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Department:
Communications
REPUBLIC OF SOUTH AFRICA

ICT
Trends and Development

January 2010 Policy Bulletin

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FOREWORD

Welcome to the January 2010 ICT Policy monthly bulletin. ICT developments in the world contribute to the application of information and communication technologies with the field of socio economic and international development. It allows countries to leapfrog stages of economic growth by being able to modernise their production systems and increase their levels of competitiveness faster. In South Africa ICTs are viewed as a means to catapult the country to a developed status, a strategy for the upliftment of citizens of the country.

The Trends and Developments in the ICT Sector (Policy) Bulletin highlights the policy developments as well as interventions taking place within the sector. Information and communication technologies (ICTs) are essential to the changes taking place throughout the world.

This month's Bulletin focuses mainly on the ICT sector, covering amongst others, general policy issues i.e. interconnection, infrastructure development in South Africa, regulatory intervention in the ICT sector and ICT development in African Postal Services. It also has an insert on the community radio support programme and its impact on the development of community broadcasting in South Africa.

1. GENERAL POLICY ISSUES

INTERCONNECTION

It is estimated that Vodacom, Cell C and MTN will together lose R1 billion a year in revenue once the new peak interconnection rate is implemented by March 2010 while Telkom will save R1 billion annually. The possible benefits from an increased subscriber based and increased usage due to lower tariffs is yet to be determined.

The peak mobile interconnection rate will be reduced from R1.25 cents per minute to 89 cents per minute. The reduction is expected to stimulate competition. A lower interconnection rate will reduce the barrier to entry for smaller players in the sector. It is also anticipated that operators will introduce innovative products at an affordable rate to keep and increase their subscribers.

Besides the traffic differential, the main issue is the difference between mobile peak termination rate of R1.25 and the Telkom's peak termination rate of around 25 cents.

Telkom paid the three mobile operators R5.4 billion in interconnection fees during its last financial year, of that, R3 billion was paid to Vodacom and the rest was split between MTN and Cell C. In other developments within the industry ICASA is expected to pronounce on the desired interconnection rate based on the outcomes of their market study, by June 2010.

Since the reduction of interconnection rates is expected to be implemented on a glide path covering a few years, South Africa's rates will continue to be fairly high, but not the highest. Over time, the interconnection rates will be more in line with global interconnection rates and the benefits will be more

visible. To ensure that consumers are not short-changed since the tariffs charged to them are not regulated, the Department of Communications is proposing to establish a consumer tariffs advisory council that would monitor telecoms tariffs.

CELL C TARIFF REDUCTION

Cell C is offering a tariff deal that is unbeatable in the local market. The Easy Chat All Day tariff of R1.50 is available across all of Cell C's package deals including Hola 7, Winc and Gospel Life. The tariff is a flat rate that applies regardless of the time the call is made, who the call is made to and what network the call is made on.

The new R1.50 flat rate is not only an unbeatable offering in monetary terms, but it takes away the complexity of cell-phone billing as the only thing subscribers need to remember is R1.50 per minute. When combined with the Woza Wheneva offering, which offers free minutes to subscribers when recharging prepaid accounts, i.e. for every R1 recharge, subscribers get one free minute. Subscribers to the tariff will pay a R0.50 flat rate for SMS.

Cell C was instrumental in driving down the Interconnect rates and continues to champion the cause of consumers. The Interconnect reduction was the first step in creating a more competitive environment in the local market, but in anticipation of the revised interconnect tariffs Cell C has added a further offer of R1.50 flat rate, made available on the Hola 7, Winc and Gospel Life package.

By: Mosima Matabane

2. INFRASTRUCTURE DEVELOPMENT IN SOUTH AFRICA – TWO INDEPENDENT TELECOMS OPERATORS LAUNCH A NEW BRANCH IN SOUTH AFRICA

(In the past years, carriers operating in South Africa were forced to make use of the services of the incumbent carrier, but now the awarding of ECNS licenses will allow service providers to build their own network infrastructure and carry third parties' traffic.

Carrier neutral co-location essentially provides carriers with a telecoms hub or 'market place' where they interconnect with any other carrier who has a presence in that market place. Interconnections are unrestricted and incoming carriers are not compelled to make these interconnects via secondary, usually expensive, hubs as was previously the case.

NewTelco GmbH has already established five other neutral carrier co-location hubs in major world capitals, namely Frankfurt, London, New York, Vienna and Kiev. The South African hub will now add competitiveness and give local and international carriers the flexibility to exploit the growing telecoms market, by providing reliable and high-quality services.

The partnership offers New Telco GmbH an opportunity to expand its offering to the African continent, while New Telco SA customers can leverage the interconnectivity that the German company has already established across the globe, with over 1000 carriers.

NewTelco SA will not compete with existing network providers, but will offer complementary value added service, targeting regional and international carriers without their own infrastructure and providing them to interconnect with other carriers at a co-location facility that is neutral, without needing massive investments in infrastructure. The carriers can select their own long distance capacity, connectivity and negotiating price on traffic volumes.

