSKIE: So I, the question is whether Research ICT Africa might
5 consider in its benchmarking work to look at very small bundles and to look at
out of bundle rates across different countries in Africa? So, I know you said in
your presentation, if expander from one gigabyte to 500 megabytes and 100.
From what the presentation this morning seems to say from Amandla.mobi and
some of the other groups that are still to present is to say, where the problem is
10 or where one of the problems is on very small bundles, like a 20-megabyte
bundle. People actually consuming less than 100 megabytes a month.

MR MOTHOB: Okay, yes of course Research ICT Africa would be doing that
and I we are collecting the data on all the operators that we'd be collecting for
the cheapest 1 GB. That is to say will be able to benchmark South Africa with
15 other countries. And I think in earlier presentation, there was something like, the
kind of some segregation in the market, I think he talked about it. That we're
seeing operators kind of offering like competition is in the high and products
where we have from 10 GB upwards on kind of health competition there.
Operators kind of offering cheaper products, but when you look at a lower
20 products, you don't see much of competition there. And I think that's true
because I'm from the data that we have we see that for instance, if you look at
Vodacom which is the main dominant operator here. It's kind of competing in
the high, high, high end products 5 GB, 5 GB, 10 GB and all that and they kind
of use more of promotional packages where you kind of have, you buy a 5 GB

at a price of 10 GB and kind of having some kind of, you know competition there and very interestingly as because when you look at the South African data market again, as an who is affording this high data bundles. You find out this are people who are actually on the high income as we've already showed. So

5 we kind of have a market which is more of I'd say considerate for high income earners but very expensive for low-income earners. So this is what are the things that we currently seeing in the market, with less competition in low bundles, but high competition in, in, but when you come to issues of do people consume low bundles? I think at it can be said in a totally different manner in

10 the sense that yes, while someone [intervene] who is in the higher, higher bracket of income is able to buy 5 GB of data at once at 466 for instance. The low-income and I cannot afford that, but what happens is that they can probably afford a R15, one day data and then because everyone who everybody wants to communicate. They find themselves having to buy this R15 every day. Then

15 if you are to aggregate they're spending, you find that, if you compare that 10 GB they've been using, it's more of, I think it's an issue of affordability that's, that's the one thing that we have to look at.

MR APROSKIE: Okay thanks. I'll hand over to the rest of the panel, if there any more questions.

20 **CHAIRMAN (MR MAJENGE):** Doctor Mncube.

DR MNCUBE: Could you just turn to that slide where you had Vodacom, MTN and Telkom? And there were price differences, over time.

MR MOTHOB: Ja.

DR MNCUBE: Yes. I just wanted to press you on, on, on why it is so that MTN and Vodacom seem to respond to one another and not to respond to the price, the price reductions that Telkom has introduced? Do you have any further thoughts on that?

5 **MR MOTHOB:** Ja. The first though would be, as I've mentioned earlier issues of connectivity. [intervene] As I've mentioned earlier first, MTN and Vodacom are the first mobile on the 4 G platform. Right? They were the first mobile on the 4G. And [intervene], we all know that [intervene] that telecommunication market today is most like road by data. People want to be connected on the Internet
10 everywhere and mostly on 4 G and I think from my own, you know, explanation, I'd say because as we've been mentioning that this two operators' in South Africa provide high quality. High quality services in terms of when you look at the download speed, their upload speed, they have high quality than the others. When you look at coverage issues, they have more coverage than others. So I
15 think there, are because of those issues they are likely to be competitors amongst themselves than the rest [intervene]. I don't know if.....

DR MNCUBE: Okay. I think that's fine. You also suggested at some point, Vodacom is the market leader. That everyone response to, to, to Vodacom's changes. Was I right in hearing you to say that?

20 **MR MOTHOB:** Okay.

CHAIRMAN (MR MAJENGE): That is not on record.

MR MOTHOB: Okay yes, you're right to say that. The reason being when you look at the market shares of South Africa, you'll see that there's some kind of switching between MTN and Vodacom. Operators are meant to say, you kind of

shift in the two. They like, the market shares of the two operators, like people in this who are. [intervene] Okay. How do I say this in a way that okay, once you look at the market shares right? Course you can take it, it the price and the market share kinds of, we can say consumers select to prices. But they also
5 react to quality and coverage and we established that this two operators are there more like the dominant operators. They can re-invest in their network and they have good coverage. So now the question is what happens, what we've been seeing over time is, that Vodacom have been charging a price of 149 for a very long time. While MTN was charging a price of around R160.00 for a 1 GB
10 and we never had a significant market shifts, but the moment when MTN started losing customers to Vodacom, then they reacted by reducing their prices and this is just happen in quarter 1 of 2018. Because now MTN reduced its prices. It's for us now to see how consumers will react to that a reduction in MTN's prices.

15 **DR MNCUBE:** Okay, when you look at that slide. Vodacom's prices have just been constant.

MR MOTHOB: Yes.

DR MNCUBE: Okay. Thank you.

MR MOTHOB: And, I think I might also say something here because, as much
20 as the price of Vodacom is R149, they offer a promotional package which is at a price of 1 GB. You're getting 2 GB and that actually when you look at effective pricing, Vodacom becomes the cheapest, at a price of R79.5 per GB. But the interesting thing is that when we have R79.5 we cannot get a 1GB at Vodacom. So you always have to spend that R149 to get the 1GB data looking for, but

they will give you an extra 1 GB. So at effective rating you'll find that, that actually means that Vodacom is the cheapest.

MR MAHUMA: Just a one follow up on the question posed by Dr Mncube. In your two slides, which compare pricing in South Africa with the rest of the, some
5 countries on the continent and on the slide. You used the 1 GB as a comperate. Will the results hold if you use other gigabytes? Would your conclusion still be the same?

MR MOTHOB: I think we all know that, I think it would be different or to be honest it would be the, we'll get to a different conclusion. Because they are
10 different like as been said the, the low, in some market you find that people afford low, low bundles. While in some markets people afford higher bundles. In some market, the competition might be at a lower bundle it, it will totally, I think it will change.

CHAIRMAN (MR MAJENGE): Mr Mahuma.

15 **MR MAHUMA:** Okay, there's a slide that you'd showed, the quality adjusted prices, if you maybe can go back to the slide. So besides speed and my understanding is that you use speed as a measure of quality, are there any other measures of quality besides speeds that you may have done research on, that are important to consumers? As you alluded that MTN and Vodacom
20 singled two big, adjusting their prices to Cell C and Telkom because of quality. Is there any other measure besides speed that you think is important to consumers that's the reason why they're not switching to either Cell C or Telkom?

MR MOTHOB: I think quality can be measured in a number of ways, but for this we wanted something that we can quantify and one of the things that you can quantify is the speed in terms of upload and download. But what is quality? What is the quality product? A quality product is the product that should be able to give you to, to, to kind of maintain your utility, time, destination and, and all that. And one of the things that one is to consider, when dealing with quality adjusted pricing, which is I think it's something that us Research ICT Africa we want to develop a pricing index, which is quality adjusted pricing index. You have to take into issues of connectivity, I mean to say coverage issues. Yeah coverage would be one of the issues. The Internet the quality of internet itself where you can measure like the ones we're doing it's one of the things that you can also take into consideration? And then yeah, I think those are the most critical quality coverage and yeah, we can add that, yeah I thinks that are the most one.

MR MAHUMA: Okay I just want, just one last question from me. I want to take you to your slide on the main cost drivers. You have flagged these as the main cost drivers for data. The high rand-dollar exchange rate, cost of input, constraints in terms of access to high demand spectrum and regulatory issues. But the constant refrain in your presentation was, also the issue of the concentration levels and the concentrated nature of, of the market as well as to some extent lack of competitiveness. So are the concentration levels as well as levels of competitiveness also implicated in, in factors that could be said to be a contributing to, to the costs of date? Cause you haven't flagged those specific issues in this light.

MR MOTHOB: I would answer that question by, lets because I'm an economist, I like to make assumptions. Let's assume *ceterus paribus* let's assume we had affective competition. Let's assume all operators in this market have equal market shares. We'll be totally talking a different situations. So indeed dominance issues, concentration issues, are things that actually lead to high pricing in South Africa. Because I want to believe that if we kind of have a situation whereby Cell C and MTN, was actually getting as much revenue as they MTN, Vodacom are getting. We could not be seeing competition just between Vodacom and MTN, but you could be seeing competition amongst four players. And, that will actually drive price down. Because they'll not only complete on quality but they'll also compete on price. But where the market is right now, you, consumers they don't have an option, but they had to pay a premium and find themselves in Vodacom and Telkom. Because the rest are not offering that kind of quality, but if they're offering same quality they would opt to switch across the operators.

MR MAHUMA: Thank you.

CHAIRMAN (MR MAJENGE): Doctor Mncube.

DR MNCUBE: Perhaps one last question for me. Do you think regulatory issues dealing with regulatory issues would resolve problems in this market?

20 **MR MOTHOB**: Hello.

DR MNCUBE: So do you think dealing with regulatory issues would resolve problems in this market?

MR MOTHOB: I would believe so and this is, this has already been shown in the market itself. We all know that the regulatory issues are the ones that

brought the telecommunication industry to where it is today. We used to have a kind of a monopoly market with only one player, but the moment the market was kind of liberalised, having many players this was regulatory issues. We kind of now started having, some kind of competition, innovation and pricing innovation and all sort of things in the market. So, as I explained and if you look at the fibre to home market. It's the graph that I showed there. Which shows that because of the competition that you are now see in the fibre to home market. We are seeing her also a reduction in prices. And this are the issues that also dealt with a regulation, because other operators were allowed to, you know, kind of a play in an, to kind of like open an access market. And then one of the main issues as a captured here is that the cost at wholesale level might be problematic. And this is where regulators might have to look at and see whether the wholesale cost, are cost based. The wholesale cost to other operators are they cost based. That will require a study to be done. To actually assess that.

15 **CHAIRMAN (MR MAJENGE):** Any further questions? [intervene] Thank you very much Mr Mothobi for your time, as well as for your presentation. You are excused.

MR MOTHABI: Thank you.

20 **CHAIRMAN (MR MAJENGE):** We'll now take a tea break for 15 minutes, afterwards we'll take the next presentation.

RECORDING ENDED.

Right2Know Campaign

CHAIRMAN (MR MAJENGE): Welcome back we will now receive the next presentation from the Right2Know Campaign. Welcome and thank you very much for coming if you could please just state your full name and surname for
5 the record and please switch on the mic as you do so.

MS SHEZI: Good afternoon everyone. My name its Cleopatra Shezi, I'm from the Right2Know Campaign. I'm with Lazola Kati. Under the oath, I Cleopatra Shezi swear that the evidence that I shall give, shall be the truth, the whole truth and nothing but the truth. So help me God. Affirmation I [indistinct 00:00:53]
10 Cleopatra Shezi affirm that the evidence that I shall give, shall be the truth, the whole truth and nothing but the truth.

CHAIRMAN (MR MAJENGE): Yeah, I should have just clarified that you may take the oath or, or the affirmation. [intervene]

MS SHEZI: Sorry.

15 **CHAIRMAN (MR MAJENGE):** But I think what you're going to tell us the truth nonetheless. [intervene] Think your colleague can do likewise.

MS KATI: Hello, afternoon everyone. My name is Lazola Kati. Under the oath, I Lazola Kati swear that the evidence that I shall give, will be the truth, the whole truth and nothing but the truth. So help me God.

20 **CHAIRMAN (MR MAJENGE):** Thank you. If you could just start by indicating your position or current role within the Right2Know Campaign and then you can take us through your presentation.

MS SHEZI: Okay within the Right2Know Campaign, I'm the national working group member of the Right2Know Campaign. I'm based in Gauteng. Okay.
[intervene]

MS KATI: Within the Right2Know Campaign, I'm the national communication
5 rights focus organiser.

CHAIRMAN (MR MAJENGE): Thank you. You may proceed with your presentation.

MS SHEZI: Okay, Right2Know submission to the Competition Commission of South Africa on the data market inquiry public. Who is a Right2Know or what is
10 the Right2Know Campaign. Right2Know Campaign is a campaign that was launched in 2010, August. Is a collation of organisation and activities across South Africa focusing on issues of information access secrecy in civilians, media and freedom communication rights and freedom of expression. That is Right2Know. Our approach as the Right2Know Campaign, this submission is
15 based primarily on research in to the life cost of communication in South Africa Commissioned by the Right2Know Campaign and conducted by the Link Centre. The report utilised quantitative and qualitative data from five focus groups from low-income, which is 6 400 to 3 201 per month and very low-income household 3 000, is 3200 per month and below in three provinces,
20 Gauteng and Western Cape and KwaZulu-Natal. So before continuing, I'm I'm a bit disturbed based on these a Competition Commission because the most affected people are not here. Because here I see everybody who can afford to buy data. And the direct affected people are not here. Hoping the Competition Commission will make it a point that the most affected people, they will receive

whatever that this Commission is about. Because they are the ones who are directly affected and who are feeling the pressure of the expense of data. Okay data prices in South Africa whether mobile fix or other, higher than the old base, ok, I think I can skip this page because the previous speaker almost dealt about

5 this, because we've also made as the Right2Know Campaign, we did made a research on who is the most a ripping off service provider based on data. So I just felt that maybe I'll be repeating what the previous speaker was saying. Because we all know that the competition is there because whoever wants to have profits and forgetting that to the poor community nor the working class,

10 they are also poor and they can afford, and this Commission must address who exactly are the beneficiaries of the right to communicate. All data usage South Africa, I guess even here, I'll go on the part that says, recently meeting internet users of data. Internet is very low, no interesting content, lack of local language content, to few people to communicate with, which is 19%. Internet is too

15 expensive, for example if one can make an example what do we mean by this diagram, is that if now you have to apply for a job and you have a family that you have to maintain one way or the other. Most of the job are been advertised via internet and you have to apply via Internet. If you can't afford a loaf of bread, how then are you going to apply for that particular job for the sustainability of

20 the family? To the extended that, that surprises in South Africa a higher than a they ought to be. What are the factors that drive this outcomes? Okay, for data usage South Africa for one of the leading economies in South Africa, rear at that the cost of the cheapest one gigabyte of data in South Africa is USD 6.79. Even this diagram I guess my previous colleagues, did mention something about this

25 but rather than presenting what is on the presentation, I can maybe pass my

concern based on this fluctuations. Why is it that in South Africa we have to experience the triple expense of paying for data usages? Because we've made our research in India that data is very very very very very very cheap and why in South Africa data, is at a such a rate? And what a, it's one is concern about is

5 that we once tried to engage with ICASA and the service providers more than once to get clarity. Not to assist them in educating the masses on the ground on why exactly the data is so expensive. And up to date they haven't yet responded to our demands and they haven't yet invited us to a round table for this discussion. What is the impact of data prices and access to data? More

10 broadly on lower income customers, rural customers, small businesses and unemployed? How important are affordable data prices for these customers? Okay, how data cost impact a lower income consumers most for income categories between R5 000 and R2 000 per month. Loss of income opportunities experienced by the in, inability of communicate can have strong

15 negative effects on households. As I've stated before that, most of the poor people they are relying on their grand parents' pension funds or feature they can even afford to buy a loaf of bread. So, that's how this affects us as the mass working, poor working class. The digital in equality links to the larger structures of inequality in the economy and the society. The value gained from airtime is a

20 negative affected by the poor network quality. For example if you can go to KZN and you want to write an email to whoever, you have to really get on top of the fridge to really have to pass on your email or something. So, I'm just quoting an example, sorry for not stating the example on my presentation. Affordable data prices are important because they enable household to conduct a task that will

25 otherwise require extra money. Plus time investment such as applying for a job

as I've stated before, receiving offers, work related transactions, crime prevention, and banking. For example on crime preventions we cannot maybe write a short SMS or a call to the police station or to other community members, if you don't have an access. How can this effectively remedied, this effects most

5 related to systemic failures of the policy and implementation by government, political society and regulators? Along with the complacent nature of communications, co-orp, corporations as primary providers to citizens. What can the Competition Commission do? Right2Know recommends that wholesale and retail divisions of the mobile operators, be structural separating along the

10 lines of the in, intervention. That the Competition Commission may be with the respect to Telkom in 2013. ICASA and all regulatory bodies need to ensure that data costs are decreased to match the social economic needs of South Africa. Affordable data and airtime for all South Africans. Communications must be universal. Everyone has a right to communications that are available and

15 affordable. All SMS' shall be free as they cost the operators almost nothing to transmit. Everyone should get a free basic amount of airtime and data in the same way that we have free basic water and electricity. ICASA must regulate the cost of airtime and data to stop profiteering. Prepaid communication users should not across sub, subsidize post-paid users. Data bundles should not

20 expire if they are unused. Cell phone companies must improve the quality of services, including network outages, drop calls, calls that don't connect to data coverages. The range of numbers that are free to call like police and police and ambulance should be increased to include our children, schools and Hospital. I think that is all [intervene].

