Internet industry update:

South Africa

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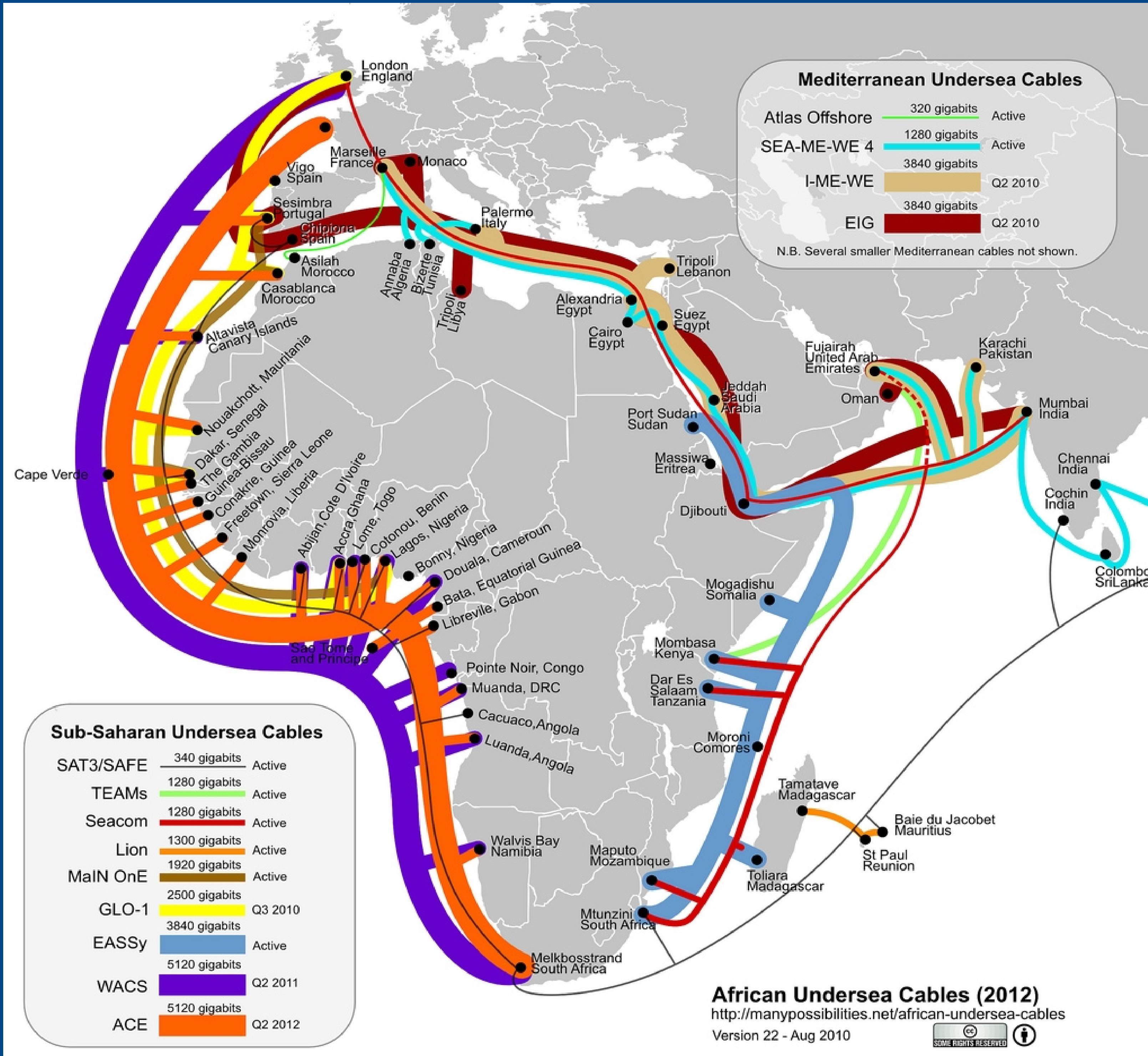
15 September 2010

Quick Recap

- Licence conversion: Jan 2009
  - Right to deploy own infrastructure
- DFA launch: Jun 2009
  - Metro fibre costs plummet. National to follow
- SEACOM goes live: Aug 2009
  - International bandwidth costs plummet
- Broadband Infraco licensed: Oct 2009
  - Intention: reduce national bandwidth costs
- Metro fibre deployments



Cable Map

by

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Competition Realised

- ADSL bandwidth price wars
  - Usage-based costs plummet
    - AfriHost launch R29/GB; others follow (and undercut)
  - Uncapped services
    - M-Web launch; others follow (and undercut)
  - Wholesale pricing reductions
  - Questions around sustainability
    - But few casualties so far
  - Consumers reap massive savings
    - But not on access (no competition) and still no “Naked ADSL”
  - ADSL upgrades from 4Mb/s to 10Mb/s

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Competition Realised

- Wireless broadband
  - 3G/HSPA
    - Vodacom and MTN launch 14Mb/s HSPA and 21Mb/s HSPA+
    - Out-of-bundle rates drop
    - Subscriber growth (88%) far outpaces ADSL (13%)
    - Overtakes ADSL in terms of users' primary connectivity
    - Cell C enters the HSPA race; undercuts VC and MTN significantly
  - Other
    - i-Burst pricing reductions
    - Various new WiMax offerings; aggressive pricing
    - WISPs grow coverage; reduce pricing
- Fibre Access
  - Various new offerings; aggressive pricing and unprecedented capacity
  - Massive savings versus leased-lines

Real competition == real savings

- Lessons learned
  - Real competition succeeded in making broadband faster, more affordable and more widely available
    - It continues to do so
  - Where competition is lacking, pricing is still high
    - ADSL Access pricing: LLU / bitstream essential
    - Wireless access: Frequency allocations / auctions urgent
- ISPA role changes
  - Fewer monopolies == fewer competition complaints
  - Less protector; more facilitator
  - Code of conduct becoming more critical

Threats

- Local spam rising
  - But more co-ordinated response
    - Hall of Shame
    - SpamJam workshops
    - Pending legislation
- Expectation management
  - Copyright holders
  - Online gambling
  - CSAI and pornography
  - Sign-up and registration procedures (RICA)

Internet Exchanges

- Johannesburg (JINX)
  - Massive growth
    - Many new participants
    - Additional space required
    - Traffic volumes increased exponentially
      - 1.4Gb/s over the fabric; additional bypassing
- Cape Town (CINX)
  - Relaunched a year ago
  - Traffic volume now ~0.25Gb/s
  - Participants include Google

Activities

- Workshops
  - Operators
  - SpamJam
- Social responsibility
  - Teacher training
  - Entrepreneur training
- Regulatory
  - Submissions, advisories
- Code of Conduct

Membership and Media

- Grew from 146 to 181 (24%)
- Members compliant with Code of Conduct
- Pro-active meetings with larger members
- Ongoing PR and media interaction
- Pro-active efforts to manage conflicting interests

Conclusion / Questions

- Healthy industry
  - Increased competition
  - More bandwidth
  - Lower prices
- Strong association
  - Long term objectives being achieved
  - Membership growth
  - Code of Conduct compliance
- Challenges
  - Primarily regulatory