



RIGHT2KNOW

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Right2Know submission to the Competition Commission of South Africa on the Data Market Inquiry Public Hearing

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The Right2Know Campaign (R2K), launched in August 2010, is a coalition of organisations and activists across South Africa focusing on issues of information access, secrecy, surveillance, media and communication rights and freedom of expression. We, as R2K, seek a country and a world where we all have the right to know – that is to be free to communicate and to access and impart information and ideas. Right2Know has worked extensively with activist communities to advocate for more affordable access to communications technologies.

It is disheartening to note that in spite of technological advances and growth in mobile telecommunication users, the economies of scale accruing to mobile telecommunication companies still enjoy super-profits at the expense of the majority of South Africans. It is quite clear that the telecommunications sector is dominated by a few companies who therefore act as an oligopoly. In this light, the Right2Know Campaign welcomes the Competition Commission's Data Market Inquiry, and hereby presents this submission to help expose the oligopolistic tendencies of telecommunication companies and their adverse effects on the livelihoods of poor people.

This submission, a slightly different version of the submission made to Parliament on the 12th of September 2016, is based primarily on research into the lived cost of communications in South Africa commissioned by the Right2Know Campaign and conducted by the LINK Centre at the University of the Witwatersrand, which relied on quantitative and qualitative research conducted with 5 focus groups composed of participants from low-income (R6,400 – R3,201 per month) and very low income households (R3,200 per month and below) in 3 provinces: Gauteng, the Western Cape and Kwazulu-Natal. The full report, published in 2015 is available digitally here: <http://www.r2k.org.za/wp-content/uploads/R2K-lived-cost-communications.pdf>

The cost of communication has often been simply understood in quantitative terms, applying a certain monetary amount to the cost of a phone call or access to the Internet. This monetary amount only explains part of the story, however, as it does not necessarily capture an individual's "lived" experience trying to access their right to communicate.

In considering the lived cost of communications in urban South Africa, and noting the effective mobile substitution of voice and the emergence of mobile apps and mobile Internet, this exploratory research sought to understand how mobile phone users experience ownership of mobile phones, access to mobile communications and the cost of ownership and access. The report represents an initial exploration into this "lived experience", as a basis for (i) understanding mobile communications from the perspective of the user; and (ii) a future investigation into the strengths and weaknesses of existing policy and regulation from the perspective of the lived experience.

The research paints a dire picture in which poor and working class South Africans struggle to pay for basic communications and can scarcely even begin to imagine access to next generation networks that offer high speed Internet.

1. Are data prices in South Africa (whether mobile, fixed or other) higher than they ought to be?

In South Africa, only just over $\frac{1}{3}$ (34%) of the population are online. This is in part due to the high data prices: South Africa remains one of the most expensive in the world when benchmarked against other countries, even when adjusted for cost of living. South African research company Tarrific found that South Africa has the second highest data contract prices compared to other BRICS-member countries (namely Brazil, China, India, Russia). The research identified data contract prices from the leading mobile network operators in other BRICS-member countries, as well as Kenya and Australia and these were compared against the average data contract prices across all South African mobile network operators. Even after adjusting prices with the cost of living index in each country, South Africa had the second highest data contract prices in the group, with Brazil holding the highest data costs. To put this into perspective, South African data prices are 134% more expensive than the cheapest data prices in the group.

Since 2014, the price of 1GB of data from South Africa's two largest mobile operators - MTN and Vodacom - has flatlined around R150. Cell C charges R149 and Telkom charges R99 for 1GB. According to Research ICT Africa, even at a price point of R99, Telkom have not managed to exert price pressure on the two biggest players who still dominate the market. This suggests

that South Africans are willing to pay for coverage and speed - since MTN and Vodacom have the fastest and most reliable networks. Unfortunately, this cuts out almost half of South Africans who are unable to afford the high price points of these major players.

In contrast to other middle income countries, South Africa has a relatively low percentage of the population online. Other barriers preventing the 66% of South Africans from reaching online connectivity include: slow internet, lack of interesting content, lack of local language content and too few people to communicate with. However, out of all of these barriers, the majority of respondents (60%) indicated data costs as the biggest barrier preventing them from using the internet.

Compared to the rest of the world, it is even more depressing - the National Development Plan described South Africa's current ICT infrastructure as "abysmal" compared with the best international standards. To put this into perspective, India only charges R11 for 1GB, Nigeria charges R22, Ghana R71, Russia R24 and Vodacom in Tanzania charges R98 for 1GB but R149 in South Africa. While there has been an increase in data usage over the years, cost remains a key limiting factor that dictates just *how much* people can actually use the internet.

2. To the extent that data prices in South Africa are higher than they ought to be, what are the factors that drive these outcomes?

Comparative studies of mobile data pricing in Africa, undertaken by Research ICT Africa (RIA), indicate that with regard to prepaid mobile 1GB data prices, South Africa is ranked 35th out of 49 African countries.[1] This is a shocking position for one of the leading economies in Africa. RIA adds that the cost of the cheapest 1GB of data in South Africa is USD6.79 (ZAR99) as of Q1 2018, and nearly three times the cost of the cheapest basket in Ghana, Kenya and Nigeria'.[2] So in Egypt, people are paying USD1.13 for 1GB of prepaid mobile data, in Kenya USD2.46, in Ghana, USD2.68 and in Nigeria, USD2.79. Using the historical exchange rate at end Q1 2018 of ZAR14.62 to the US dollar, this means that on 31 March 2018, South Africans were paying a minimum of ZAR99 per 1GB prepaid mobile data, while Egyptians were paying ZAR16.52, Kenyans ZAR35.96, Ghanaians ZAR39.18 and Nigerians ZAR40.78. We are spelling this out in detail to fully demonstrate how ludicrous South African data prices are and we want to show the bare facts of the matter.