South Africa's delayed telecoms deregulation has put its telecoms market 10 to 15 years behind its European and US counterparts. The time is ripe for the establishment of this service. New Telco SA's services will undoubtedly assist to bridge that gap, driving down prices and increasing competitiveness within the region.

By: Thabile Skhosana

3. REGULATORY INTERVENTION IN THE ICT SECTOR

While the economy wide competition authority oversees all sectors in an economy and promotes an effective competitive economy to the benefit of consumers there are numerous reasons why a telecommunications–specific regulator is beneficial to the telecom sector.

Some of these reasons are:

The need for sector-specific technical expertise to deal with some key issues in the transition from monopoly to competition (e.g. network interconnection, anti-competitive cross-subsidisation). The need for advance rules to clearly define an environment conducive to the emergence of competition, and not just retrospectively apply remedies to "punish" anti-competitive behaviour or restructure the industry. The need to apply policies, other than competition-related policies, that are perceived important by national governments (e.g. universal service policies, national security and control policies). The need for ongoing supervision and decisions on issues such as interconnection, quality of service, and the establishment and enforcement of licence conditions, particularly for dominant operators.

The industry specific regulator is expected to:

Determine the size of the telecommunications market by providing licences for the purposes of delivering telecommunications services. To foster healthy relations between the different service providers by overseeing interconnection agreements so that service providers have equal access to the network provided by the dominant operator. To resolve disputes and maintain a level playing field or regulate for fair competition so that the dominant operator does not abuse his or her dominance in the market place. To meet public policy goals so that consumers are protected against high prices, poor quality of service, inadequate infrastructure, limited services, unsafe equipment and neglect by the service providers.

In South Africa, the telecommunications issues are referred to the industry specific regulator, which is the Independent Communications Authority of South Africa (ICASA). The country has also the Competition Commission, which also resolves competition disputes in Communications and other industries. Forum shopping has long been a concern in respect of effective regulation of the sector. Disputes would be lodged with one body and then relodged with another should be outcome be unsatisfactory or unfavourable. ICASA and the Competition Commission therefore signed an agreement of understanding about regulating the sector. The agreement outlines jurisdictions of interventions and allows for ICASA to approach the Competition Commission (and vice versa) when such a need arises so as to solve a problem amicably.

By: Zanele Sibiya

4. COMMUNITY RADIO SUPPORT PROGRAMME AND ITS IMPACT ON THE DEVELOPMENT OF COMMUNITY BROADCATING IN SOUTH AFRICA

As part of its strategic objective to improve the lives of South African people through access to ICT; the Department of Communications has been supporting the Community Radio sector since 1998 through the Community Radio Support Programme which includes the following: Infrastructure Roll-out; Satellite Network; Signal Distribution and Upgrade; Capacity Building and Training; and Programme Production. This article focuses on the status of the Community Radio Stations in the country.

IMPLEMENTATION PROGRESS

ICASA has thus far licensed 115 Community Radio Stations in the country of which the Department supports 80 stations. The Department has assisted the stations with broadcast infrastructure, signal distribution costs, as well as provision of capacity building: technical and human resources development in areas of management and marketing.

BROADCAST INFRASTRUCTURE

The Department provides on-air and production studio equipments after receiving requests from newly licensed and existing community stations requiring new infrastructure and upgrading of existing infrastructure. Supply of complete and existing stations for upgrade includes Netia Digital Audio workstation on Air/ production, Klotz Digital Xenon 12 Broadcast console,

Station output equipment, field recording equipment, transmission equipment, studio construction and installation.

The service provider that install the equipment will then provide the general training of operational personnel on the use of all station equipment, digital broadcast system and for the personnel for duties as technical administrator for Netia Digital Broadcast system. The equipment that the DoC provides to the stations is inherently robust and reliable ad is generally quite simple to maintain by someone with appropriate knowledge and training. However, certain simple precautions need to be taken to prevent accidental damage.

SIGNAL DISTRIBUTION

Since 2002, the Department in partnership with Sentech (the common carrier for the provision of the signal distribution) assists the Community Radio Stations with signal transmission whereby rebated service tariffs are offered and take all the responsibilities to maintain the broadcaster's transmitter. The Department has agreed to carry the costs of the signal distribution project for a period of four years for each station that is benefiting from the support programme. Currently the amount of support per station is R4.800.00 per month for 200 watts of transmitter power and if the stations increase its transmitter power by 50 watts, it is then the responsibility of the station to incur the costs of the extra 50 watts. The project was initiated in response to the challenges faced by a number of community broadcaster with regards to signal distribution.

Community radio broadcast on analogue FM network which results on limited space for the development of new stations due to scares resource (frequency) as is the case in Durban. Through digital migration the spectrum will be freed up and be able to shape the future dynamic. (Refer to Broadcasting Digital Migration Policy, 2008).

COMMUNITY TELEVISION

There are four temporary licensed (one year license) community television operators in the country. The following stations are already on air Soweto TV, Bay TV, Cape TV and Tshwane TV has just been launched, and it is anticipated that the station will be on air in the first quarter of next year. So far there is no legislative framework that provides for the Department to support the community television broadcasting services, and this means that stations which are not securing sponsorships will struggle to self-sustain themselves.

