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

Prepared for October 17, 2018

What is the Right2Know Campaign?

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.

Our Approach

This submission 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. The report utilized quantitative and qualitative data from 5 focus groups 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.
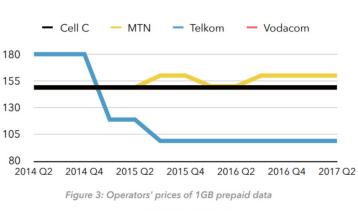
Are data prices in South Africa (whether mobile, fixed or other) higher than they ought to be?

Data Costs South Africa

- South Africa has one of the most expensive data prices in the world, even when adjusted for cost of living
- 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.
- South Africa has the second highest data contract prices compared to other BRICS-member countries (namely Brazil, China, India, Russia)
  - South African data prices are 134% more expensive than the cheapest data prices in the group.
- Even at R99, Telkom have not managed to exert price pressure on MTN and Vodacom.
  - This cuts out almost half of South Africans who are unable to afford the high price points of these major players.
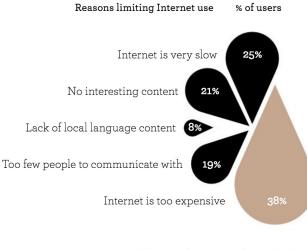

Figure 3: Operators' prices of 1GB prepaid data

Source: RAMP Index Q2 2017

Data Usage South Africa

- Only 34% of South Africa's population are online
- In contrast to other middle income countries, South Africa has a relatively low percentage of the population online.
- barriers preventing the 66% of South Africans from reaching online connectivity include:
  - slow internet
  - lack of interesting content
  - lack of local language content
  - too few people to communicate with.
- However, majority of respondents (60%) indicated **data costs** as the **biggest barrier** preventing them from using the internet.

Reasons limiting Internet use   % of users

Internet is very slow   25%

No interesting content   21%

Lack of local language content   8%

Too few people to communicate with   19%

Internet is too expensive   38%

Almost four out of 10 current Internet users say that cost limits their Internet use.

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

Data Usage South Africa

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**'

Country	Cost for 1GB of Prepaid Data (ZAR)
Egypt	16.52
Kenya	35.96
Ghana	39.18
Nigeria	40.78
South Africa	99

Why are South Africans paying 3x the price of mobile data compared to other SSA countries?

The answer requires an understanding of the communications policy. regulatory environments, macro- and micro-economic conditions and political conditions in the country.

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?

High data costs impacts lower income consumers most

- For income categories between R500-2000 per month, loss of economic opportunities experienced by the inability to communicate can have strong negative effects on households
- 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.
- Affordable data prices are important because they enable households to conduct tasks that would otherwise require extra money + time investment, such as:
  - Applying for jobs
  - Receiving offers
  - Work-related transactions
  - Crime prevention
  - Banking

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.

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?

R2K Recommends

1. 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.
2. ICASA and all regulatory bodies need to ensure that data costs are decreased to match the socio-economic needs of South Africans.
3. Affordable data and airtime for all South Africans.
4. Communications must be universal. Everyone has a right to communications that are available and affordable.
5. All SMS's should be free as they cost the operators almost nothing to transmit.
6. Everyone should get a free basic amount of airtime and data in the same way that we have free basic water and electricity.
7. ICASA must regulate the cost of airtime and data to stop profiteering.
8. Prepaid communication users should not cross subsidize post-paid users.
9. Data bundles should not expire if they are unused.
10. Cell phone companies must improve the quality of service, including network outages, dropped calls, calls that don't connect, and data coverage.
11. The range of numbers that are free to call (like police and ambulance) should be increased to include our children's schools and hospitals