

29 March 2018

Telkom Outlines Barriers to Further Lowering the Cost to Communicate in South Africa

Speaking in Parliament this week, Telkom, South Africa's lowest data provider at R0.29 per MB outlined measures that could further lower the cost to communicate for South Africans. These include access to the sub 1GHz frequency band, introduction of the wireless open access network and subsidising broadband for poor communities.

Access to sub 1GHz frequency band

Telkom presented to the Committee on Communications and Public Enterprises that significant challenges remain to further lowering the cost to communicate including Telkom's lack of access to the sub 1GHz frequency band. Rolling out infrastructure using sub 1Ghz is more cost effective than rolling out in higher frequency bands. Especially in sparsely populated areas.

Establishment of the Wireless Open Access Network

Telkom believes that increasing service level competition in the telecommunications market will bring about further cost reductions for South African consumers. This is especially necessary in the mobile market which is characterised by the dominance of two vertically integrated service providers. During its presentation Telkom highlighted that it has been able to facilitate greater service based competition in the fixed space through the establishment of Openserve which provides fixed wholesale services to, amongst others, internet service providers who have benefited from reduced prices as a result of efficiencies that they can pass on to consumers.

Telkom restated its support for the establishment of the Wireless Open Access Network (WOAN) as a tool to increase service level competition in the mobile space and drive down pricing for South Africans. Eighty percent of South Africans with internet access connect via mobile technology. Telkom believes driving service level competition in the mobile sector will increase retail competition by enabling the financial sustainability of smaller players and new entrants.

Reiterating concerns around a proposed spectrum auction, Telkom argued that a spectrum auction will entrench the existing mobile duopoly where Vodacom has 45.8% of the market and MTN has 32.7% of the market based on the number of SIMs. They argued that a spectrum auction will be an expensive and prohibitive exercise for Telkom and other smaller players.

Broadband Subsidies

Telkom proposed that government may also consider subsidising broadband for poor communities in South Africa. The Electronic Communications Act established a universal service fund where mobile operators contribute 0,2% of annual gross revenue. These contributions may be used to subsidise broadband for poorer communities and further lowering the cost of communication for poor communities.

Telkom believes this would drive greater uptake of broadband services and a reduction of the digital divide.

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ABOUT TELKOM:

Telkom is a leading information and communications technology services provider in South Africa. We had consolidated operating revenue of R41 billion and normalised profit after tax of R3 907 million for the year ended 31 March 2017. Total assets amounted to R48.0 billion and equity attributable to the owners of Telkom to R27.6 billion as of 31 March 2017.

As of 31 March 2017, we had approximately 3.0 million telephone access lines in service and 1,329,450 ports connected via MSAN access. We offer business, residential and payphone customers a wide range of services and products, including:

- fixed-line retail voice services using PSTN (Public Switched Telephone Network) lines, including ISDN (Integrated Services Digital Network) lines, and the sale of subscription based value-added voice services and calling plans;
- fixed-line customer premises equipment rental and sales services both voice and data needs and these include PABX, Computers, Routers, Modems, Telephone handsets and other ancillary equipment;
- interconnection services, including terminating and transiting traffic from South African mobile operators, as well as from international operators and transiting traffic from mobile to international destinations;
- fixed-line data services, including domestic and international data transmission services, such as point-to-point leased lines, ADSL (Asymmetrical Digital Subscriber Line) services, packet-based services, managed data networking services and internet access and related information technology services;
- Data Centre Operations includes e-commerce, application service provider, hosting, data storage, e-mail and security services;
- W-CDMA (Wideband Code Division Multiple Access), a 3G next generation network, including fixed voice services, data services and nomadic voice services;
- mobile communication services, including voice services, data services and handset sales through our mobile brand called Telkom Mobile;
- information technology services including converged communication, IT service solutions, application solutions, IT hardware and software and industrial technology service sales locally, in seven African countries, the UK and Dubai through Business Connexion Group; and other services including directory services, through Trudon (Pty) Ltd, wireless data services, through Swiftnet (Pty) Ltd.
- Convergence is one of our key strategic initiatives in building a sustainable future for Telkom. We will lead the provision of converged services in South Africa in support of our mission statement: Seamlessly connecting people to a better life.