



“Measures To Reduce Interconnection Rates and High Costs of Telecommunications in South Africa”

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Neotel (Pty) Ltd



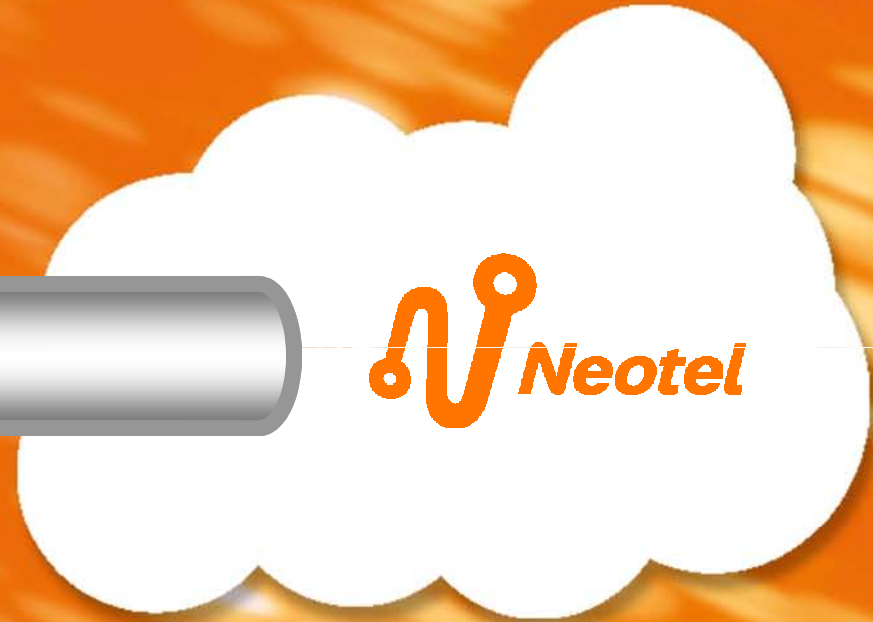
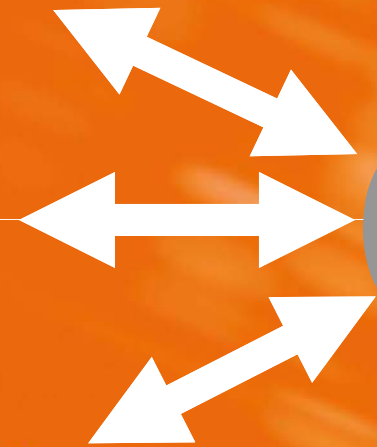
- SA's first truly converged network operator
- Licensed - December 2005
- Licences authorise the entire range of voice and data services
- Licences converted to ECNS and ECS in January 2009
- Enterprise services launched Nov 2007
- Consumer services launched April 2008



Voice

Data

Internet



Principles

- Neotel fully supports the **lowering** of termination rates in South Africa and the cost to communicate more generally:
 - benefit smaller players and new entrants
 - can lead to significant benefits for consumers
- Must be done pursuant to a **defined process** with **clear timelines** for implementation
- Result must entail a specific and clear benefit or **“pass-through”** to consumers

Neotel Retail Prices



Voice (per minute)

Call type	Example	Period	To Neotel	To Telkom	To MTN	To Vodacom	To Cell C
Local	e.g. 011 to 011	Peak	17c	34c	-	-	-
		Off-peak		17c	-	-	-
Regional	e.g. 011 to 012	Peak	33c	46c	-	-	-
		Off-peak		29c	-	-	-
National	e.g. 011 to 021	Peak	43c	57c	-	-	-
		Off-peak		33c	-	-	-
Mobile	e.g. 011 to 083	Peak	-	-	R1,76	R1,76	R1,76
		Off-peak	-	-	R1,09	R1,09	R1,09

SMS (per message)

Call type	Example	Period	To Neotel	To Telkom	To MTN	To Vodacom	To Cell C
SMS		All day	10c	-	35c	35c	35c

All prices include VAT @ 14%. Voice billing is true per second.