CHAIRMAN (MR MAJENGE): Thank you Ms Shezi. Ms Kati do you wish to add or any points of emphasis before we get into our question?

MS KATI: I think the only two points are that one, as the right to know we believe that competition should not exist above the majority. So if we're going to
5 have a conversation about data services, data cost, we need to look at who the majority is? Who is the customer? And it cannot be that the majority is the working class or the rich class. It should be the entire country. So data cost should not negatively affect the poor or the working class. The regulatory stakeholders need to regulate in such a way that even the poor and working
10 class have access and proper quality access. And when I say quality I mean, in terms of services, we mean it terms of network as well. So, that is the one point. The second point is that, these prices that keep going up, they don't go down. So they keep going up. We need to also be able to, they need to reflect the economic demographics of the country and not exist outside of the economic
15 demographics of a country. So, we're in a process where we have been in a recession we have been in junk status, but our data cost of continuously gone up and not reflected. So, maybe we also need too together here answer the question of what are these data costs paying? Are they having additional payments that they're paying? Is it not only data coverage? Is it something else
20 that were paying for? Because, when there is a recession surely, things like the cost of communication, the right to communicate is the bare minimum. We should be able to have access to that at least. So, those are just the two points of emphasis. Thank you.

CHAIRMAN (MR MAJENGE): Thank you very much. Mr Aproskie.

MR APROSKIE: Thanks very much for your presentation. I just have a couple of questions. So in your written submission, you state that the high cost of data and limited access disproportionately affects lower income rural consumers, small businesses and the unemployed? Then you state that this group would benefit most from being connected. Could you perhaps just expand on that statement saying this group, the lower-income rural customers would benefit most from being connected?

MS KATI: What slide numbers is that? Is it in this slide nê? [intervene]

MR APROSKIE: Have you got your written submission in front you?

10 **MS KATI:** Yes, we do.

MR APROSKIE: It's your, the first paragraph under your question three. So where you say what is the impact of data prices and access to data? Which is our question. Then you've got a paragraph under there that starts, the high cost of data.

15 **MS KATI:** Okay. So, firstly I'll speak on the unemployed. I'll just go group by group. So the unemployed basically, we know that these days to be able to apply for a job, to be able have access to printing a CV, writing a CV, you need technical services. You need data. You need your Wi-Fi. These are the three things and rural areas that are mostly unavailable. Firstly it's a the service providers have bad network. A range within the rural communities as clear as
20 stated, my colleague has that and sometimes in KZN rural areas you have to get on the fridge and then squint to the side and then put the phone up then you'll be able to send an email. So if you have at least the ability to communicate, the resources, you will be able to at least send that email, send

and apply for that job. Secondly to be able, when you are unemployed, to also be able to sort of surf the net and find your opportunities. You didn't need data services and Wi-Fi services, right? And then for rural communities, I think one of the recent contemporary examples we can look at is free Twitter. Free Twitter

5 gave many small businesses and rural communities the ability to advertise on a bigger platform because now Twitter has become a think tank. It's become a place where you can reach Ministers you can reach bigger businesses, corporations, bursaries. Smaller younger students were able to, like, they in grade 11, but they were able to reach the Department of Education. Upload

10 their results and all of that and get scholarships. So, if we do have the resources to communicate, this is the kind of equal sharing society we would be creating. Everyone has access to bigger corporations, your Ministers, your like group of Presidencies. I think everyone here has a Twitter page. Everyone here has a Facebook page. Where anyone can reach you. So, what we're

15 advocating for under that line is for, there to be resources for that to be able to happen for each of these communities.

MR APROSKIE: Alright, thank you. And then in one of your recommendations, your number six. You say everyone should get a free basic amount of airtime and data in the same way that we have free basic water and electricity. So, I

20 suppose my first question is, is data, I suppose you're saying it is, but is data really on the same level as water electricity in our country?

MS KATI: I think we're trying to say is that, it is a basic right and that it should be on the same level. Because you can have water and electricity but as in our last num, number 11 if you are unable to reach an ambulance, you're unable to

25 reach the Police, you aren't able to reach Corruption Watch. How is that going

to assist? So, what we're advocating, what we're trying to say is, that the right to communicate is it basic right. It is something that helps you realise your dignity. Because how else are you supposed to have a conversation with the next person, in this day and age? Especially geographic. We are geographically set.

5 It gives the human, a human dignity to be able to have access to different opportunities, to able to have access to other people that are further away and for educational purposes as well. So, the answer to your question is yes.

MR APROSKIE: Sorry, just one second. And then I suppose just the last question on that same point is, can private companies be expected to provide
10 these kind of free services? So, like the water and electricity example, obviously that's something that is typically provided by government for its people and so you'll get a free allowance of water and electricity. Can you expect private companies to have to do the same thing?

MS KATI: Yes in a democratic country you are part of the democratic society.
15 Whether you're a private or public, you are participating in a democratic society. And so, as form of tax for instance, private companies should be obligated to participate in that demand.

MR APROSKIE: Great, thank you. That's all from me.

CHAIRMAN (MR MAJENGE): Thank you Mr Mahuma.

20 **MR APROSKIE:** Okay.

MR MAHUMA: Just on the same point, your sixth recommendation. So, you say everyone should get basic amount of airtime and data. Is it not better to say perhaps, maybe the poor should get that cause as you rightly said so, the people that are affected aren't necessarily in this room. And everyone in this

room is able to afford that. So, is it not better to do that? And two, how will you determine basic, is it something that you thought about or is there quantum there? How will this work? And I think linked to what my colleague has said, who should pay for it? Is it government or is it a cost by the [indistinct 00:22:32]
5 that for this particular class of citizens, will then offer them free, free amount of data? Thank you.

MS KATI: So we have not necessarily gone into proper research in terms of what is basic, right? This would need probably qualitative and quantitative research with the actual public. So we were hoping that this would be a more
10 public forum to be able to have that engagement. And so we will continue to then obviously engage the public in terms of what does determine basic. And this would also be informed by what are the basic uses for the poor and working class. I take your point on that not being available for everyone, but for the poor, yes. So we would need to also determine what are the main uses, because
15 these here are some of the uses there could be other uses that we as Right2Know don't know about. So, that would be an informing factor in terms of what is basic and in terms of who would pay for it. In terms of private companies, the stakeholders, that so your service providers would also be a part of it. It is the vision where everyone who participates in the, the cost of
20 communication. Your government, your private companies, your service providers each get taxed to certain percentage to be able to fulfil the basic quantity.

CHAIRMAN (MR MAJENGE): Yeah thank you, thank you very much Ms Shezi and Ms Kati for your time as well as for your presentation. You are excused.
25 Thank you.

MS SHEZI: Thank you. [intervene]

CHAIRMAN (MR MAJENGE): We will now take a lunch adjournment and we will resume at 1:30 to take the next presentation.

RECORDING ENDED.

DG Murray Trust

CHAIRMAN (MR MAJENGE): Welcome back, we will now resume and take the next presentation from the DG Murray Trust. Welcome gentlemen, thank you very much for coming. Please place your full name and surname for the
5 record and you may then take the oath or the affirmation.

MR HARRISON: Thank you, I'm David Harrison. I, David Harrison affirm that the evidence that I shall give shall be the truth, the whole truth and nothing but the truth.

CHAIRMAN (MR MAJENGE): Thank you.

10 **MR LE ROUX:** Andreas Le Roux. I, Andreas Le Roux affirm that the evidence that I shall give shall be the truth, the whole truth and nothing but the truth.

CHAIRMAN (MR MAJENGE): Thank you very much. If you could just start by indicating what your position or role is within the Trust and how long have you held your current role.

15 **MR HARRISON:** Sorry, I couldn't quite hear what you said.

CHAIRMAN (MR MAJENGE): If you could just start by indicating what your current role is within the Trust and how long have you held your current role. You may then take us through your presentation.

20 **MR HARRISON:** Thank you very much. I am the Chief Executive Officer of the DG Murray Trust, and I have been in that role for about 8 years now. So, thank you very much for the opportunity to make a submission to the inquiry. Let me start just briefly introducing the DG Murray Trust. It's a South African foundation and [indistinct] foundation that really is trying to develop South Africa's potential

largely through developing human capital, developing people and also, trying to create a more innovative and inclusive society. We fund a lot of programmes around the country. We have a national footprint. Many of the programmes that we are involved in rely on mobile and specifically mobile data, and that's going to be part of what I will speak about. So, I would just like to present to you the outline. I would like to start talking about the persistent chokes on national development in South Africa. They are relevant the what we have to speak about.

The fact that mobile technology actually provides an opportunity to leap frog some of these structural barriers, but we fail to use that opportunity. We have had opportunities over the last decade, we have made provision to try and achieve universal service access. Companies have their social economic development obligations, and we have missed the boat. We spent the money in the strangest ways.

And then I would like to talk about very practical recommendations. So, let me start with the structural barriers. They continue to choke national development and you know, we have to understand that over half of South Africans continue to live below the poverty line. In 2015, there was R992 per person per year. And so, the story we have in South Africa in terms of the economy is of 2 different groups, the haves and the have nots. But the point that I want to make is illustrated by this graph here which is that if you have a look at the distribution of wealth and the income distribution in South Africa is the same. If you look at that distribution, you will note that the wealthiest 10% of South Africans have got 90% to 95% of wealth in South Africa. The poorest 50% have virtually no wealth at all. And this is really important as we start to think about how to

achieve access to ensure that when somebody is trying to get their child into a school in Gauteng and needs to go online that they are able to do that. To ensure that people who need the most basic information in order to find out what jobs are available are able to do that. But the situation we have here is

5 that we have such huge divides that even if there were to be an incremental reduction in the cost of data over the next 5 years, it's not going to begin to address the challenge of the bottom 50% of this population. We actually have to have proper strategies. We cannot simply think that incremental gradual decline in data costs is going to address the most fundamental challenges of South

10 Africa.

Now, let me just illustrate the point that I am trying to make here. Is, in terms of the national broadband policy of 2013, it stated that by 2020 that's just next year, all South Africans should have access to broadband at less than 2.5% of their monthly income. Less than 140th on the monthly income should be spent

15 on internet. As it stands at the moment, if poor people were to buy say 1 gigabyte of data, that would cost between a 6th and a 3rd of their per capita monthly income. And I just want to stress this point here because we need to start comparing apples with apples. We need to start comparing a gigabyte with a gigabyte, a bundle size with a bundle size. And if you do that, you understand

20 that the poorest consumers are getting the rawest deal. They are paying 10 to 30 times more for their data than the wealthier consumers. And this comes about through several ways. Firstly, prepaid bundles cost about twice as much per gigabyte as post-paid contract. Secondly, your smaller bundles cost a lot more and there are a number of... a couple of network operators that have

25 been pushing R12 per 30 megabytes as an affordable option for people who

can't afford more. That works out at R400 per gigabyte. Now, compare that with R16 per gigabyte, you can afford to buy 100 gigabyte of data that lasts them a year. The 3rd problem is obviously that poorer people are more likely the run out of data, and as a consequence, be exposed to higher out of bundle data rates.

5 And the difficulty here is that the knowledge, they have been informed ahead of time that they are going to run out is often not sufficient, and I will come back to that. But the last point that I want to make is that the communication around, what is an affordable bundle, what the data offerings are, are incredibly complicated. Incredibly confusing for semi-literate people. Now, I use that word
10 advisedly. But we need to understand that part of the challenge that we are trying to address in South Africa is an educational one. And the data, the way that data offerings are presented is not comparing like for like, people can't easily distinguish one bundle from the next, and are at a huge disadvantage when it comes to making the decision. I mean, these are some of the
15 fundamental issues that we have in South Africa when... there are very, very few opportunities in South Africa for overcoming the structural divides that we have. This should be one of them, and yet we have done exactly the opposite. We have in fact, compounded the problem of structural inequality instead of using communication technology to overcome it.

20 So, this is just to give you a sense and I don't know if you can see it from the audience. But byte for byte, just looking at the equivalence price per gigabyte for various of prepaid bundles and contractual bundles, and you can see that let's say you buy; go right to the bottom right 200mb, you are paying R50 per gigabyte, that's the cheapest. But if you can only get a 15mb or 30 maybe, the
25 unit price equivalent... apple for apples, is R660 per gigabyte. Now, compare

that to the contractual side, that's the prepaid. People who can't... who either don't have the credit rating to be able to get a contract or can't afford it, that's the prepaid. And then if you have a look at the price per gigabyte on the post-paid, the contractual side of it, you can see that the actual costs are far, far
5 lower.

Mr Chairman, this is the inequity that cannot be allowed to continue. We cannot have a situation where South African poor people in South Africa, and by that I am speaking at 50% of the population are still discriminated against. It is intolerable.

10 The next point I would like to discuss is that mobile technology does provide the opportunity to leapfrog some of the structural barriers. And the point that I want to make in this next slide is that, is that, social economic networks are communication networks have an incredibly important physical power and that is that they give super linear returns to scale. We get increasing returns to scale
15 when we have got social economic networks that are large, that are able to tap into a diversity of ideas and of people. You actually get more out of that network. But, we have tend to focus, I will come back just now, to focus on infrastructure scaling and infrastructure scaling doesn't do that. It has sub-linear returns to scale. And the consequence here if I can just show you is we were
20 able to effectively service mobile technology in South Africa, if we were to use it to generate an exchange of goods and skills and knowledge right across the economy for everybody in South Africa, those sort of connections themselves which spark innovation, they will reduce the cost of social innovation, they will provide access to the type of basic education that parents need for their
25 children that early practitioners, early childhood practitioners need that, that

teachers need, that nurses, social workers and job seekers need. This is the opportunity that mobile technology presents in South Africa. It has made a massive difference to the development of South Africa. Yet, we have failed to exploit that opportunity for the poorest 50% of the population.

