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***SOUTH AFRICA***

***COUNTRY REPORT***

***TO***

***TRASA AGM 2006***

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**REGULATOR:** INDEPENDENT COMMUNICATIONS AUTHORITY  
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**PERIOD:** April 2005 – March 2006 (9<sup>th</sup> TRASA AGM)

**DATE** :MARCH 2006

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## **B. OVERVIEW OF ICASA ACTIVITIES**

### **MAJOR ACHIEVEMENTS**

#### **1. Finalisation of the SNO licensing Project**

The Minister of Communications granted the SNO a Public Switched Telecommunication Service (PSTS) licence on the 17 September 2004. Integration of the SNO entity was only completed in August 2005, and it was in August 2005 that ICASA was required to proceed with the issue of the PSTS licence to the SNO. The terms and conditions of the SNO licence were negotiated between ICASA and the SNO, these were subsequently finalised and on 9 December 2005, the SNO was issued with a PSTS licence.

#### **2. Review of the VANS licensing framework**

The value-added network services (VANS) licensing framework had to be reviewed in light of the Ministerial Determinations that were promulgated in September 2004. VANS operators were previously restricted in the provision of services, to provide data only. However, the Minister determined **1 February 2005** to be the date where this restriction was uplifted. VANS operators can now carry voice as part of their service provision. This necessitated that the regulations as well as the terms and conditions around the provision of VANS services be revised.

#### **3. Number Portability**

Number Portability affords telecommunications users the right to choose operator/service provider, change location without losing the number. Ultimately this leads to the operator satisfying the telecommunications user's needs and an improved provision of cost effective services to the public by providers of telecommunications services. The Number Portability regulation and mobile functional specification regulation have been finalized through the normal regulation making process and promulgated by the Minister in September 2005. The

Authority is currently finalizing the mobile order system specification and consumer code of practice in consultation with the mobile operators. The number portability regulations require the introduction of mobile number portability by July 2006.

The licensing of the second network operator to provide public switched telecommunication services has necessitated the fixed line block number portability regulation making process to be started. The Authority intends publishing a draft regulation for comment within the last quarter of the 2005/6 financial year. Other number portability related processes would follow to ensure that fixed line number portability is available to the public when the SNO introduces its services.

#### **4. Central Number Database (CNDB)**

The Authority has installed a Central Number Database on its central server with controlled access to staff in the Licensing, Enforcement and Numbering Administration division. This database houses all the numbering data applicable to the South African telecommunications industry. The database is functioning on a Microsoft Access platform. These include both E.164 numbers and other network related numbers. The various statuses of numbers would be reflected in the database. The objectives of the database are as follows:

- Manage and administer the numbering spectrum;
- allow and enable the telecommunications industry to interact with ICASA on number related matters more effectively;
- create a transparent numbering environment through the ICASA's website; and
- produce number allocation certificates and number withdrawal certificates.

The Authority intends making this numbering data available to the public and the telecommunications industry through its website in the coming months.

## **5. Numbering Plan**

In terms of section 89 of the Telecommunications Act, the Authority has developed a Numbering Plan regulation. The Numbering Plan is now geared to meet these numbering requirements of the Second Network Operator, Under-Serviced Area Licensees, VANs providing voice over internet protocol and the need for number relief mechanisms.

The Numbering Plan is neutral, non discriminatory and clearly structured, identifying various number ranges for specific telecommunication services. Number ranges not in use are reserved for future growth to accommodate new service demands. A proper allocation and numbering procedure, commonly referred to as the Numbering Conventions is included to allow for the efficient use of numbers and the effective management of numbering capacity for the South African telecommunications industry. The Authority expects the Numbering Plan to be promulgated by the Minister in the coming month.

## **6. Rate Regime for Public Switched Telecommunications Services (PSTS)**

The first review of the rate regime was done in September 2005. The next review will be done in September 2007. The current regulations have set the level of tariffs in respect of services offered by PSTS operators at an efficiency factor (X) of 3.5% over the period of 3 years. Telkom will file its annual tariffs 30 business day before the 1 August each year.

