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COMPETITION

Telecommunication, economic growth and regulatory intervention

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INTRODUCTION

On 24 May 2017, Dr. Siyabonga Cwele, the Minister of Telecommunications and Postal Services delivered his department's 32nd budget vote to Parliament. During his speech Minister Cwele announced certain key telecommunications priorities for the year ahead, which included amongst others:

- the expansion of information and communication technology ("**ICT**") access through the roll out of broadband;
- the increase of skills for internet utilisation; and
- measures to reduce cost of data and devices.

It was acknowledged by the Minister that developmental competition within the telecommunications sector and the pursuit of the above priorities take place on the backdrop of the Fourth Industrial Revolution: a revolution which fundamentally changed the way in which all individuals interact and conduct business in South Africa.

ICT SECTOR

It is interesting to note that total investment towards ICT sector development during 2016, in a challenging economic environment, increased by 18.8% to R28 billion. The main focus of this investment within the telecommunications industry during 2016 was on general network improvements as well as fibre deployment in major urban areas.

In addition to the above, the recent report from the Independent Communications Authority of South Africa ("**ICASA**") showed that 3G coverage had reached 99% and 4G coverage, 75% of the population. However, not all those who are 'covered' have access to or are using the internet, as only 53.4% of South African households have access to the internet.

The abovementioned investment by telecommunications service providers takes place in an environment where there is a call from South Africans that "data prices must fall". According to a 2017 StatSA Report, the information and communication technology service providers contribute 3.0% to the Gross Domestic Product and costs associated with communication constitute 4.6% of household expenditure.

During 2016, Minister Cwele issued a Policy Directive to ICASA to prioritise the commencement and conclusion of an inquiry and the prescription of regulations to ensure effective competition in broadband markets. To date, there has not been any intervention from ICASA. ICASA has indicated that they will only be in a position to finalise their inquiry in the next 2 to 3 years. Government however deems the pursuit of intervention as critical in a rapidly evolving ICT sector.

In light of the slow movement from ICASA, Minister Cwele indicated that the requirement to enhance competition and the need to form a robust understanding of competition within broadband markets, may now require intervention by the Competition Commission ("**Commission**").

CONCLUSION

The question that begs the answer is, where lies the balance between capital required for infrastructure development, operational costs, and the cost of data? This is only one of numerous issues to be considered by both ICASA and the Commission going forward. This, whilst consumers are calling for higher quality service as well as lower data prices.

We await the outcome of the regulatory analysis.



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