5 Virtual technology should be... sorry, mobile technology should be a virtual bridge helping to cross some of these divides, but it's not. We know that there is a very high-demand for data light services. So, we know there is a demand out there. But, when we have tried to extend that to data rich services for social economic development, we have simply run out of steam. Why? Because
10 people, cannot afford to participate. So, as I described earlier, the DG Murray Trust and many other partners in the social space, have tried to innovate, we have tried to use mobile to bring information and connectedness to groups of people who are marginalized. I am just going to run through some of these initiatives that make use of mobile data. So, Nalibali (?), a national reading
15 campaign, reading for joy that aims to bring stories into the lives of children. You might have heard it on the radio, It's and all public radio stations. But we want people to be able to read those stories to their children in their homes. Early reading, early literacy is absolutely crucial to development in South Africa, yet, it is constrained, yet, we can't use an obvious tool in the hands of the
20 parents to do anything about it.

Smart Start, Smart Start is an early learning social franchise, people don't pay money for their children to go to early learning play groups and centres. We, together with 6 other funders, we have created this as a national network to show how early learning can go to scale. In South Africa, only a quarter of 3-4-
25 year-old children are in quality early learning programmes. Only a quarter are in

quality early learning programmes. Now, imagine if we had this tool, both to be able to engage with parents, but to engage with practitioners, with early learning practitioners around the country, supporting them, strengthening them, teaching them more, helping them to engage more and more, develop a quality of these
5 in early learning programmes in South Africa. It's an opportunity, it's an obvious win that simply cannot be done.

Fundza, Fundza is a program, a mobile app and a website for teenagers. You know, I don't know if you are aware, but there are virtually no books, there is no reading material for children in townships. Yet, Fundza has 60 000 readers
10 every single month. Every single month who download one chapter and just hugely enjoy, both being able to read and being able to write and contribute the stories of their own. But Fundza is quite clear, they could get to 200 000 if they did not have to face, if young people did not have to face the constraints of mobile costs.

15 Job Starter, some of you may know Baba Jobs in India which is this incredible connector, this vibrant connector of job seekers and job providers. It stimulated the market, it has addressed information asymmetries, it has created a more efficient market in Bungalow and other parts of India. We need to do the same in South Africa. We need to be able to be making these connections, both in the
20 social sector and in the formal economic sector. Job Starter is a mobile platform for doing that. It provides online learning opportunities for young people, just basic workplace preparation. What to do when you go to a job interview. All of this requires some data. We can't provide it; young people have to get it themselves. And so, the usage of the Job Starter is constricted.

Activate, Activate, is a national network of 3 500 young innovators across the country. Koketso Moeti presented this morning, she is one of these Activators.

One of these incredibly dynamic young people. Same from [indistinct], Joburg, Cape Town, that really need to create a national cohort of public innovation in

5 South Africa that are dealing with local problems in their community, but also, need to feel that they are part of a network, that they can connect. And we have seen the tremendous power of those connections when the 60% of those Activators have access to data, just how powerful that connection is. And we have seen how the 40% who don't have access to data miss out.

10 Those are some of the public benefit organizations that have been developed that are just absolutely critical to the transformation of South Africa. Sitting there, on the cusp of doing incredible things in terms of transformation, in terms of one of the biggest pieces in South Africa that's missing, which is the education, preschool education, and in finding ways to connect people into jobs.

15 That human capital development pipeline and we sabotage it.

Government services also are providing crucial mobile services. I mentioned Mom Connect. Mom Connect is a service that provides sms connection to 800 000 pregnant women in South Africa. It's funded by private donors who are not going to continue to fund it forever. They have shown that it can work. It's of
20 obvious benefit. It's an sms a week. But the cost when you have got 800 000 people is just too expensive to sustain.

So, this is the challenge. We have the pieces of the puzzle that just needs to fall into place. We just need, we just need people to stand up and say, wait a minute, let's get to of our corners, let's all commit to a public good. And all it

requires is making a few little tweaks. And I am going to suggest and I am going to show you through the recommendations that some of these recommendations actually won't even cost the mobile network operators a cent.

5 I just want to point out that we have lost opportunity over the last decade in a way that we have used universal service obligations and the SCD obligations of the e-codes. They haven't been used, they haven't spoken to the specific advantages, the specific market advantages of mobile technology. I mean, it just absolutely boggles the mind that you have got a tool here, mobile, that
10 could be in the hands of every single South African. You could find ways to bring in information, you could find ways to connect from pregnancy, right through to early childhood development, into education, into adulthood, into job mediation. And yet, the network operators have been told to bring broadband into schools. Now, I am not saying that's not important, of course it's important.
15 But you actually not using their strength. I mean, the network operators have been paying for hardware in schools instead of actually tapping into this incredible strength that they have. And as far as we can work out, it's been very, very difficult to sustain that hardware, it's very difficult to be able to see what has been actually been achieved for the investment in SCD over the last 10
20 years in terms of the network operators. Now, I may be out of turn, we may not have that information, but, that information should be public. We should know exactly from government and from the network operators, we should know what has transpired, what that funding has been spent on and whether those programmes of wiring up schools are functional. We need to know that this is an
25 investment. It's a considerable tax in South Africa. We need to know that there

is an efficiency in it. But our argument is that that's not where network operators should be. We have got to confront the facts that the unemployment rates among 15 to 34-year olds in South Africa is over 50%. They are not in schools, they are not in jobs, they are not in clinics, except for maybe 2 or 3 or 4 or 5
5 days a year. They are in the home. They are in spaces where they actually feel totally isolated. And it's the only an informational isolation. But we know that one of the challenges in South Africa is the psychological isolation of young people. The type of marginalization that drives HIV, that drives crime, that drives domestic abuse. These things are connected and we have got to stop seeing
10 mobile data simply as a way the bring about information, it is a way to bring about an exchange, it's a way to connect South Africans together. It's part of the fundamental transformation of this country that will ultimately reduce crime, HIV and domestic abuse.

So, what can we do about it? And we would like to say, we fully endorse the call
15 to reduce the general cost of data in South Africa. But, as I have shown you, because we have such a polarized society, because we have got such extremes of society, the market is not going to work effectively even if we were to achieve a 20% reduction in the cost of mobile data. We have to have proper strategies. There has to be affirmative strategies and I would like to mention 3.

20 The 1st is that it would be very easy and virtually at and cost to zero rate mobile data costs for the users for some of those specific applications that are put up on the board and many others. It could be done and I am going to show you how. That will not only increase access, but it would spark innovation in South Africa, it would reduce the cost of innovation. DG MT is a funder and I know that
25 I speak of a lot of other funders; we are very reluctant to put any more money

interest mobile applications in South Africa. Why? Because we know you are going to see a growth and you are going to see a plateauing. So, why make that sort of investment? If we could start to overcome that, there is going to be new investment into this space, reducing the cost and increasing investments for social innovation.

The 2nd is that we have to address these specific pricing strategies that stop putting poor consumers at a disadvantage. And finally as I said, we have got to find some way to account for the real costs in benefits of the statutory obligations on network operators over the last 10 years. Why? Both because we need accountability, but secondly, because we need to start designing a more efficient service going forward.

Now, imagine if you are a user who wants to connect to Nalibali. If you could make that connection, get on to the Mobi sites, onto the websites and that story that you want to tell your child costs you nothing, why? Because the network operators are picking up the costs of that and that cost to the network operator is offset against the SCD obligations. They already have, what is it? 1.5% of net profit after tax that they have to commit to social economic development that they are putting in hardware in schools. Why? Why not have a situation where the network operators working together with players such as us create a social innovation register, and we have already put R10 million on the table to say let's get it started, it's not going to be high cost, have a social innovation register where public benefit organizations and government mobile services could be registered. So, you create a mechanism for screening, for vetting, for compliance to make sure that the PBOs are doing what they say they are doing, you are able to monitor progress over time. You are able to contain the

zero rating only to the services that are provided on that site. If people want to click on to a link that takes out of that site, a little pop-up says to them, you are going to start paying now. And those success, the cost of those services get reverse billed back to the network price who then offsets them against SCD

5 obligations or universal service obligations. Can it be done? Yes, of course it can be done. You know how easily reverse billing is now happening in the commercial space. And I am glad to say that there are network operators that are stepping up to the plate and saying we should be doing this. I know we have a representative of Rain and the room. And Rain has started to do this with us.

10 Has taken 4 or 5 of these public benefit organizations, worked through the teething (?) problems, now has the prospect of zero rating for these PBOs. MTN at its highest level at EXCO has also committed to do so. Unfortunately, they have not followed through on actually implementing it. But I am really hoping that after this service inquiry and MTN representatives and the room will be able

15 to go back and ensure that the group EXCO are committed to zero rating of public benefit organizations will be carried through. And we will approach, be approaching the other network operators as well. This is a win-win, this is a logical thing. I mean, we shouldn't even be talking about this when we understand the potential gains for South Africans. And the fact that this can be

20 done at almost zero cost, accept for sustaining an innovation register over time. Which will cost about 6 right 7 million rand and should be provided through the universal service access fund.

What about the specific pricing strategies to stop poorer consumers being disadvantaged? Well, let's just put it up there and I know that the network

25 operators will say there are differential transaction costs, that things are not

quite as clear-cut as this. I know that, I know that, but there is no way that the price differentials that I presented earlier, prepaid twice as much as post-paid. A 30% difference in the cost of a gigabyte between those who get smaller... sorry, 30 times, 3000% difference between those who can afford smaller bundles and those who can't. You can't say that is simply due the additional cost, no, it cannot be true. So, we have to have a look at these. We have to work towards making the unit price of prepaid and contract data the same. Why must prepaid consumers be charged so much extra. We need to ensure that there is not a price differential just because you can only fork out for 30mb. We have got to ensure that there is the same unit price per gigabyte. Now, that's not anti-competitive, you can still compete against the price of that gigabyte. But we have to stop disadvantaging the poorest.

I spoke about the fact that the poorer people tend to incur higher out of bundle rates customer they can't... they just don't have the money to keep topping up. ICASA has now stated that there must be a roll over period at the end of the month period, but it has specified how much that, how long that rollover period should be. It should be at least 3 months to ensure that people who bought data are able to fully expend their bundle. People need to be forewarned when their bundles are going to expire. And I know it has been done to some extent, but it's erratic and often it comes as a surprise to poorer people when they exhaust 100% of their data and start to incur out of bundle costs. There has got to be a more transparent, clearer, more uniform way of alerting people that you have used half your bundle, you have used 80%, you have used 100%.

And finally, the network operators have to find some way to achieve a uniformity of comparison for consumers. Consumers who find it very, very difficult to

navigate their way through the dense and confusing permutations of network bundles. There must be, even if it is 2 or 3 clear comparatives cost of a gigabyte. Whatever those are, those may be needing in fact, be decided and determined by the Competition Commission others the ensure greater clarity, 5 greater communication, greater ability of people the make informed choices because at the moment they are not able to do that.

And finally as I said, we need the know where all the money has gone for universal service obligations and SCD obligations. We need the know from the network operators, from DTI, how the money has been spent and whether those 10 services are still up and running. We know that the money is being invested in hardware and software and connectivity, is it still working? Let's have an honest appraisal of it. But then, let's say we need to start to find ways to service the unique advantage of mobile technology to its fullest to overcome the digital divide and South Africa. Thank you very much.

15 **CHAIRPERSON:** Thank you Mr Harrison, Mr Le Roux, anything to add? Thank you, Mr Aproskie?

MR APROSKIE: Thanks very much. You have answered some of my questions already, so I will just focus on a few things. It your pricing recommendations, so, to have no difference between contract and prepaid and 20 also, the unit price of all data bundles being the same regardless of size. And maybe just before I get there, in your written submissions you also talk about a R50 per gigabyte figure as kind of a best case scenario or target or the unit price that you should see across all consumers regardless of the bundle. Maybe

the 1st question is, how did you arrive at that 50 per gigabyte, so, what is the thinking behind that.

MR HARRISON: Thank you. Just around the R50 per gigabyte, that was an outscore that was on MyBroadband that one of their network operators said, look, if a spectrum becomes available, we can drop data prices to R50 a gigabyte. So, from the current R160, R150. Actually it is 149, they said, you know, release the spectrum, we can make data prices R50 per gigabyte. So, we said fantastic, that's a step change that we are looking for. I think that's one of the steps that we are hoping for. But the next thing we are saying that is not enough. There is still 5% for 1 gigabyte of people's income. And why should people only be allowed to use only 500mb or 1 gigabyte of data you know. I can argue that someone who needs to get educational content needs at least 2-3 gigabytes of data per month to get access to that educational content that can help them.

MR APROSKIE: And then just following up on that. I mean, are you saying that there is no role just kind of volume based discount or you are saying that volume based discount should only be strictly cost-related or, are we saying something else?

MR HARRISON: Look, I think volume based discount sure. You know, when I buy a kilo of Skip, I pay a little bit more than I do 2 kilos. And with, that price differentials probably 10, 20, 30%, but we have got a 3000% price differential at least, right. So, one of the cheapest ways of getting data out there, I think is, well, it's below, it might be R10 a gigabyte, but let's call the 16 a gigabyte. I pay R16 a gigabyte because I buy 100 gigabytes for R1600. It lasts me a year. But

other people are paying R667, I mean, you know, do the Math. I mean, that is not acceptable. I think, that is you are targeting the poor, you are taking advantage of the poor. Sure, maybe the differentials should be 30%, 40%, but certainly not 3000%.

5 **MR LE ROUX:** May I just add there, I think clearly and I am privy to the structure, but clearly if there is a cost-related saving, and I have alluded to the transactional cost, the sells cost, if there are other potential cost savings, then again, that's comparing apples for apples. What I am saying is that having taken all of those cost considerations into account; in a country like South Africa, I do
10 not understand why there should be a volume-based discount for something like data.

MR APROSKIE: All right thank you. And then in your written submissions as well you talk about, I will just quote where you say; until mobile data prices fall to below R15 per gigabyte regardless of the amount of data that is bought,
15 mobile data will remain unaffordable to the majority of South Africans. So, the question is just how you got to that 15 per gigabyte. Is that just a percentage of an income level?

MR HARRISON: Ja, it's roughly a percentage of an income level. It just assumes you know, that people should at least have one to two gigabytes of
20 data and that should be below 2.5% percent of their income, based on the R992 per month income that people, that 55% of South Africans have. So, it all people the buy 1-2 gigabytes of data at less than 2% of their income.

MR APROSKIE: Thanks. And then just in terms of those public benefit organizations which I understand the majority of those are yours or initiated by DG Murray Trust, is that right?

MR HARRISON: Ja, those are the ones I was happy to speak about. There are
5 many, many others.