## **7. Mobile Operator's Chart of Accounts & Cost Allocation Manual (COA/CAM): Volume 2**

The Authority started the process of engaging the mobile operators to comply with COA/CAM Volume 2 regulations in March 2005. Mobile operators have submitted draft version of their procedures manual. The Authority is expected to approve the mobile operator's procedures manual on 31 March 2006 and the operators are expected to file with the Authority Current Cost Accounting (CCA) Audited regulatory financial statements on 31 September 2006.

**8. PSTS Operator's Chart of Accounts & Cost Allocation Manual (COA/CAM): Volume 3**

COA/CAM for PSTS operators was finalised in July 2002, and Telkom submitted Audited Regulatory financial statements in September 2004 on a historic basis. The statements are submitted annually, and they are to be submitted every September.

With the use of COA/CAM regulations ICASA will be equipped to determine the following:

- a. Ensure that operators do not exploit market power to earn excess monopoly profits;
- b. Ensure that operators do not engage in predatory pricing;
- c. Ensure that operators do not engage in anti-competitive cross subsidisation;
- d. Ensure that operators do not price on an unduly discriminatory basis;
- e. Ensure that prices are cost orientated and sufficiently unbundled;
- f. Protecting consumers by monitoring and approving tariffs and pricing regimes;
- g. Monitoring the financial situation of operators.

**9. Mobile pricing**

In July 2005, the Authority published a Discussion Document in respect of the appropriateness of Mobile prices for use by consumers. The objective of the Discussion Document is to establish whether Mobile Services prices are high also whether regulatory intervention is needed. The Authority will be holding public hearings herein during March 2006.

**10. Enquiry into Handset Subsidies**

In May 2005, the Authority published a Discussion Document on handset subsidies and the effect they have on the growth of the mobile market. The goal of the Discussion Document was to establish if handset subsidies were a potential barrier to consumers changing mobile operators. The Authority will be publishing its findings and conclusions document by March 2006.

## 11. Under-serviced area licences (USALs)

The Minister of Communications (“the Minister”), published in terms of section 34(2) (a) of the Telecommunications Act 103 of 1996 (the Act) an Invitation to Apply (the ITA) in Government Gazette Number 27166 of 11 January 2005. In the same notice the Minister listed names of provinces with their respective districts and municipalities where applications were invited to apply in terms of section 40A of the Act.

The main objective of the project is to ensure universal service and access by all under-serviced areas particularly rural areas which currently do not have or lack sufficient coverage of telecommunication services.

In accordance with the provisions of the said section 40A the Minister determined those geographic areas where the teledensity is less than 5% and published the ITA in Government Gazette mentioned above the following names of provinces and districts municipalities concerned to allow small businesses to apply:

Limpopo Province: CBDC 4 Bohlabela District Municipality

DC 34 Vhembe District Municipality

KwaZulu-Natal: DC 27 Umkhanyakude

DC 29 King Shaka

Eastern Cape: DC 13 Chris Hani

DC 14 Ukhahlamba

Free State Province: DC 20 Northern Free State

DC 19 Thabo Mafutsanyana

Gauteng: CBDC 2 Metsweding

CBDC 8 Westrand

Mpumalanga: DC 31 Nkangala

DC 30 Eastvaal

North-West Province: DC 39 Bophirima

DC 37 Bojanala Platinum

ICASA received 43 applications from the above districts. Public hearings were conducted in those districts from 2 November 2005 to 3 February 2006. The Authority intends to make its decision on those applications in the first quarter of 2006.

## **C. TECHNICAL ASPECTS**

### **1. Number of Fixed Networks**

We now have two fixed line operators though the Second National Operator (SNO) will only start its commercial operations during the latter half of the current calendar year. The number of fixed line subscribers is around 4.8 million.

### **2. Number of Mobile Networks**

There are three mobile networks in South Africa. Two of these, namely MTN and Vodacom are well established having been operating commercially for more than ten years. The third operator in this category, Cell C, only started operating commercially in November 2001.

### **3. Value-added Network Services (VANS)**

At the time of writing the report, in excess of 300 value-added network operators had been licenced. In excess of twenty of these operators had indicated an intention to provide Voice-over Internet Protocol (VoIP) services. Most of these have since been allocated numbers to enable them to provide this service.

#### **D. SADC GUIDELINES/MODELS**

We have already adopted a number of the guidelines developed for the region in our rulemaking processes. Included in this category are the following:

- a. Pricing guidelines
- b. Wholesale pricing guidelines