COMMUNITY RADIO SUPPORT PROGRAMME AND IMPACT ON SOCIO-ECONOMIC DEVELOPMENT

Community Radio could be used as a tool to communicate the community's needs and aspirations with the emphasis of building a knowledge society. The Community Radio sector provides a platform whereby community members can dialogue, debate and exchange ideas in their own language and various forms of expression on issues that impact their lives. It promotes active participation of communities in development and democratisation by enabling communities to articulate their experiences.

The Community radio sector is also a useful engine for the introduction of social change, cultural enhancement, economic development and democratisation. It offers platforms that allow communities to eradicate poverty by creating economic opportunities through access to alternative media.

The actual impact of the Department's interventions through its Community Radio Support Programme cannot be quantified at this stage as the Department uses blanket approach whereby support is equally given to all community radio stations licensed by ICASA regardless of needs and financial might of individual stations. The Department has held several workshops on Marketing and Management trainings to strengthen stations operations. As a result, the Department is undertaking a research study that aims to determine the impact of the DoC's Community Support Programme in order to inform the Department's future interventions. The research is essential as it will form the basis for Community Broadcasting Support Strategy (incorporating both community radio and community television) to be implemented in the 2010/2011 financial year.

CHALLENGES AND MITIGATION MEASURES

The Community Radio sector is struggling to self-sustain itself after the departmental intervention. The most serious threat to sustainability of the radio stations is the generation of revenue and adequate training of staff. Community radio by nature struggles to access advertising and other forms of financing, as a crucial part of the South African broadcasting landscape.

Skills and Financial management are some of the other challenges that impact on the natural development of Community Radio Stations. The Department of Communications continues to explore measures to overcome most of these challenges in conjunction with its stakeholders such as the Media Development and Diversity Agency (MDDA) and National Electronic Media Institute of South Africa (NEMISA) by providing trainings programs. Looking at the myriad problems facing the sector, the Department is confident that the research which it is currently undertaking will offer solutions to map out strategies to resolve the problems faced by the sector.

JOB CREATION

Community Radios appoint management to perform day-to-day activities and install discipline and direct the focus of the station and personnel to implement the operations of the radio station. Unfortunately the community radio sector has experiences continuous exodus of skilled personnel to established commercial and public services broadcasting stations without transferring skills to new members. The Community Radio Stations operate as complete organisations with mandate and goals to achieve, therefore, part of their mandates is to provide opportunities for unemployed youth to develop skills and experience in the broadcasting industry.

By: Robert Makatu

5. ICT DEVELOPMENT IN AFRICAN POSTAL SERVICES

African postal service providers should not be afraid of embracing information and communication technology (ICT) as it plays a major role in shifting market and customer needs. ICT is expected to improve the quality and efficiency of service provided. It will also provide a platform for the development of other e-services.

The Pan African Posts Day coincided with the inauguration of Tanzania's national addressing and postcodes, a project pioneering the implementation of a street-type addressing system with postcodes and the creation of a national address database. The system involves naming and identification of streets and numbering of all houses in accordance with new addressing standards. Under the same system, Tanzania will be divided into postcode areas and a five-digit postcode system will be used for identifying areas. Postcodes will also be allocated to specific post office establishment and major customers.

Enhancing the effectiveness and efficiency of universal postal services in the country is of concern to the government. Movement of letters, packets, parcels and financial services form part of the daily lives of people across the country, continent and the world. Postal services therefore have a critical role to play in our collective efforts to accelerate development, and hence we need to continue to harness the potential of postal services as an instrument of development.

The African Posts Day was observed under the theme: 'The Post, a veritable means to bridge the digital gap'. The primary objective is to have an efficient postal network in Africa that effectively interlinks with the rest of the world and guarantees a wide range of quality ICT-based products and services to meet and even exceed customer expectations.

A truly integrated information society can only be a reality if the rural and urban, as well as the information-rich and information-poor communities are connected through modern communication infrastructure, The 21st century was increasingly being defined by phenomenal growth in the ICT sector, driven by the 'Internet explosion' that has created new ways of doing business.

According to a UN study in 2008, Internet users were five times less in Africa than in North America -- 51 million in Africa compared to 248 million -- whereas the African continent is three times more populated (955 million) than North America (338 million).In Africa more than half of the Internet users are in the Northern sub-region and in South Africa. In sub-Saharan Africa only 3 percent of the population are connected to the Internet.

The digital gap negates the building of a fully integrated, harmonious and equitable information society in Africa. Stakeholders in the communication industry were urged to take measures to mitigate the effect of this phenomenon.

At world level, the Post has about 660,000 post offices. In Africa, the post net work has 30,300 post offices widely spread in urban and rural areas. Member countries of Pan African Postal Union (PAPU) have been called upon to support the e-Post Africa project, so that it could successfully embrace digital integration on the continent.

By: Idah Mphahlele