MR APROSKIE: Okay, I mean, do you have any sense of.... I know people have to pay for the data to use sense those apps now, would you have any sense of the kind of average usage for someone who is using the reading app you mentioned, the job connect that you mentioned. I mean, you talked about
10 or 2 gigabytes that a person should be able to have. The what are the... do you have any numbers at hand in terms of how much data people are using at this apps even those they have to pay for it?

MR HARRISON: Ja, so some of the kind of less data rich apps you know, that you are not streaming video content is about 1-2 megabytes for 50 minutes at
15 world time. And then obviously, when you start streaming video content, and I speak under correction, it's about, depending on the quality of the video, about 5mb per minute. So, you know, if you want to have an hour's worth of streaming, that will be 300mb. So, you very quickly use up 1 gigabyte. It gives you about 3 hours of streaming in an entire month, you know. Depending on the
20 efficiency of the video that you are streaming.

MR APROSKIE: Okay, thanks. And then, I suppose the question goes further to understand how much a typical person uses in one of these apps, and if you don't have the figures now, it's fine. Maybe we can communicate after this, but I suppose it will be interesting for us to know that when people are paying, how

much they are using in total. So, understanding how much they use when they use X amount of time is useful, but also just to understand, I think you mentioned the Fundza app, 60 000 people, how much is that? How much data is each person actually using there because that also gives us a sense or
5 whether it is a regular to what this could cost, the kind of proposals that you are making.

MR HARRISON: Ja, we have those calculations somewhere. But again, it very much depends on video content versus non-video content, but we will look into that and get back to you on that.

10 **MR APROSKIE:** Okay, thanks. And then in terms of the public benefit organizations that go on the register, do you have any sense or view on how that gets decided. I don't know if there would be a regulatory decision. I mean, you could put 100s of apps, you could put 10 apps, and obviously, if you have a lot more apps, it will cost a lot more. So, how do you eventually decide which
15 apps are most valuable, which ones get put into that zero rated recommendation?

MR HARRISON: So, I would say that at the moment, there are probably about 40 or 50 mobile applications that are ready to be used, that are ready to apply to this. Now, we, so our view will be that there are a specific criteria in terms of
20 the public benefits activities that are provided by these organizations that the PBOs need to comply with. So, I mean, obviously, firstly we are using a PBO status because that is the 1st hurdle that needs to be crossed. That means that SARS has already identified these organizations as providing public benefit activities.

Secondly, there would need to be specific commitments in terms of compliance. And our view is that there should be that public, that social innovation register could be set up. It itself would screen the organizations. But that the actual, the capping would happen in consent with the network operators who would say for example, they are willing to free up say 1% of their SCD cost to this social innovation register. That capping would then allow us to apply certain caps to any particular organization in terms of its usage. And obviously, we would need to ensure that there is first spread across those organizations. But there is a limit, there is an ability to build-in a limit and basically say to these organizations that we are going to throttle your ability to use the free data once you have reached 300-400 gigabytes in a month for example.

MR APROSKIE: Right, and then the last question from my side, you talked a bit more detail here than in your written submissions, but this idea of government providing an account of the cost and benefits of the universal service and SCD obligations; am I understanding right in that you are saying that if mobile operators are going to be effectively putting money into something in these obligations, it makes more sense for them to do something that fits into what they do. So, it's a mobile app rather than investment in fixed infrastructure, investment in schools. Is that right?

MR HARRISON: Ja, that is right and it should be extended beyond mobile. I mean, I do think that there should be an alignment, a greater alignment between what companies are forced to do and their own business because we simply not capitalizing on that.

MR APROSKIE: Okay. I think that's fine from my side, thanks.

CHAIRMAN (MR MAJENGE): Mr Mahuma.

MR MAHUMA: Just one question on your recommendation to make the unit price of prepaid and contract data the same. The question is, do you know of countries where this is currently happening, where the unit price of prepaid and contract data is the same. And 2, if that's the case, was it a regulation intervention or was it something that they did by themselves?

MR HARRISON: We don't know that, we will have a look into that. Just an example you know, many years ago, contract, voice data, for lack of a better word; was a lot cheaper than prepaid. These days it's much more aligned. So, obviously, there has been a lot of progress in South Africa on making sure that prepaid and contract voice minutes as they call it is now the same, finally. But, there used to be a large disparity previously.

CHAIRMAN (MR MAJENGE): Ja, thank you very much Mr Harrison and Mr Le Roux for your time as well for your submission. Thank you, you are excused.

MR HARRISON: Thank you to everybody for your attention. Thank you

Media Monitoring Africa

CHAIRMAN (MR MAJENGE): We will now take the next presentation from the Media Monitoring Africa. Afternoon and welcome lady and gentleman. If you could just, please state your name and surname for the record. And after that, you may proceed to take the oath or the affirmation.

MR BIRD: Thank you Chair. I am William Bird, I am director of Media Monitoring Africa. I am joined by my colleague, head of our policy program

Thandi Smith. So, I William Bird swear that the evidence that I shall give shall be the truth, the whole truth and nothing but the truth, so help me God.

MS SMITH: Good afternoon, I am Thandi Smith from Media Monitoring Africa. I am Head of our Policy Program. I, Thandi Smith swear that the evidence that I shall give shall be the truth, the whole truth and nothing but the truth, so help me God.

CHAIRMAN (MR MAJENGE): Thank you.

MR BIRD: If I may begin Chair.

CHAIRMAN (MR MAJENGE): Yes, you may proceed with your presentation.

10 **MR BIRD:** Thank you very much. So, we are going to it as a double-hand so that you just don't have to listen to me. So, we represent Media Monitoring Africa. Its clicky, clicky. This is about who we are. We are a non-profit NGO, one of the benefit organizations David Harrison we hope would support some of the stuff that we do and in fact, they do. We spend a lot of our time monitoring and
15 doing policy submissions on a variety of media and policy-related issues. We often speak to the regulator ICASA, as well as the Portfolio Committee on Communication. We have also done submissions on the Copyright Amendment Bill and we work closely with a range of other government entities. And so we bring a very clear biased approach to this, which is that we are informed by
20 human rights approach in what we speak about and that informs all of the work that we do.

So, to give you a bit of an overview of or presentation, so the 1st thing that we are going to be looking at is getting the foundations right. Then my colleague Thandi will talk about access to information, presenting our 7-point plan, which

is something that we have been working on together with other partners. Other partners being APC, which is the Association of Progressive Communication which is an international NGO that focuses on these very issues; as well as the South African National Editors' Forum; and the IAB which is the Interactive Advertisers Bureau of South Africa. And then we are going to look at concrete steps towards bridging a digital divide. So look at some of the things that we work on.

So, the 1st point of departure is that currently South Africa is a disaster when we look at digital. The last time we counted, there were about 4 or 5 different processes running at one time. As it is, we are still left with one of the worst hangovers our President decided to wake up with one day and split out the Department of Communication to 2 departments whilst the rest of the world was converging; he thought divergence was a good idea. Lord above only knows why. And the after effects of that are going to be with us for a long time until hopefully they get merged after the next elections and then we will deal with the chaos that emerges from re-merging them. Nonetheless, what is clear is that there is no coherence. We don't have a... our last broadcasting policy was done in 2009, 8, 2008. 10 years later, we are still doing it. We have changed our Minister more times than many people change their underpants, which is deeply embarrassing to us as a nation. It means that our broadcasters and those in the media sphere, they have no policy certainty, they are finding it very difficult to operate and it is really unfair for them and their business models. We see when you deal with polices, the Department of Justice is looking at the cyber-crime, Cyber Security Bill. You then have got the Film and Publications Amendment Bill and then you have got the ECA Amendment Bill and all of those being

looked after by different departments. And many of them have overlap which is often disastrous. In the last meeting, they talked about, this is double padlocking, which is just completely bizarre. It means that people could be found guilty of the same crime under 2 different pieces of Legislation. And you
5 can imagine the hazard that would present. And so, even in things like the NDP, there is no real kind of coordinated sense. The 1st positive sign we had came from our President to announce that we needed to have a multi-stakeholders 4th industrial digital revolution communication which we are still waiting for. As I understand, some of those things have been tasked to the DOC which is the
10 Department of Communications. Sadly, a lot of the problems there seem to arise they like to have consultants, although, I would have thought that we have learnt our lesson of using consultants. But still.

So, what we believe we need is a clear coherent digital policy to inform where we can go. And that means we must have a multi-stakeholders, a multi-sectoral
15 approach. If you look around the world, the digital policies, this is the way that these things are working in countries where they have a coordinated idea. The countries that are most advanced and most developed and reaping the most benefits from these things is where they are working together with them. We can't spend our time, either trashing the mobile operators or trashing
20 government. We have to work together to get these things, to talk to each other. It means departments can't operate in silos. And so, this process while very distinctly focused on the market impact issues, on the things that determine it, must be part of something that takes this kind of approach into account, otherwise, there is going to be another process that will fail. We have seen
25 numerous efforts to try and bring down data costs, and very often these things

don't work. And we have to ask why that is. I don't believe it's because the telecom operators or those greedy pigs who are obsessed only with profit. You know, those people live and work in South Africa for the majority of them and they understand these things. So, we have to understand what is it that we can
5 do to get these things to improve in a real and meaningful manner.

Similarly, we cannot allow this nonsense that market forces must determine and it's based on that you know. If we do that it will fail. So, hence we argue that, the policy that we need must have at its basis the following:

Public interest must be paramount. We can't have this idea that profit above all.
10 If we want that we can be in Donald Trump as our next President. We also must have this idea of there being a deliberate effort to bridge digital divide to combat inequality. What we see with technology is this idea that it has this potential for democratization for bridging inequality and bridging digital divide. It only does that if you make very clear, very deliberate efforts to do so.
15 Otherwise, the power dimensions and the power structures that you find outside in society will replicate themselves in exactly the same way as they are in society. In other words, you will find that right very small elite continue to be the very small, very powerful elite; inequality continues unless we make very deliberate efforts to address that.
20 We also recommend that the policy is in line with the African declaration on internet rights and the processes that are there. So, we would like to see far more of a rights-based approach to understanding these issues. Because ultimately, these things are about realizing rights. We also believe that marginalized interests must be put forward; and that's not just about the rich

versus poor. That is also about marginalized people, women, children in particular young people and that all of this must work out the realize the right in our constitution.

MS SMITH: When we talk about data costs, one of the key issues that come to
5 the fore is around access to info; it's not... we speak about access to
information as lying at the heart of the issue, and the element that has the
immediate impact on data costs. As William mentioned before, we partnered
with various other organizations including APC, SANF and IAB to work on a
positon paper that deals with access to information. The position paper is called
10 perspectives on universal free access to online information in South Africa, free
public Wi-Fi and zero rated content. In the paper, we unpack a 7-point plan that
for the organizations involved will achieve what we feel is universal access.

So, the 1st point is the commitment to the implementation of free public access
to internet at government sites. And when we talk about government sites, we
15 mean schools, libraries, health facilities and such. And a point was made earlier
about the fact that we can't just rely on schools to have these sites of free
internet, that it needs to be a far more wide-reaching facility. However, this does
require a lot of oversight and monitoring by appropriate bodies.

The 2nd point is that zero-rated access to government websites and data. This is
20 something that has already been envisaged in the [indistinct] government
policies, it's not something new.

The 3rd point that we discussed is that free Wi-Fi access should be regarded as
a basic municipal service and this should then be run as a public utility. But
again, this relationship has to be a multi-stakeholder approach as well. It's not

just reliant on public or private, but a partnership between the two. And we also talk about making it a requirement for commercial operators to provide free Wi-Fi in poor areas and for the right for those operators to provide the services to business and affluent areas.

- 5 The 4th point is about setting minimum standards for the provision of free internet access, and this includes...

MR BIRD: Sorry, just to interrupt. I think you are not moving to the next slide with us, you are looking at a different...thanks

- MS SMITH:** Sorry about that, thank you. So, we are on point 4. So, point 4 is
10 about setting minimum standards for the provision of free internet access, and this includes for all commercial offerings, a minimum data allocation per person per day, and the standards for privacy, security, access, quality and fair access to information in the public interest. In the previous slide, one of the foundations that William spoke to was the fact that we have to approach all of these policies
15 and all of these points with a clear public interest approach.

- The 5th point is about introducing the concept of my internet rights or my I-right. And this speaks to the fact that every citizen should be entitled to a daily amount of free internet access. As an example, it's 500mb per day. Our previous presentation spoke about how much data is actually viable for access
20 to basic information and educational material. And 500mb per day, I think you know, it's not an insignificant amount to need. And so, it is already a standard for many free Wi-Fi schemes. But this should be the minimum to exercise access to information rights.

The 6th point is around digital literacy programmes and the fact that we still don't have a standard digital literacy programme across all educational curriculum. So, for us, the introduction of a digital literacy programme should be part of the free internet schemes; especially for children and those unfamiliar with risks and opportunities related to the internet. William also pointed out that previously that when we speak about marginalized groups, we just don't talk about children, but we need to include other groups such as women as well.

The last point is looking at the need for oversight bodies, and the realization that what we are calling for when we speak about universal access won't have effective implementation unless if you have the correct oversight bodies to monitor and report on these issues and the progressive realization of these. We have bodies that exist such as the South African Human Rights Commission that would be in a position to do so. So, when we talk about oversight, we speak about the particular adoption and implementation of legislation, regulation and policies governing free access. And I think as a last point just to emphasize the fact that the internet should be considered a basic human right and a facilitative right to all other rights underpinning these processes.

MR BIRD: Thanks. So, we wanted to wrap up with a couple of concrete steps and this is some of the work that we are involved in to show that these things are possible. We currently working with all these partners and there are a couple more that we will be adding next year to all pull in the same direction to try and encourage and make sure that young people in particular are aware of, how to not only be safe online, but to realize and use the real power and potential of what it means to be a digital citizen. And this is basically on the assumption that as much as this is about data services themselves and looking

at and following the money, unless, you provide that with and support it with the necessary digital literacy and critical literacy skills, we are just exposing people to a whole range of other problems that we are going to rue the day that we did that. For the simple reason that when you get to drive a car, you don't just jump
5 into the car, there is a whole process. You have to learn the rules of the road etcetera. And being a digital citizen is no different from that exact same process. And here there is very different partners and competing interests are at least managing to work together to pull in the same direction.

As far as we are aware, this is one of the only partnerships of its kind where we
10 have got governments, private sector, civil society and mobile operators all supporting the same kind of initiative towards the same idea. So, these things are imminently doable and they are imminently possible. And when they are they can yield marvellously wonderful results.

The other thing is to look at community Wi-Fi networks and this is also about
15 shifting the understanding and approach generally to how people get access to the internet. So, there are a lot of focus for example, on free Wi-Fi and these big things like we have got in Tshwane here. Which is very nice, but when the government doesn't pay the bill, they cut the service. And what did we see just a few weeks ago? Suddenly, all of those students that were relying on it just on
20 the lead up to exams were left short changed because they didn't have no access. This is similar to people understanding how the new world works, you know. You give people access and the ability to control, their ability to shape their access to the internet. This is not something bizarre. This is something that every wealthy can do, you know. If you are wealthy, you have the power to
25 determine how you want the access the internet because you have got a choice

of any number of providers. You can go with fixed line, fibre, mobile, satellite, any number of things. Whereas, people that are underserved generally don't. and yet, we also need to make sure that they can have the power and ability to control their access. This is how you drive equality. It is about making sure that
5 you put exactly the same tools in their hands.