The question is why is this the case? Why are South Africans paying three times the price of mobile data as compared to other leading sub-Saharan African countries? Why are South Africans paying six times more than Egyptians for mobile data?. RICA

does have this research capacity and we encourage the Competition Commission to put this question to RIA in the course of their data market inquiry. We imagine that the answer will involve an understanding of the communications policy and regulatory environments in these countries as well as their macro- and micro-economic conditions. The answer may also involve political factors such as the political will of government to govern effectively and the political will of citizens to exert pressure on their governments.

It is likely that a range of factors will be identified by the submissions to the Competition Commission's inquiry. These may include:

- The inordinate delay in the release of high demand spectrum for mobile broadband
- The failure of universal service policies and practices to provide affordable broadband access to the poor;
- The decline in the use of mobile voice services and the increasing dependence of mobile operators on data for growth and income;
- The failure of the Independent Communications Authority of South Africa (ICASA) to timeously undertake a market inquiry into mobile data services as a basis for regulating the wholesale price of data;
- The inordinate delay in the digital broadcasting migration to free up high demand spectrum below 1GHz that is suitable for rural mobile coverage;
- The failure to implement infrastructure sharing with respect to broadband networks;
- The disarray and shambolic conduct of a captured state, unable to implement policy effectively and in the interests of the citizenry.
- The failure of the current proportional representation system to hold political representatives directly to account for their decisions and actions – a democratic deficit.

3. What is the impact of data prices and access to data more broadly on lower-income customers, rural customers, small businesses and the unemployed? How important are affordable data prices for these customers?

The high cost of data in South Africa and limited access disproportionately affects lower-income, rural customers, small business and the unemployed - a group who, if given complete access, would likely benefit most from being connected. For people living in rural communities, having access to the internet could provide them with opportunities which they otherwise may not have had access to.

In considering the lived cost of these communication barriers in South Africa, Right2Know partnered with the LINK Centre to understand more deeply how the cost of ownership and access affects the lived experiences of people who are marginalized by the high costs of data. For income categories (i) ZAR2,001 – ZAR5,000 per month; (ii) ZAR501 – ZAR2,000 per month and (iii) ZAR500 or less per month - the potential loss of economic opportunities experienced by the inability to communicate can have strong negative effects on households, including failure to access food and income opportunities with economic efficiency. Amounts of R6 and R10 are significant sums of money in these income categories, as they make the difference between being able to communicate and not being able to communicate. Participants were aware that while they can buy airtime for R6, they cannot buy a data bundle for R6, expressing an awareness of missing out on the information society, an awareness of finding oneself marginalized by the extension of inequality in the mobile call and the mobile data communications market. This digital inequality links to the larger structures of inequality in the economy and society. The value gained from airtime is negatively affected by the poor network quality. For example, in a case where a participant bought airtime, which ran out even though she could not use it effectively due to poor network quality. It was also argued that free airtime deals should be structured to enable the consumer to call any number, because he/she may not have enough people to call on the same network.

Affordable data prices are important to these consumers because social communication enables households to conduct tasks that would otherwise require extra time and money investment. For example, households rely on mobile data to apply for jobs, receive offers and conduct other work-related transactions. It is also useful for banking (i.e. paying bills, transferring money) information distribution and crime prevention. Although these “everyday uses” may appear very basic, they are vital for and directly translatable into cash and time savings, as well as safety benefits for low income households.

4. How can these factors be effectively remedied?

These factors mostly relate to systemic failures of policy and implementation by government, political society and regulators along with the complacent nature of communications corporations as primary primary providers to citizens.

- What can the Competition Commission do to remedy these failures? R2K recommends that the wholesale and retail divisions of the mobile operators be structurally separated along the lines of the intervention that the Competition Commission made with respect to Telkom in 2013. This will force the operators

to be more transparent with regard to their wholesale pricing. It may also have the effect of moving towards open access in the mobile sector where wholesale operators compete to provide services to downstream service providers in a similar manner to the competitive provision of fibre in the country. Opening up the mobile sector in this way may then have the effect of driving the price of mobile data down through the effect of greater competition.

- ICASA and all regulatory bodies need to ensure that data costs are decreased to match the socio-economic needs of South Africans.
- Affordable data and airtime for all South Africans.
- Communications must be universal. Everyone has a right to communications that are available and affordable.
- All SMS's should 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 cross subsidize post-paid users.
- Data bundles should not expire if they are unused.
- Cell phone companies must improve the quality of service, including network outages, dropped calls, calls that don't connect, and data coverage.
- The range of numbers that are free to call (like police and ambulance) should be increased to include our children's schools and hospitals

[1] Research ICT Africa. Policy Brief 1. July 2018, p.2.

[2] Ibid. p2.