

Lack of competition hurts mobile market in SA

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The key reason why the "true" cost to communicate in SA remained high was because of lack of competition, Cell C chief executive Alan Knott-Craig said on Friday (30 November).



Parliament held public hearings on communication costs in SA on Thursday (29 November) and Friday (30 November), with major network service operators in the mobile sector all making submissions. SA still has some of the highest mobile charges in Africa. The Organisation for Economic Cooperation and Development (OECD) ranked the country 33rd for the cheapest product offered by the dominant operator, and 19th for the cheapest products in the country.

"The cost to communicate should not be based on promotions. For real impact, (we should) only consider where underlying demand exists. Giving cheap free stuff such as weekend specials, zone and night shift creates more traffic, some revenue and is fun for customers but does little for the real cost of communicating," Knott-Craig said in his submission to members of parliament's communications portfolio committee.

He said in order to boost competition in the sector, there needed to be active policy and regulatory interventions.

The mobile sector in SA is largely dominated by Vodacom and MTN. The department of communications told MPs on Thursday last week that the two mobile giants were most resistant to passing on to consumers the mobile termination rate price reductions and were mainly responsible for the high mobile voice prices.

It said that despite the introduction of the call termination regulations, mobile retail prices were still relatively high. Call termination regulations were introduced in 2010 and a "glide path" that would see mobile termination rates slashed to R0.40 in March next year was unveiled.

According to the Independent Communications Authority of SA (Icasa), the price of prepaid mobile voice calls has dropped 24%, from R1.37 to R1.04, over the past two years as a result of amendments to call termination rate regulations. Termination rates are fees operators pay each other for customers to make calls across networks. The Department of

Communications said it was mulling over the idea of imposing a flat rate on mobile voice calls in SA.

Knott-Craig told MPs that small operators needed low termination rates to compete, but lower rates meant lower revenue and further reduced margins.

"Although the small operators need low mobile termination rates, this change in itself may destroy them," he said.

In his presentation to MPs Friday, MTN's chief executive Karel Pienaar said the mobile operator had been actively reducing call rates over the last three years. He said an average *MTN Zone* customer now pays less than 99c per minute to make a voice call. Pienaar said SA may not have the lowest mobile price per minute in the world, but "we compare very favourably with peer countries in low usage category where majority of mobile subscriber base is located in LSM 1 to 4".

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