And what [indistinct] does is this, we have set it up with an early childhood development centre in [indistinct] which is just here in the East Rand. And we did it there because we found that at the start of the month, the woman who runs some of the play groups have got enough money for their WhatsApp and
10 they send the information around. Towards the end of the month, they don't have money and they have to walk around to go and ask and invite people to attend these things. We also find that the people there understand the internet, but not in a way that is not necessarily giving them the benefit. So, they know how to do a Facebook and YouTube and all these things, and the mobile
15 operators gladly want them to because it uses more data. But, they don't know how to use the internet to make running their schools easier, to have standard registration processes. All these kinds of things that would make their lives a lot easier are skills that they desperately need. And in fact, in working with these communities, we find that this is something they are wanting to use. So,
20 [indistinct – Sheka Moto?] is a community network that is run and set up there and allows people that are on their network to access both the internet and internet like services. And we are happy to go into detail on how it works. But the point is, is that it means that we are giving people in underserved areas the ability to control how they get access to the internet and starting to put them
25 on a level footing or a more level footing than other people. And the only

difference between them and the people in this room is they earn a lot less money than us. And that doesn't seem fair or appropriate, and certainly not in line with our Constitution.

Now, this morning we know that you would have heard some very excellent
5 inputs, I am sorry we weren't able to be here from the likes of amandla.mobi as well as Research ICT Africa. I am sure they would have given you accurate data on the stuff that David presented earlier, I hope is useful. I don't think that we need any real motivation for reduction of data costs, you know, that seems as pretty much of a no-brainer. But, what we do need is to think about the
10 overall framework and how it needs to bridge a digital divide and combat inequality. In as much as now the issues are there, we have to address that and deal with that because if we don't, we are failing your constitutional obligations, or government fails, our big corporates ultimately will fail. And that if you look at it, a more equal society serves the interests of all because if you have got poor
15 people who can afford more cool and better phones and better apps and all of these things, it is a lot better than having half of the people who struggle just to make ends meet. Again, it is ultimately in the interests of all of us that we have a more equitable society.

So, it cannot also be only about cost, but it is about the approach that we take.
20 So, it can't be about these debates here being determined ultimately by the powerful, the vested interests. It must be about the public interests; it can't be about what government necessarily wants. Government is there to represent the public interest. It can't be about what we want as the Competition Commission; it must be about public. This is about the people that live in our
25 country, not necessarily that are lucky enough to be here.

So, it must be driven by human rights, and it must also look at critical skills especially for the marginalized. So, again, it is about the cost, but it must also be about ensuring that people have the skills in order to engage. The people in this room can multi-task. I was trying when my colleague was speaking, I failed
5 dismally. But, we have that ability. And if we are going to succeed in the next 15 or 20 years, every one of our citizens needs that because if we don't, again, we might not even be here to discuss this. Thank you.

CHAIRMAN (MR MAJENGE): Thank you very much Mr Bird and Mrs Smith.
Mr Aproskie.

10 **MR APROSKIE:** Thanks very much. Just my 1st question, if you can just take me back, I may have missed where this fits in, but you were talking about a policy and the policy had the 7 elements. What exactly is that policy, where would that fit in? You may have spoken to it; I have missed it. But it wasn't in your written submissions either. But, what is that policy that you were referring
15 to?

MR BIRD: The policy is a position paper that's being developed. If you have a look at the submission, it should be attached as an appendix to the submission. So, it's not any sort of government policy or a piece of draft regulation. But it is more of a position paper linked to the African Declaration on internet rights and
20 freedom of expression. But ja, it is just the position paper drafted by the organizations.

MR APROSKIE: Okay, thanks I understand what you are referring to. And just on that, the issue paper you referred to by the Association for Progressive Communications, so in here I understand that one of the big points is to say

that, access to the internet should be seen as a human right, or at least an enabler to human right. And I suppose the question is, do you think data and telecommunications more broadly are important enough to be called a human right, I mean, it's on 1st read it's a lofty claim, but maybe it's not. Maybe you
5 want the expand on that, why it goes to the extent of a human right.

MR BIRD: So, the short answer is yes. If you look at the fact that the poor are prepared the spend so much of their precious cash on the ability and means to communicate, that talks about it. You know, if want the look at the...if you look at it from a fairly perverse basis of Maslow's triangle of basic needs, this s
10 something that everyone wants to do. It is what makes s different as people, it is our ability to communicate, and the way and the importance of that communication. And given the development that we are experiencing and the rise of this 4th industrial revolution or whatever terms that you want to call it, just living in a digital world. It is now becoming something that is so fundamental to
15 being able the exist that if you don't have it, your rights and your fundamental rights are deeply and profoundly infringed. It will soon be, I wouldn't say it is only a matter of time, I would say it is only 10 years later that we will need not just the basic TV aerial, but box in order the decode signals so that hopefully you can get digital signal on your TV and interact with things. The ability for us,
20 if we are serious about our Constitution, our founding values are dignity and equality. If we are going to be at any pretence be serious about addressing that, these issues have to be considered as part of our fundamental rights. Simply because we cannot allow a situation merely because you earn more money, you are able to get your children into better schools, you are able to access
25 government, you are able to give your voice and make sure that government

hears your voice just because you are poor. So, as governments, e-services increase and improve and hopefully they will across all the parameters. Unless, this is seen as a basic facilitative right, all of those people, just because of their income status, they are going to be left behind. Again, if we want the build a
5 new apartheid hundreds, let's go that way, let's bring in Donald Trump and we can do that kind of approach. If we are serious about inequality, there is that.

But aside from those kind of reasons in terms of our constitution, this is something that is gaining further international recognition, there is special repertoire on human rights and freedom of expression. [indistinct] has done a
10 number of papers on exactly this issue and it was then that put this in the public discourse about access to the internet. And therefore, linking it to data and communications basically as being a new human right.

MR APROSKIE: Thanks. My last question is just around the little bit more detail in your written submission about this [indistinct – Sheka Moto?] and
15 [indistinct Sheka Share ?] system and Wi-Fi system that you mentioned. I just wanted to ask some more practical questions of, if you can just give more detail about how it works and if there are any additional costs outside of the cost of the actual data. So, I understand there will be some Wi-Fi infrastructure, maybe some maintenance. But, can I get a sense of what the additional costs are and
20 what the savings are if you can put any kind of numbers into it in that example, give a sense what the extent of the benefit is.

MR BIRD: So, I mean, there are a few. So, there is the kind of direct cost benefits which is in money terms. So, because we do things like make certain information available for free. In other words, we have downloaded an instance

of Wikipedia. So, for basic research if people want to look up anything on Wikipedia and it is sitting on the networks. So, there is no actual cost to that. The only cost to that is the cost of electricity on their phone for using it, right. So, if you look at the Sheka (?) share system and basically the way it works is that we put in a fairly robust you it, again, we are not talking about places where the electricity is terribly reliable. So, we are looking at some solar options. But even when it is reliable, you are not looking at the people that have the skills to run a big nice network room and have dedicated IT support there etcetera. You need a fairly rudimentary thing that can switch on and switch off that again you train people to use and operate. And that you put up nodes around that community. So, currently we have got about 2 square kilometre area around where it is based that anyone that is on that can jump on it and it can message each other. And if they are on that they can message each other completely for free. But even that is going to come down. But the way that Sheka (?) share system works is the it allows the organization to buy data in bulk and share that out for the users.

Again, the systems that are there currently are built for people that are relatively wealthy. Most of us in this room will be familiar with going to an airport or an internet café and you want to use their Wi-Fi and they make you pay and then give your credit card number. The people that we work with in these communities don't have credit cards. So, you have got to find a different way of doing that and we have got one that seems to be working.

So, the savings then is how they save within the community. So, the people and I don't know what they are to be perfectly honest in terms of ... because we haven't gone and tried to add those things up, I guess that we will. But, what it

does mean is that because we have been able to give an online database to people that have saved immeasurably in terms of their paperwork. So, you are saving time and their effort. So, you are giving them effort and you are giving them something that is much more secure and you a giving them new IT skills
5 that they otherwise didn't previously have etcetera, etcetera. So, it's indirect benefits and cost savings are immeasurable. But that's just because you are giving them fuller access to the internet.

MR APROSKIE: Thanks, that's all from my side.

CHAIRMAN (MR MAJENGE): I just want to explore the impact of zero rating
10 as a possible solution in enhancing access. On page 15 of the paper that you have attached to your submission, there is Table 3, I am not sure if you have...

MR BIRD: Yes, we do have it open.

CHAIRMAN (MR MAJENGE): Ja. Page 15, Table 3, there is a table which shows some of the zero rated services offered by Cell C, Vodacom and MTN.
15 Some are fully zero rated and some are partially zero rated. And those which are partially zero rated, it seems as if there are some conditionality in the sense that one must be on some paid operator plan or package. So, what has been the impact of as far as you know in terms of uptake of zero rating? So, that's the 1st part of my question.

20 And the 2nd part is, how does one ensure that there is pass on to consumers of the benefit of zero rating because that is one of the criticisms of zero rating that one cannot really monitor the pass on to consumers.

MR BIRD: So, clearly that table needs to be updated because there are a number of things that are in there and a number that aren't. So, we know that

MTN recently decided to cancel Twitter as a free service because that's because it was costing them too much money because a lot of content now is both visual and video intensive. So, I think it was just costing them too much. So, in terms of the way that you monitor it, I wouldn't have an idea. I think you

5 will have to ask the mobile operators that very good question. I think that ideologically though, there is a problem with zero rating certain of these things. And we have seen this with ideas around Facebook Zero and with these other ideas. And it's to some degree depending on the manner in which it's done. So, I think that there is a legitimacy in saying that free services in the same way that

10 the state currently says you get free electricity and water up to a certain level for all people. The same should apply in this regard for around provision of government services. That should be free and accessible. But the moment you start making some of these other things zero rated in the way that they appear to be, it's a bit like, okay, you are nice, we will give you charity. I think that's a

15 problematic assumption. We need to be saying, just because you are poor, your experience of the internet should not be any different to that of someone who is rich. It seems fairly perverse that you say, okay, because you are poor, now, now, you are not allowed to watch this video because it is going to cost us more money to deliver it to you. That seems patronizing and offensive. It should be

20 surely that you say, you are a human being and you are in South Africa and you are having access to this, your access must be determined on the same basis of whether you are very rich or whether you are very poor.

CHAIRMAN (MR MAJENGE): Ja, thank you very much Mr Bird and Ms Smith for your time and for your presentation. You are excused. We will now take the

25 next presentation from the Internet Service Providers Association. If you could

just state your full name and surname for the record, and then take the oath or the affirmation.

Internet service providers Association

CHAIRMAN (MR MAJENGE): If you could please just state your full name and surname for the record and then take the oath or the affirmation.

MR CULL: Good afternoon Chair and other gentleman, thank you very much.

5 My name is Dominic Cull, one of the Regulatory Advisors to the Internet service providers of South Africa and I Dominic Cull affirm that the evidence that I shall give, shall be the truth, the whole truth and nothing but the truth.

CHAIRMAN (MR MAJENGE): Thank you.

MR KOTZE: Good afternoon Chair, my name is Anton Kotze. I'm with Dominic,
10 Regulator adviser to ISPA. And, I Anton Kotze swear that the evidence I shall give shall be the truth, the whole truth and nothing but the truth. So Help Me God.

CHAIRMAN (MR MAJENGE): Thank you. You may proceed with your presentation.

15 **MR CULL:** Thank you Chair. It's been an interesting day and it's been very interesting to see how certain themes are coming up over and over again and during the course of this presentation which, is a little bit different from the ones which preceded it and that is, per industry body made up of operators. All of whom compete with each other, but not withstanding that, you will see that
20 there are certain parallels that you can draw between this presentation and much of what is being said earlier. And strangely enough although it pains me to say this, you will also note, when you hear Telkom present tomorrow, that there are a number of parallels between this presentation and that be given by

Telkom. The short story, executive summary in ISPA view there are clear indications of competitive failure in the market for wholesale mobile data services. We believe that intervention in this market, using established policy and legislative powers to facilitate competition and competitive pricing outcomes, will bring relief to the greatest number of users. And it will underpin inclusive socioeconomic development. A great deal has been made and will be made particularly tomorrow of the complexity of the subject matter at hand. We wish to be at pains to draw a simpler narrative. There's a world of never-ending complexity that you can import into this exercise. We believe it's very important for the Commission to have a clear simple narrative that it can stick to as it does its considerations and deliberations. One of the issues raised is wrong benchmarks and there's been a great deal of chit chat, a multitude of proposed benchmarks and multitude of proposed interpretation of benchmarks have been presented, both to the Commission in parliament to ICASA and spoken about in the media, over the last five to ten years. Is the cost to communicate has been a bigger and bigger issue as ISPA we can't offer you any assistance in reaching an evidence-based position. You know if anything we'll point you towards research ICT Africa which appears to be in the best position to offer that to the Commission. But we do believe, and this has been contemplated before there was a body called the National Broadband Advisory Council, which was meant to be established under an amendment to the electronic communications Act, which came into force in March 2014. And one of the tasks for that National Broadband Advisory Council was to establish, some kind of benchmark, which we could all rely on which we could all referred to. Unfortunately that process was never completed, that council was constituted but never actually never sat

and met. So this is still a problem we sit with. Where we argue about what is the correct benchmark and what we should be, which what should we be looking at. Focus on benchmark shouldn't obscure the fact that perceptions are incredibly important. And we are hearing consistently, over the last decade about these

5 perceptions. About how people feel that data must fall. About how aggrieved they are at the cost to communicate. About how it limits their rights and their abilities to use electronic communications. We note in particular when we talk about benchmarks, that you got to exercise caution, when applying average in society which is as deeply unequal as South Africa. This is a point which is

10 been raised a couple of times today, but just to give a very simple example. Many of the benchmarks presented, seem to assume that we have room in which there are ten people. Five of them are ten-foot-tall, five of them are one foot tall. And then we talk about an average of five to six feet, which is a person which doesn't actually exist, in the current context. So, just a note of caution

15 there. And while we all argue about benchmarks and how useful they may or may not be in this current exercise. There is one thing which you've heard over and over and over again for which evidence is being presented and it is not disputed. Is that in South Africa mobile data is more expensive for lower income groups. In the words of the Minister spoken earlier this year, we have a strange

20 market where it cost the poor more to access data than it cost the rich. This is a known issue. The Commission wants to know where should it focus. From ISPA's perspective the answer is self-evident it has been self-evident for a great deal of time. We believe that, that focus must be on the market for wholesale mobile data, in order to ensure greater competition in the downstream retail

25 market and to stimulate better pricing outcomes in that downstream retail

market. Again self-evident it was in March 2016 that the Minister of Telecommunications and Postal Services issued a policy directive to ICASA, to say, you must as a matter of urgency investigate and intervene in these broadband markets, in order to ensure greater competition. Unfortunately
5 nothing as yet been done in that regard. Why should the focus be on mobile? Because we are a mobile country and we will remain a mobile country. It is our future. And if you have a look at the Stats SA 2017, General Household Survey, we have given the detailed extracts in the written submission. Then it's quite clear that we are mobile centric and we going to stay that way. Fixed line
10 access is falling, the real standout figures from there is, that in the province of Mpumalanga 95.6% of the population can only access the Internet or electronic communications through a mobile device. 94.8% for Limpopo and not that much lower for all the other provinces in South Africa. [intervene] It's a very small [intervene], pardon me, very small percentage of people who have the option
15 not to only be dependent on a mobile device and the mobile networks for the connectivity. Further we know the government is engaged with many exercises around the circled Fourth Industrial Revolution. We don't necessarily buy into the marketing, but there's definitely a process, in terms of which the nature of work and the nature of society is evolving. It is again self-evident that the
20 decisions we take now or that we should have taken already, regarding the affordability of mobile data services will have a direct impact on what kind of society we going to have. On how people are skilled and equipped to deal with the change which is happening, and which is coming. And more particularly we've got decisions to make about as we go to all these marketing terms 4th IR,
25 5G communications. Are we heading for a society which is more or less

inclusive? Because the danger exists as we roll out next generation infrastructure in the urban areas to people who can afford it. But those in the rural areas and, and those in the lower LSM groups who are already behind, will simply for further and further behind and the digital divide will be in trenched.