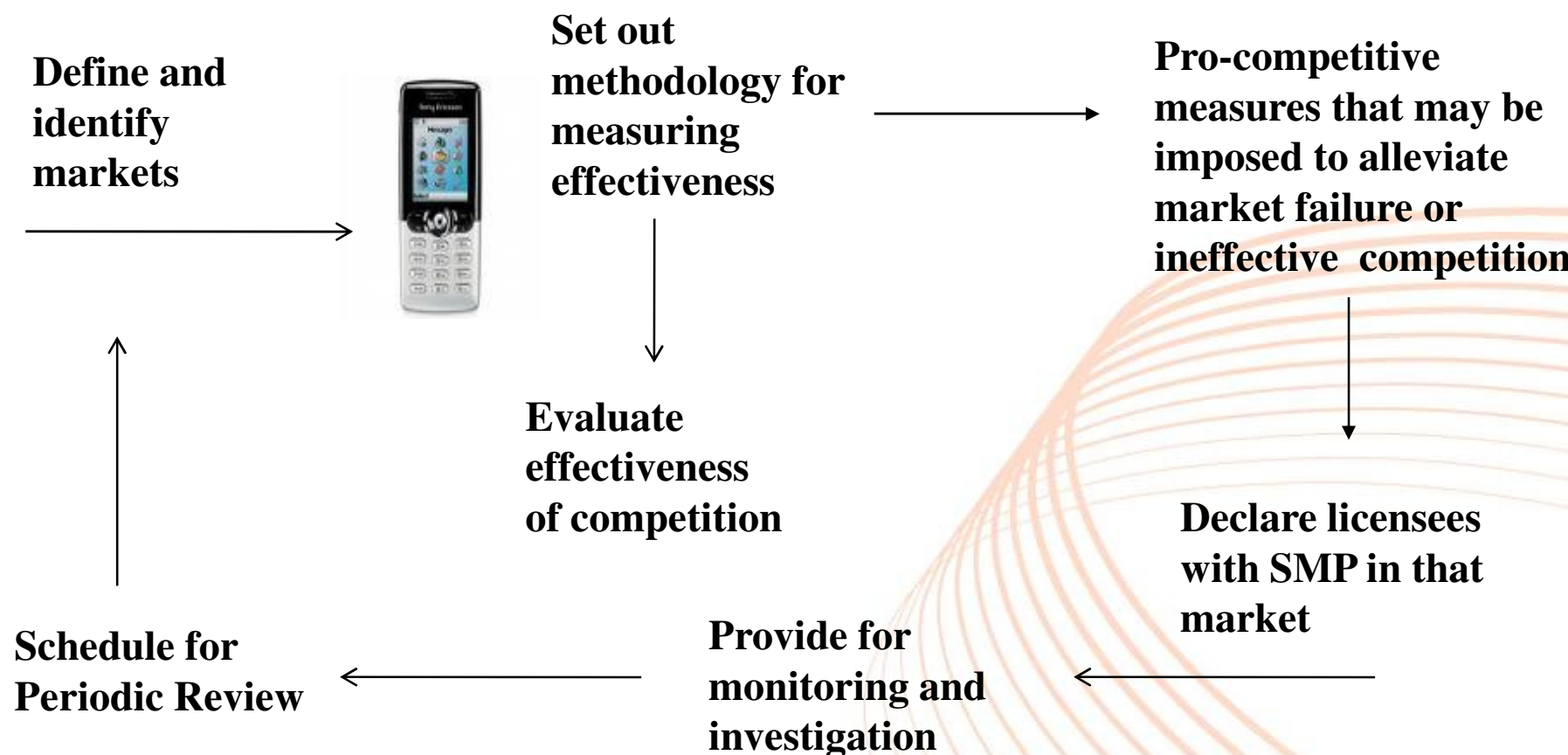
Holistic approach to competition

- The MTR is not the sole problem of competition in the sector
 - Sheer size of the mobile market has made the problem more acute
- Numerous problems of competition that require attention
 - Access regime
 - Chapter 10
 - Competition enhancing mechanisms, e.g. CPS, facilities leasing
- Current focus should also be part of **a broader strategy** of ensuring that Chapter 10 of the ECA is implemented (which contains pro-competitive measures)
- Full competition as envisaged by the ECA, will ultimately result in lower prices, more diverse service offerings and improved customer focus.

Importance of process

- Optimal outcome of process is dependent on clear roles, responsibilities and mandate
 - Multiple processes – lead to increased awareness and speedy interim measures;
 - Long term, sustainable measures are required to ensure that these interim procedures do not inadvertently result in unanticipated outcomes
- Price reduction must be done pursuant to a legislative or regulatory **process** by the **institution** tasked with this role
 - Role of ICASA – Sector Specific Regulator
 - Role of Chapter 10
- **Goal - speedy and effective implementation by the Authority of the competition framework contained in Chapter 10, ECA**
 - **Regulatory coherence**
 - **Procedural fairness**
 - **Comprehensiveness**

Market Definitions



A rigorous and transparent regulatory process to conduct the market and competition assessment and determine appropriate regulatory remedies.

Ensures compliance with the provisions of the Act and ensure that only areas of competitive failure are addressed.

Current Interconnection Debate



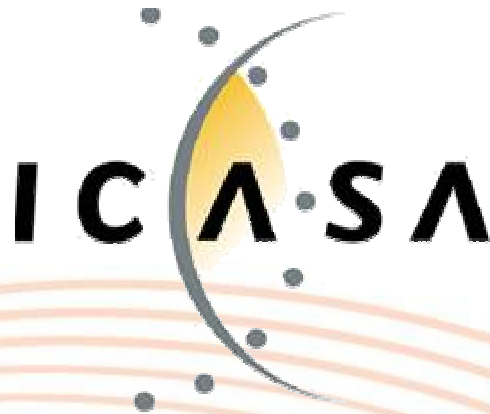
PARLIAMENT
OF THE REPUBLIC OF SOUTH AFRICA



Public Hearing
ECA Amendment?



Research and data gathering
Policy Directive?



Chapter 10?



“Industry –led” initiative

Conclusion

- Supportive of an immediate MTR cut subject to clear process
- Good for consumers, good for competition
- Seek clarity as to effect of multiple processes
- Need not preclude an “industry-led” process to lower rates, but clear timeframes are essential
- Financial tools available to assist and inform cost and glide path, if necessary
- But, high MTR’s to be seen in the context of other problems of competition
- Price cuts and other problems best addressed through implementation (and where necessary, amendment) of Ch 10
- Support ICASA to speedily, efficiently and effectively implement Chapter 10 on which also affects other important aspects of the ECA, e.g. CPS, essential facilities, LLU
- **Neotel remains at the Committee’s disposal to further clarify or assist and thanks the Committee for its committed efforts and an opportunity to present**



Thank you

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