5 [intervene] One of the arguments which came out in the written submissions from some of the operators, submitted in November last year in the first round of submissions was to argue that the mobile data services markets are competitive and to point rather at difficulties with spectrum constraints which we will address later. And the upstream fixed markets on which the mobile
10 networks are dependent not being competitive. We couldn't disagree more strongly. We'll revisit the question of the mobile data services markets being competitive in a future slide. But for now to make the point that the, well the up extreme markets backbone infrastructure, fixed infrastructure is obviously critical in delivering mobile network services in South Africa. We have seen an
15 absolute, see change in that industry over the last decade. We've seen Telkom's monopoly in International communications undersea cables fall away with massive reductions in pricing as the Seacom cable came in, as the wax cable came in and we now have almost an oversupply of International connectivity. The same is happening in national long distance. The same is
20 happening in metro reticulation. The same is happening particularly in the deployment of fibre to the tower, so the mobile networks taking the steps that they need in order to handle growth in volume by ensuring that there it is fixed line infrastructure going to their, their towers, so that they can deal with increased volumes and increased demand. And while the mobile networks,
25 point 2, compare to competitor failings, it's ironic that actually a lot of the

competitive benefit which is been seen in those upstream fixed markets, is as a result of the mobile networks themselves deploying national long-distance or fibre networks. [intervene] Another argument which the incumbent mobile networks offer, which we find completely disingenuous, is that it is difficult to

5 establish the price of data where this is sold into the market as a part of bundle service. And the quote there is from the Vodacom submission of the 17th November last year which makes or tries to make the point that they don't put out data as a separate product, but they bundle it. Vodacom is active mainly in the mobile market as part of a bundle of voice data and messaging. We simply

10 don't understand this. It's quite clearly and obviously possible for anyone in this room to buy data outside of it being bundled. If anyone in this room has children, they will know that their children don't come to them and say mom, dad, can I please have some airtime, or can I get some SMS credits? Doesn't happen. The request is for data, pure and simple, nothing else. So we see

15 these markets as being completely distinct and urge to the Commission to, to take that position. The decision really to bundle the products in a way, they, they have been bundled may have been valid some time ago, before the growth in the demand and popularity of or data. But the decline and demand from consumers for voice and SMS is well established from the financial reports of

20 the mobile networks and the media. And it leads us to ask the question well, is this kind of bundling in the interest of the consumer or is it in their interests of the providers themselves? And interestingly enough on Twitter yesterday, MyBroadband ran a story which was based on the latest ICASA analysis of operate a tract tariffs, submitted to them. And they came up with the story

25 asking why or, or trying to explain why buying a small data bundle is a massive

rip off in South Africa. And we found that the response from Mr Michael Jordaan who is one of the founders and, and drivers behind Rain, to be very interesting. Bundles shouldn't even exist. All Rain customers say the fire to pay the same five cents per megabyte and there's no expiry you are out of bundle sharks. So

5 here we have another operator focusing on data exclusively, which doesn't feel the need to adopt the same pricing methodologies and structures as the existing incumbent networks. And all power to them and it seems as if they are not going to be appearing here. But I would urge the Commission to investigate quite closely what the business model is that Rain is pursuing. This issue of we

10 sell bundles and there's no separate market for data, is also been completely rejected by ICASA and its priority markets in the Electronic Communications sector findings document. Where it concludes that it is appropriate to consider retail mobile data or mobile broadband segment separately from the voice of SMS segment. Any other interpretation in our view is artificial and simply at

15 odds with the way in which we are South Africans these days demand and utilise these products. A related point one in which is, one, it's a point we keep on having to make, is, there's a perception that Vodacom and MTN, Cell C, Telkom mobile for that matter, all mobile network companies, if you ask them, that's how they'll describe themselves. But their core business is increasingly

20 selling access to the Internet. That makes them an Internet service provider. And if we define market provision as provision of access to the Internet, then it's a hop, skip and jump to finding that certain companies who provide access to the Internet are dominant. Who is the biggest ISP in South Africa? It's Vodacom. Also mention of the over-the-top services, identified as a competitive

25 restrained. It's very clear when it comes to mobile data, if we want to use more

WhatsApp, if we want to use more over the top services, we have to get mobile data. So, all of these things are actually driving and driving and driving demand they're not constraints. OTT'S, such as WhatsApp may be a constraint on SMS, but quite frankly all it's doing is, taking into account massive pricing gap which
5 exists in the way in which the mobile networks actually put SMS into the market. Our understanding would be that the cost of an SMS to a mobile network is an absolute fraction of a cent is a fraction, of a fraction, of a cent but, yet we are seeing retail prices of 40 cents, 80 cents out there in the market, making it literally the most expensive bandwidth on the planet. In such a circumstance it's
10 surprising that price conscious consumers in South Africa turn to alternatives, no it isn't. Then looking at market concentration and competition issues as opposed to defining the markets. We've noted The Competition Commission own research, published earlier this year, in one of its running paper series and, and [intervene] again two weeks ago which looked at, merger filings over the
15 last decade, in order to analyse which markets in South Africa are most concentrated and coming to a conclusion that the ICT services market is far and away the most concentrated market. In our minds, hang on, the face of it at least indicates a competitive failure. Again Vodacom indicates in its written submission that it believes the market is competitive. MTN takes it a little further
20 and says there is ferocious competition no less in the mobile services data, in the data services market. Again we were just like to put some questions out there for the Commission to consider. If we look at competition in the fixed versus the mobile markets, how many service providers can you as someone who's on Telkom ADSL network, buy your data from? We don't have an exact
25 figure but it's in the region of 40 to 50. Okay you can choose your Afrihost you

can choose your MWeb your Webafrica et cetera et cetera et cetera. The same absolutely applies to this new breed of open access fibre networks which are being deployed mainly in the urban centres of South Africa. It's very clear focus on one network and anyone who's connected to that network, then has the

5 choice of as many ISP's as are willing to sign up to that network service provider's non-discriminatory terms and conditions. So again the residence sitting in a gated community or a business park will have a choice of a 40 to 50 ISP's all competing with each other on the same network for the custom of everyone on that network. If we now take the position of Vodacom or MTN into

10 contrast, how many ways do I have to buy data on Vodacom or MTN's network? While you consider that, also consider that 94, 95, 96% of people in a province may be solely dependent on those networks, in order to access the Internet. And a position, a picture starts to emerge, of the vast majority of people actually being carolled into purchasing data, from a single provider which is vertically

15 integrated. Again that's position that this market is for mobile data services is competitive is completely at odds with a couple of recent events. So ICASA presented last week in parliament on its latest tariff analysis. The again the diagram and the presentation is available to the Commission. It in no way reflects a competitive retail market for mobile data. We've seen Telkom Mobile

20 in particular, come in very aggressively with data packages, which is seen quite a shift of, of, of informed consumers onto that network but, it has made absolutely no difference to the pricing offered by MTN and Vodacom. They, the competition doesn't even touch them due to their dominance. And then this is assertion that the wholesale or retail mobile data services market is competitive

25 is of course directly odds with the finding of ICASA's priority markets exercise,

which came out and said we have three priorities in terms of markets and one of those is the wholesale market and the retail market for mobile data services. So the Regulator has found that these markets and the face of it and subject to a further investigation on the chapter 10 of the Electronic Communications Act by

5 in fact failing from a competitive sense. Another feature to look at is, it's interesting that the Commission is seizing itself of this opportunity, to look into the cost to communicate, into the cost of mobile data, into the cost of data in South Africa. And to us it indicates very clearly that bodies which may have their primary function as doing exactly that have simply failed to do so. ICASA has

10 not in any way intervened in the market for data. It's tried, with its so-called end user Subscriber Service Charter Regulations which will be in the High Court on the 14th and 15th of November. But there's no exercise of the pro-competitive powers which ICASA has under chapter 10 of the Electronic Communications Act, which has been initiated in order to, or the indeed to, to, to follow on from

15 the minister's directive in March 2016 that these are priority markets in which there should be urgent intervention. The policy maker has not succeeded in creating a clear focus policy environment although that that may be changing. And it's quite clear that the incumbent only change behaviour when forced to do so by commercial considerations or regulation. If ICASA hadn't come out with

20 rules around rollovers and notifications, do you think that Vodacom and MTN would naturally have evolved to that position by themselves? No, these are operators which put the termination rates up to R1.25, when Cell C first entered into the market. Because no one was telling they couldn't do that. So their history is littered with not necessarily anti-competitive but certainly anti-

25 consumer contact. Unless they are forced to act, otherwise and I'll regulatory

functions of regulatory institutions and framework have failed us in this regard. Last point on that's slide. The relative success of the one intervention in terms of chapter 10 which ICASA has undertaken so we go back to 2010 and we remember that there was massive political pressure around interconnection

5 rates, which prompted ICASA to do an investigation, which they are continuing to this day in stages to take. And the intervention with ICASA made in the voice call termination market has made a difference. So the exercise of powers and the chapter 10 is a tool and a remedy which is available to ICASA which it has exercised, in a particular way but is not exercising in perhaps the area

10 which is most important to the majority of South Africans. [intervene] I mentioned there may be more policy certainties emerging. We've seen recently an Electronic Amendment Bill was introduced into the parliamentary process and currently there is a proposed policy direction, on licensing of undersigned high demand spectrum and the formation of wider open access network that is

15 open for comment at the moment until the 8th of November. The Electronic Communications Amendment Bill that is process, it's not clear at all with the general election coming next year when that, will actually be finalised. But what we can see is flowing from the President's economic stimulus package announcement, that there is a very real drive now on the part of DTPS to get

20 the spectrum out there, to relieve the constraints which the operators are going to detail tomorrow at length, as being the reason why they can't reduce the price of mobile data. So hopefully that's coming. But in terms of the Commissions process, we at ISPA have been in a cycle of getting hopeful and being disappointed for years. This is how it works. We talk about open access, we use

25 to talk about facilities leasing. It was the big thing that would change the market

and we all got very excited in 2010 in March when ICASA published final electronic communications facilities leasing regulations. There they were, every licensee now had a right to go to an infrastructure provider and to request that they lease them facilities and that infrastructure provider would be under an obligation to lease those facilities unless it was not technically or financially feasible to do so. Fast forward to eight years later, the reality is that no one actually even bothers. Ok we, we know that the incumbents will let you have access to facilities in areas where it is not a competitive concern. Where it is a competitive concern suddenly it is no longer technically or economically feasible. You want to exercise and enforce your rights by going to ICASA to say but I've got this right and they got of that this obligation and they're not doing anything. ICASA is not going to resolve that disputes for you. It doesn't happen. They don't have the ability or the means to do so. So the history of implementation of the act and the Electronic Communications Act, when it came into force in July 2006 was really heralded has been pro-competitive. Whereas the Telecommunications Act which is gone prior to that, was really about, defending Telkom's position and Telkom's monopoly. The pro-comparative provisions in the ECA were really about, protecting everyone else from Telkom. But we haven't seen any, well we've very little of that actually materialize and one of the things which is, is starkly missing from all these proposed policy directions and Amendment Bill, is any initiative to reform ICASA or to ensure that ICASA actually has the ability to do what it is required to do or what it is empowered to do. There's talk of a new Regulator. There's talk of things that's all been shelved for now. While we rushed towards getting the spectrum out and getting the Electronic Communications Amendment Bill

finalized. But we have no clear plan for dealing with the most important aspect of this, which is who enforces it? Who regulates it? Who makes sure that the rights which new competitors are given, or which consumers have given are actually enforceable? Another thing raised in some of the submissions was jurisdictional issues, operators received cautioned to not attempt to pre-empt the work undertaken intended to be undertaken by ICASA. Again there's an agreement in place between the Commission and the Regulator in this regard. The arguments ignore the distinction between ex-post and ex-ante regulation and further we've quoted in a written submission from section 4B of the ICASA act, as to how that position should be and the question just occurring to me sitting here is, why is ICASA not presenting at these at, at these hearings? Or not involved in this process? We see DTPS is here, we see political parties are here but the Regulator which is partially mandated to act in the consumers' interest in terms of an Electronic Communications is absent.

15 **CHAIRMAN (MR MAJENGE):** Yeah, just to clarify. They are here. There is a representative from ICASA.

MR CULL: They not presenting?

CHAIRMAN (MR MAJENGE): They will be presenting on Friday.

20 **MR CULL:** Okay, my apologies to the Regulator in that respect, specially. I see the Regulator. [intervene] To conclude, two slides on what is to be done. Again to us it's a self-evident truth, it's a simple truth which has been out there, and which people have recognised for some time, we just simply haven't done anything about it. We submit that The Commission's recommendation with reference. Intervention in the wholesale market for mobile data through pro-

competitive measures designed to impose obligations and dominant providers to offer whole sale open access. Again we, we, we struggle from a from an ISP perspective, well we can go and compete on the fixed networks, we can't go and compete on the mobile networks. It's simply not open to us, it's not allowed.

5 We would look at effect in functional separation for vertically integrated incumbents to underpin those wholesale open access obligations. Again this is being raised by a number of presenters today and its very much part of where we're going from a policy perspective in terms of telecommunications in this country. So if you look at the Electronic Communications Amendment Bill which

10 I referenced earlier, the provisions on open access contains specific provisions to deal with vertically integrated incumbents. There talk about COA/CAM cost of accounts and, and, can't remember the, it's Chart of account cost allocation manuals which would have to be undertaken in order to ensure some kind of transfer pricing and fairness in the way that Vodacom the network supplies

15 services to Vodacom the ECS Vodacom the ISP and all the other ISP's in the market. And we believe that ultimately these interventions were to stimulate competition in the downstream market. Why do we think that's important? Because we've seen what competition in the downstream market has done on the fix networks. Telkom's ADSL you used to be able to get 3 gigs and your gig

20 would cost you R150.00. Sound familiar? These days you're getting with all the competition on Telkom ADSL network you getting prices as low as 50 cent a gig. Okay, you're getting massive innovation. You getting uncap products. All of that is simply a product of competition which is been allowed to take place on the fixed network of Telkom and the contrast with the Vodacom and MTN's

25 network where the competition has not been allowed, could not be more

clearing. There a number of things that ready point in this direction so the paper on market concentration which we referenced talks about promoting the use of structural remedies for anti-competitive offences of collusion and exclusion. The experience of the Commission and Competition Tribunal in addressing Telkom's
5 conduct as a result of complaints initiated by ISPA other's back in 2001, 2002. And it's fascinating to read Telkom submission. Which as much as they may have protested and being extremely unhappy about the fines and the settlements which were imposed on them. They now of an opinion that it was a really good thing for them and they took the functional separation which was
10 imposed on them and they're taking it a step further to structural separation. Because they can see the benefit for doing so and I can see the broader benefit for the country and then doing so. We've taken note of the provisions of the competition Amendment Bill, we're not sure what powers the Commission has as in terms of outcomes of this process, but we can see quite clearly that there's
15 a process for the Commission to aggregate further powers to itself, in order to actually be able to take meaning for action and we support that. And I think I will leave it there, unless Mr Kotze has anything to add.

CHAIRMAN (MR MAJENGE): Thank you very much Mr Cull. Mr Aproskie.

We'll start with Mr Mahuma.

20 **MR MAHUMA:** Thank you very much for the presentation again. Just on your first point where you were cautioning us against using averages in a society with deep economic inequality. So there's two questions on that point that you made earlier on. The first question that what does this mean for South Africa and benchmarking studies? And two, how do we practically take caution of the
25 fact that South Africa's society with deep economy inequality?

MR CULL: Again, we, we as ISPA we're not an organisation which has gone out and done extensive benchmarking and comparative analysis. But we've seen a lot of what has been presented. And a lot of what has been presented is benchmarking us against countries which don't have the same kind of Gini coefficient or deep in the quality which South Africa has. So we would immediately question the drawing parallels, okay. We know particularly in South Africa we need to focus on those who don't have access. We need to focus on the 50% which were pointed out in Mr Harrison's) slide earlier, who have no economic power. Because it's quite clearly a policy of government to be as inclusive as possible, not exclusive. So it's just a note to say that interrogate figures which are presented, because often those figures come from a jurisdiction which doesn't have the same kind of features and same priorities as we do here.

MR MAHUMA: That's fine. The next question relates to your submission that you gave with regards to this public hearings and I'd like to refer you to paragraph 7.5.2 where you are considering submission made by Vodacom, that mobile markets are competitive and fixed market are not well lack of competition fixed is still affecting mobile as an input to mobile. And then your submission in this regard is that you state that Vodacom is conflating upstream and downstream markets, comparing the upstream market for fixed data use as in input in the provision of mobile data services, with downstream markets providing access to mobile data services. Can you just perhaps explain this to us in more detail?

MR CULL: Thank you. I think, in order to do that, it's necessary to go into Vodacom's submission and, and the words which they used, and they talk

about noting in the mobile market in which the largest part of Vodacom's business falls and then there's redacted portion its customers make use of offerings that combine voice messaging, SMS and data. Proper investigation, sorry I'm not sure if I'm in the right place, No. Vodacom is saying, broadly speaking that they are the view that data is sold within three main markets, namely the mobile retail market, the fixed retail broadband Internet access market and the leased line Internet access market. They talk about the allegations that data prices are high must be viewed within the competitive Dynamic of the relevant markets within which data is sold. Okay? And let's talk about those relevant markets according to Vodacom. Those are access markets, so they talk about different means in terms of which we as consumers make that first mile or last mile connection. Is it mobile? Is it fixed? Is it satellite? Is it fixed wireless? What is that means? Those are all retail markets that are being referred to. They then continue that while, where the markets are competitive in our economic theory dictates the price of comes will be competitive. Vodacom submits that the mobile market in which data is sold is competitive, however the fixed markets are uncompetitive. Which markets are they referring to when they say fix markets? Are they talking about Telkom ADSL or fibre? Because there is no information or factual basis to say that any of those market which are comparable to the mobile data retail market are in fact uncompetitive. So what we're saying in that submission is, that they are taking a downstream retail market and attempting to compare it to upstream input markets into their own mobile data and saying that those are not competitive. And we'd like to think that through our written submission and the

presentation we pointed out that that is something we disagree with quite strongly.

MR KOTZE: Can I just draw an analogy to try and explain in different words what Dominic has just said? If I was to run a courier company, my service is to
5 move a parcel from point A to point B. I would necessarily have to use the roads network. What we have in South Africa that the incumbent networks own the road networks and they own the courier service. And when we talk about Internet access the parallel is the courier service and the network over which Internet access is provided is the roads network. So what Vodacom is saying in
10 this section that we're discussing it is that what you got to do is, to find a market for national roads, provincial roads and municipal roads. And they miss the fact that what we are complaining about what the inquiry is about and what the public interest is about, is the fact we're actually talking about the courier service. The cost of the courier service. And the more people have access or
15 courier companies have access to the roads network, the cheaper the courier service can become, the more innovation we can get in the courier services. And that's what we mean when we say there's a conflation between upstream and downstream. Is that, is that what they taken is the actual physical type of network and, and, and, and, and, and making an issue out of that as opposed to
20 the services that's provided on top of that network.

MR MAHUMA: I think it is clearer now. The next question in your presentation, you have clearly indicated that you don't think that the mobile market is competitive and I think you mentioned some of the reasons why that might be the cause over and above mentioned, what are the other courses that you can

perhaps explain to us that made it come to the conclusion that the mobile market is not competitive?

MR CULL: It's perhaps a question which would be done justice to supplementary answer but between the two of us let's see what we can do. In
5 this, there is clearly an entrenched advantage to two networks which were established in 1993. Which were given essentially the keys to make a great deal of money through effectively monopoly the mobile services in South Africa with particular reference to the spectrum which they were given. So at the beginning there's an entrenched advantage. Okay? We know that when Cell C came into
10 the market, we know that when Telkom mobile came into the market, these were interventions which were said to going to introduce great competition in terms of data and voice and SMS. And we would question whether Cell C's entrance, whether Telkom mobiles entrance has in fact constrained the mobile networks in terms of their, Vodacom and MTN in terms of the competitive
15 conduct at all. The question is particular broad, so they, there are structural reasons. There's the fact that these are dominant entities in the market. They've got all the infrastructure and they have invested the money to maintain that advantage and keep that advantage. And I want to be clear that, you know from ISPA perspective we got a lot to say about Vodacom and MTN. But we
20 recognise the centrality of those mobile networks to South Africa's future. There's talk now of a wireless open access network to come in and to create this competition. So government clearly agrees with ISPA, it's saying we don't have enough service level competition. And we're going to introduce fundamental structural changes to the market. We're going to license a wireless

open access network, we're going to give it spectrum. Why? Because we need to do something about the dominance of two particular companies.

MR MAHUMA: And then the next question, I think it's also relates to what you've said earlier on but I wanna bring you to your written submission on
5 paragraph 7.5.5 where you state that you are not sure what basis it is claimed that there is a failure of competition in this fixed market, as pricing for the supply of international and long distance connectivity, has declined sharply as a result of greater competition? And then there's some information there, within the brackets so, what we have been told by some ISP's is that they think that the
10 market, the fixed market is not competitive. At least the wholesale market and the premise of that is that they're saying that IP connect product is excessively priced. So how do you then, how does this work with your view that the fixed market in South Africa is competitive. And two, they've also said, this ISP's that the wholesale market, fixed market is dominant by one firm. So we just want to
15 get your views on that? And then the last question, you say that this declined sharply necessarily implied that the market is competitive and this part, I'm referring to on 7.5.5.

MR CULL: I'm gonna try and feel my way through that question, so the allegations perhaps raised in respect of lack of competition at the wholesale
20 level is because traditionally there's only been one fixed market. Okay? But those allegations are then saying, will the problem is the monopoly at the network service level at the upstream services level. And first thing to notice that that is changing dramatically. Telkom is no longer the dominant provider of fixed line connections we're seeing massive growth and a lot of that is actually
25 coming from Vodacom, MTN, Cell C in terms of fixed connections and fix

connectivity which they are putting into the market. So my options as an ISP are constantly increasing in terms of the network switch I can use. And again, you know, to, to go back to the analogy from my colleague we talking about the couriers. And the point were making is that on Telkom's roads there are 50 to 5 60 to 100 couriers. On Vodacom's or MTN's roads there are maximum one, perhaps two or three couriers which can be used. So if there's a complaint that the market isn't competitive because Telkom controls an essential facility and through the IPC pricing which has reduced dramatically both as a function of the Commission's work and of Telkom's, you know, shift towards recognising that 10 it's a volumed-based company. We don't, we don't see what's being raised there as, as counter to what we're actually bringing to the Commission in terms of the difference between the fixed and mobile markets. There's a massive amount of competition for the services of consumers on a fixed network. It's absent in a mobile network.

15 **MR KOTZE:** I'd just like to add to Dominic that the IPC product is but only one single product to the much broader range of products in the fixed line market. It is often for a specific road network if we wanna keep with that technology, the only product. But in the fixed line marker specifically with the deployment of fibre optic networks the, the road networks and the choices for service providers 20 have become a lot, a lot more. So and we're talking when we make this statement we talking about the broader fixed line market might not one component.

MR CULL: Sorry and one further addition, at least in a fixed time market there is an IPC product. [intervene]

MR MAHUMA: The next question, I'm also going to point you to your submission in paragraph 8.2.4, where you state that it is interesting to note when considering the answers to whether the mobile market is competitive the percentage of population served by the mobile network as opposed to the percentage service over fixed network. So there's two questions that I have in relation to the statement. The first one is that, that this different in coverage not in fact such as there's a historical problem with the fix market that that the coverage is so low? And two, is this not evidence of a competition concern given that the coverage and the fix market is so low?

10 **MR CULL:** Thank you, I think it's, it's evidence at a different kinds of networks. So fix network requires a fixed connection into a property. It's far easier to get national, national population coverage through mobile network because it's using spectrum and there's this wireless coverage its cetera et cetera. And we know that the mobiles have 99.6 population coverage that would never be available to fix network you can't put a fixed line and 99.6% of the population's home or business. So that, that simply doesn't work, and I think the point you trying to make here is that if we hypothetically say that fixed service providers service 10% of the South African market and mobiles service exclusively 90%, then if we take that to the service level we see that there 50 to 100 service providers competing for that 10%. But there's a complete failure of service level competition for the balance of the 90%.

MR KOTZE: Just to the point on the type of network I can tell you now that fixed networks cover 100% of the population. Because satellite is a form of fixed network and it covers 100% of the country. But just to point, the population coverage is really about the type of network market by competitiveness.

MR MAHUMA: And then the last question from my side. As one of your recommendation you are recommending that the dominant providers of wholesale data should offer services on open access on the network monthly, so the questions why's open access only falls on dominant providers? I think
5 you touched on it earlier on but maybe just to get more clarity in this regard?

MR CULL: It's, in terms of government policy it's not only enforced on incumbent providers, it's a broad application. At the lowest level if you look at the Electronic Communications Amendment Bill and its representation of policy in terms of draft legislation it's quite clear that the open access obligation
10 applies to all licensees. Okay? But we take note that not all licensees are equal. And we take note that there may be licensees which are in a dominant position which needs specific treatment. We take note that especially there are licensees which are vertically integrated. And the issue of open access becomes particularly important where there's vertical integration and the
15 Commission's experience with Telkom indicates this. Okay, we knew that in, in licensing terms you get two main forms of service licence and electronic communications network service licence and ECNS and an electronic communications service licence an ECS. A company like Vodacom has an ECNS and an ECS. Telkom has an ECNS and an ECS. One of the open access
20 fibre providers let's take an example of Vumatel, actually only has an ECNS licence. So to start looking at that. What is an ECNS? What is, what is the licensed right which you get from holding and ECNS licence? It is the right to sell or make capacity available on your network to yourself or to a third-party. Okay so Vumatel holding an ECNS licence means that when it's deployed it's
25 optic fibre network, it now has the right to say right this network is live is

capacity available on it, I can now sell that network, either to myself, which I choose not to do, because I don't want to complete at the service layer [intervene] or they can sell it to any third-party which wants to come and then complete on their network. Which is exactly what they do, so you get all the

5 service providers including a Vodacom, including MTN, including Cell C, including Telkom all competing at the ISP level on Vumatel's network. We can see quite clearly the distinction between the ECNS and the ECS. When the Commission first started engaging with Telkom, it was impossible to distinguish between where was the ECNS and where was the ECS. Okay, and part of the

10 Commission's work with Telkom and the functional separation and the, the latest structural separation was to say right, we now have an entity called Openserve, that's where our ECNS sits. That is the entity which sells capacity on the Telkom network. Telkom retail BCX those operate at the service level using the Telkom ECS licence. So now closed all of that when I look at Telkom,

15 I can see right there's the ECNS door and there is the ECS and the Commission went further and said we need to ensure that Telkom, the ECNS Openserve, act in a non-discriminatory manner to those it makes capacity available to on its network. So if A, B and C come to Telkom, to Openserve, sorry, and let's say, A is Webafrica, B is MWEB and C is Telkom retail or BCX. We need as the

20 Commission to put mechanisms in place around transfer pricing etc. to make sure that they're all getting the same deal. Openserve and ECNS is not discriminating unfairly amongst those who come and seek to take capacity up. When I now look at Vodacom or MTN, it takes me back to where I cannot distinguish between where the ECNS starts and stops and where the ECS is.

25 When Vodacom as a network makes capacity available on its network to its

retail arm, is it doing so on the same terms and conditions as it may be to third parties? Absolutely not, that's the distinction.

CHAIRMAN (MR MAJENGE): Mr Aproskie.

MR APROSKIE: So just a couple of follow ups from my side. So, just one thing

5 I want to drill down into is, you know, this question of competitiveness and affects we've been dealing with a little bit. But, I think we can all very much understand and see that there is extensive competition in the retail space within fixed. So it's ISPs, we've got ECS licences are competing against each other. Is it still and it just to drill down, is this still your position that at a wholesale level
10 and fixed that it's competitive?

MR CULL: Yes in terms of the existing choice. Okay and again I'm gonna take a slight detour here...

MR APROSKIE: No it's fine.

MR CULL: The white paper, on ICT policy and in terms of the Electronic
15 Communications Amendment Bill. Where we are moving to as a country in terms of policy is to say we don't need to duplicate infrastructure, okay? Infrastructure as a competitive basis is no longer or as a competitive differentiator is no longer necessary. If we go back to 1993 we see and, and we look around now we see that often where there is a mobile mast, there'll be
20 another one right next to it. Because the mobile networks needed to differentiate based on coverage, it's no longer a fact. Now it's about sharing at the infrastructure level and policy and the, the draft bill actually recognise that so they have provisions that say if you come in and let's take the example of a fibre operator and you connect up this business park so that everyone in this

business park is able to find themselves sitting end point of your network they can receive connectivity through it through it. Then you will be referred to as the primary licensee and that business park that precinct will be referred to as adequately served, okay? And the implication here is that you as the network
5 provider, you will receive protections from the law in terms of others coming in to put in infrastructure, to duplicate that infrastructure. And that protection is predicated upon you being open access at layer three and the allowing ISP's to compete at your network. So that is precisely where we're going, into that situation where it's okay to have a single network. Quite bluntly you are never
10 going to, to reach full capacity on a fibre network. There's no need to duplicate, maybe redundancy in certain circumstances if you dealing with banks and critical infrastructure. But the critical point is, actually you gonna be protected in your network investment as long as you are open access and allow competition to the benefit of all the people in that precinct. Not a situation where you come
15 in and say right I have the network, I'm also signing and exclusivity agreement which means that I am the only person who can now sell internet access and voice over my network which is what still happens in gated communities and precinct when certain providers go in there.

MR APROSKIE: Okay right so, your saying if you have open access, you say
20 in fixed markets you've got open access at the level three. But does that guarantee that you've got competitive outcomes if you don't have open access above that? Or some kind of level of competition above that level? So I understand that you saying a mobile you don't have open access at the so-called level three, that's right? Right? Where as in fixed you do have that but
25 there's still a couple levels above that, so I'm just trying to understand whether,

because some of the submissions we've received, would say that at levels above level three and fixed, who still got areas of the market maybe not the whole market but areas of the industry, let's say that. Where it's Telkom and Telkom alone. And one specific area is where ISP's have told us that, it's this IP
5 connect product and there's no alternative for them. So in that sense and, and I don't have to, I suppose we're not trying to convince you, it's more trying to understand but when we see that we see that area of the market at least as not necessarily competitive because we don't see alternatives for it at ISP. Perhaps that makes it clearer? Just so that we can get closes to each other.

10 **MR KOTZE:** So, I'll take this one. The fact that anybody can come, anybody with the correct service licence can conclude an IPC contract with Telkom and go and compete with Telkom on Telkom ADSL network has already shown great benefits and we can see the historic trends. It does not mean to say that, that is already a perfect situation and we don't need to maybe look at any other
15 interventions. But what we saying is, the fact that it's open to procure network service and to compete even with the, the, the network operator himself, has already shown huge benefits. Benefits which we to date as mark, we haven't seen that on, on, on any of the mobile networks.

MR CULL: I'm sorry just to, one further point. Where does the IPC come from?
20 It comes from originally comes from 1999 to 2001 and Telkom claiming exclusivity over Internet protocol, over all IP traffic. Which was, would've been an extremely bad outcome for the country. So there was opposition to that and fights and eventually a settlement brokered by ICASA which resulted in the IPC product. At that stage the ISP community was very happy to get something, but
25 even at that stage there was a recognition that Telkom had intentionally broken

that wholesale product. It had made it as difficult as possible. So no it's not an optimal solution but it is an indicator of the potential of, of what can happen where even if the bar is set too high and the one input is too high everyone's getting the same problem.

5 **MR APROSKIE:** Okay, no that point is well taken. I think we all closer to each other in understanding it. The next question is maybe more a factional question, but has an association of ISP's. So I understand if you are offering an ADSL product to a customer, that a ADSL product is always going to be using the IP connect product, it's always going through Telkom at some level in the chain
10 that you offer has the end part of that chain. For your fibre contracts, where you offering as ISP's offering a fibre product to a residential or business customer and perhaps that's where the differences is. But where you are offering a fibre product, is that product ever and excuse the lack of technical terminology but is that fibre product in our country ever skipping out Telkom all together? Or will
15 they always be available or so where's be involved at some point?

MR KOTZE: There, ok so, in Dominic's time I'm gonna take a bit of a detour here. In, the roads network, the fixed line roads, which we'll call that the layer two network, the network operator, using the ECNS licence. The layer three, the ISP, the courier company moving the data, that's the ECS licensee, also has a
20 network. We get logical networks, we get physical networks. But the logical and physical network need to interconnect, so when, when the service provider competing in the retail market, necessarily has to connect with the network operator. So if it's the network operator is not Telkom, then Telkom will be skipped completely. Because they, they just won't simply won't be in the
25 equation. On the IP connect, you must remember there's two parts to this as

well. The one part is the actual interconnection of the network so somewhere Telkom's copper network needs to hand over to the ISP's network. But there's also a component of, of, of internet access that often can be bought from Telkom, but it's not necessary. And once must just also remember that those
5 two are different services, often under the same name because they're different flavours of the same product. But in terms of the fibre networks, to answer your question shortly. There will be an interconnect of the networks between ISP and the network operator. From there on where they buy their internet access, they may peer, at peering points themselves or they may then go and buy from a
10 Telkom or a Liquid or any other upstream service provider providing them with wholesale internet access. It's, and again there's a choice of many service providers.

MR CULL: In just touching again on the question about competition and upstream fixed markets and tying it this question. Used to be leaving aside
15 questions about IPC you couldn't avoid Telkom because they were the only people who could get you from South Africa to anywhere else in the world. Then that was resolved. Then it was a problem of we'll Telkom had the only national long-distance network in, in, in South Africa. So you couldn't avoid them because you'd have to buy NLD from them. Or take it to the next level, you'd
20 have to buy Metro reticulation from them to get around a large city. It's no longer the case, I've now got choice in terms of those providers for international connectivity for national long-distance and for Metro reticulation and increasingly I'm not getting choices in terms of which provider I'm using for my fixed network. Be it a Vumatel, a Frogfoot, an Octotel, a Telkom, a Liquid, a
25 Vodacom, MTN, a Cell C, whoever it is.

MR APROSKIE: All right, thanks. And the last question for me is, you made a comment around what was formerly facilities leasing and is now open access in the ECA bill, and you said that it ICASA the Regulator couldn't resolve dispute there to get people access or licensees' access to facilities. And I suppose the question was and I can't remember the words you used, but there were suggesting that something needed to change with ICASA? I just wanted to understand from your perspective, is the problem here something policy or legislative orientated, or is it a resourcing issue, where you seeing the problem that ICASA is not able to resolve these disputes that you say that not able to resolve?

MR CULL: I think ICASA's difficulties go far broader than not being able to resolve disputes, so I'd also tie lack of interventions under chapter 10, many false starts with have taken place over the years hence handsets subsidy regulations which have never seen the site, the light of day. It goes on and on. And it's not to be ICASA bashing, because the simple reality is that from an expert perspective if we want things to change we need to status quo to change. And if we want the status quo to change we need the Regulator's assistance in changing it. But the fact of the matter is this that since the IBA and SATRA, the South African Telecommunications Regulatory Authority merged in 2000 if you go back to 2000 you will find news report stating from them as to the lack of resources and capacity available to ICASA. There's a degree of sabotage from government, there's been suspicion of a at least notionally independent Regulator, you know, we, we recognise that ICASA is doing many things to try and resolve this. I would point to it its graduate development program in particular, as being an excellent example of trying to

get young professionals and expertise in. But perhaps when the Commission engages with ICASA you should enquire as to how many engineers there are? How many economists there are? How many professional people there are to take on the Vodacom's and the MTN's of the world in dealing with an issue like mobile data? And the answer will be shocking, because there very, very few. And that has to be resolved before ICASA is actually in a position and empowered to do the work that we as ISPA certainly wanted to do.

MR APROSKIE: Okay thanks. Just the last follow up on that is, is your, do you feel like theirs any legislative shortcoming that, that inhibits or prevented ICASA from doing its work? If taken all your points, but legislatively all the power that they have, in terms of ICASA act, is it your feeling that it is sufficient and the changes that are coming or is there a shortcoming just from your experience?

MR CULL: I think generally the legislative framework is sufficient. It couldn't always be simplified I think issues have had more to do with the interaction with the policy maker, issues of political will. And I think this is going to be very much in the forefront as we go forward now if we look at the policy direction on high demand spectrum and the absolute urgency of the mobile networks and others to get their hands on more spectrum. So we know this, we know that an announcement has come up that we want to hold a spectrum auction by the end of April next year, in order to put unassigned high demand spectrum art and licence this wireless open access network. Who does the majority of that work fall to? It falls to the Regulator and as we get more, more desperate to actually see some real progress in terms of getting spectrum out there and in terms of these outcomes we going to recognise more and more that the, the Regulator is central to this and it is currently not in a position to actually just charge that

mandate. So there has been an initiative to say we going to replace the regulate. We're going to make it into a super economic Regulator and we were talking about an ICT sector commission and Tribunal Bill, which was going to be put before parliament this year, but now isn't. And the reason it isn't is because

5 we know we don't currently have the time to reform ICASA in that way because we needed to be acting now to licence out the spectrum etc, etc. So we're in it, we going to find ourselves in a bit of a crunch. It, it it's very difficult to say that if one of the powerful incumbents doesn't like an outcome from ICASA, it's going to be very difficult to say well we don't think that there isn't a gap you can take

10 or procedural irregularity or something that hasn't been complied with because again and again we see that. You know, data rollover we're still in court. Call, voice call termination, we going to court again and again and again. Spectrum issues we've been in court and if the Regulators not in a position to do its job that's simply where we going to find ourselves again.

15 **MR APROSKIE:** Thank you. That's enough for me.

CHAIRMAN (MR MAJENGE): I just want to explore your, the intervention that you have proposed in paragraph 10 of your written submission. Which is an intervention directed at the wholesale market for mobile data and you proposed two things there. Firstly you propose a consideration or that consideration be

20 given to impose, imposing obligations on dominant providers of wholesale mobile data services to offer, wholesale open access to their networks on a non-discriminating basis. Secondly you proposed a functional separation for, for vertically integrated incumbents to support the wholesale open access obligations. My first question is in relation to the first proposal 10.1.1, your

25 proposal seems to be suggesting that there is a form of discriminatory provision

of wholesale access. Because you are proposing that, that be offered on a non-discriminating basis.

MR CULL: I think it's a little bit blunter than that. With respect the discrimination is that you offer it yourself, but you don't offer it to anyone else.

5 **MR KOTZE:** Sorry just to go back to our analogy. You can go to them and say I would like access to your road network and they'd say no. What we can sell you, is we can sell you our courier service, so that you can compete with your courier service. That's as simple as that.

CHAIRMAN (MR MAJENGE): And, thanks for that clarification and my second
10 question is, because your two, your proposals are interlinked, whether, my question is whether it is possible? To device a regime for wholesale open access without affecting the functional separation that you are proposing? Is that something that is that is possible?

MR CULL: I think it's possible and again let's look at Telkom, because the IPC
15 product would be what you're talking about. There's no need to do functional separation originally when Telkom offered that IPC, but what you couldn't do is enforced that it was being done on a non-discriminatory basis. So is the same deal being given to Telkom, the ECS Telkom the retail is being given to any other ISP which comes and looks for the same thing and the answer which the
20 Commission found was, no. And accordingly it in post the number of remedies which lead to functional separation so theoretically yes, practically you may need to go that route.

CHAIRMAN (MR MAJENGE): And a related question is, whether there are other examples elsewhere, where you, where there's a similar model, that you are proposing in relation to a wholesale open access?

MR CULL: There's examples on Cell C's network, in terms of what is turned in
5 the words that USN made mobile virtual network operator switch is essentially a fancy term for a reseller. So your, your phone that's Cell C because of its market position is quite happy to engage in wholesale on its own terms through MVNOs. You will not find MVNOs on Vodacom's network as far as I'm aware. And really, again we would question it again. So maybe you've got a specific
10 mechanism to allow wholesale access, but you certainly not putting it out in the market as a general offer, as a reference offer. And we certainly are not in a position, to verify whether it's been done on a non-discriminatory basis.

MR MAHUMA: Yeah, my last question, then is, other than the two proposals that you have put or placed on the table. Are there other alternative proposals
15 that you have considered to remedy these issues in the wholesale market for, for mobile data?

MR CULL: It's certainly something, it's problematic because I'm from Cape Town so I don't get a lot of time to think in the shower, [intervene] it's about 40 to 45 seconds each time so, that is something with which we can engage on
20 and, and, but I do want to make the point that Vodacom and MTN are not going anywhere. They are critical corporate citizens that connect the majority of South Africans. So we need to work with that and we need to work with what we can do in a way which balances concerns around investment and investor certainty and allowing access to so-called scarce spectrum etc. With the need to reform

certain market practices and, also as you've heard throughout today, to take a perspective which is not operator centric. Because this is not all about the operators and their profit margins and their revenue and the waterbed effect and the various scaremongering and tactics which inevitably come out
5 whenever we talk about, some kind of intervention. It's actually, a human question. It's about development, inclusivity or exclusivity, you make the choice.

CHAIRMAN (MR MAJENGE): Yeah, I think we will welcome alternative proposals so that we can test this with the operators. I think, I said this was the last question. But I think in the interest of time, we will certainly make some
10 follow up questions to you. We do have a number, of follow up questions. But perhaps let me ask just the last one on...[intervene] The last, last on what do you think are the main cost drivers of data? I'm not sure whether you were here when Research ICT made their presentation, essentially, they referenced four main cost drivers for data. According to their research, the first one was the high
15 rand dollar exchange rate, the second one was the costs of key inputs and the third one was constraints associated with the access to a high demand spectrum in particular 4 G and they've also referenced some regulatory issues in addition they also touched on issues of a market structure concentration and the like. In your view what do you think then are the main cost drivers?

20 **MR CULL:** I suspect we would be better advised to look at what REER has said in that regard and come back to you, but to make a note that all of those are external factors and I'm quite sure that their internal factors which drive costs as well. I think we, we need to look very carefully at the pricing models which are being employed. There's obviously this issue of the, the, the, the
25 lower the unit you buy the more expensive it is, which penalizes poor people is

that sustainable pricing model. Often that pricing model might be justified on the basis of breakage. So if we sell a bigger package we can work in more breakage and therefore we can offer a lower price. In, in the, the mobile networks public statements there also often link there, this high demand spectrum issue and they say that we're offering under a scarcity constraint which prevents us from lowering pricing. And it's a little bit tricky to wrap your head around, because typically when I think of scarcity pricing, then it's counterintuitive to a doctor model which rewards people for using more and more. And the second thing to be very clear on is that, that constraint is not a national constraint. The constraint in terms of spectrum and servicing customer demand is probably specific to a very limited number of base stations in a very limited number of up market areas of the country. In the vast majority of the country spectrum is in fact plentiful it's not being utilised. They're very few instances where it's in fact a scarce resource which may impact input as a driver on pricing it's certainly not or shouldn't be a driver of pricing in rural areas where majority of spectrum is currently unused. But we'll considered that one a little more and come back to you.

CHAIRMAN (MR MAJENGE): Thank you, thank you very much.

CHAIRMAN (MR MAJENGE): Thank you very much Mr Cull and Mr Kotze.
20 You, you are excused.

MR CULL: Thank you very much for your interest and your questions. It's appreciated.

MR KOTZE: Thank you very much.

CHAIRMAN (MR MAJENGE): Yeah, we will resume tomorrow morning to receive submission from the various mobile network operators who will commence tomorrow's proceedings at 9:00 o'clock [intervene], 8am I'm told.

RECORDING ENDED.

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