

High broadband costs stifle innovation, opportunities

By [Tshepiso Seopa](#)

3 Jul 2009

It is accepted that broadband costs in South Africa are high as compared to many countries. In the effort to remedy that, the government established the Broadband Infraco in 2006 with the main objective of expanding the availability as well as the affordability of electronic telecoms in South Africa.

The Independent Communications Authority of SA (ICASA) recently conducted public hearings into the invitation to apply for a licence that was issued earlier this year to Broadband Infraco.

The hearings were in relation to the application for the Individual Electronic Communications Network Services as well as the Individual Electronic Communications Services by Broadband Infraco. The I-ECNS licence enables the operator to build and operate a telecommunications network, while the ECS licence allows the operator to sell managed services over the network.

The regulator received written responses from Telkom, Vodacom, the Internet Service Providers' Association, Internet Solutions and the Meraka Institute.

Mandate questioned

In its submission the Internet Services Provider's Association questioned the Broadband Infraco's legislative mandate. The association said, that it does not dispute that under the legislative mandate the Broadband Infraco is entitled to both an IECNS and the IECS licences but that there is still no clarity on the distinction drawn between the provisions of the two. And that the authority must find expression in the terms and conditions of the licences to be awarded

“ISPA is concerned with the suitability of the current regulatory framework for the regulation of the entity such as Broadband Infraco, and calls on Icasa to take a definitive lead in providing guidance to the industry with its interpretation of the licensing framework and market structure,” says the ISPA.

“There is a risk that the BI might in future seek to use its licence to compete in a manner that will distort competition existing markets. It received R950 million of taxpayers' money in start-up capital. Through its failure to make any concrete proposals with regard to the roll out of telecoms services to underdeveloped areas gives an impression that this is not currently a priority,” says the ISPA.

According to Toby Shapshak, editor of *Stuff Magazine*, Broadband Infraco, like all government projects, is hamstrung by a range of policies and practices that make it very difficult for them to function in an industry that responds much quicker

to market conditions.

“Formed in 2006, they have little to show for three years of progress, while privately owned Seacom has almost completed their US\$600-million undersea cable in two years. Cheap and bountiful broadband is essential for a range of important services, not just fast access to YouTube.”

“If you look at how broadband-rich countries tend to innovate, you can see what a powerful business enabler it is. Without broadband, you can't have Silicon Valley or outsourcing to India or Ireland's success story. South Africa is missing out on these massive global outsourcing opportunities, especially in call centres and business processes, because of our favourable time zone to Europe, but we're too expensive because telecoms costs are too high. You can also provide services (both government and private industry) to the population,” says Shapshak.

The monopoly

“The telecoms industry is highly monopolised; the monopolised control of the only existing undersea cable, Sat3, by Telkom has been the biggest impediment to date - because Telkom has controlled the wholesale cost of bandwidth sold to service providers. Seacom will offer an alternative and its CEO Brian Herlihy says wholesale prices have already come down 90%. Whether that's passed onto consumers is what the industry is waiting with bated breath for,” adds Shapshak.

“Icasa has been a case study in how not to act as an allegedly independent regulator. It has been undermined and thwarted by the Department of Communications under the previous minister, and has been under-funded and under-resourced. Perhaps Sipiwe Nyanda can change that, and it should be one of his priorities,” concludes Shapshak.

ABOUT TSHEPISO SEOPA

Tshepiso Seopa was a junior journalist at Bizcommunity.com

- Digital Dzonga launched - 22 Jul 2009
- ICASA invites submissions for broadcasting self-provisioning - 8 Jul 2009
- High broadband costs stifle innovation, opportunities - 3 Jul 2009
- Brand SA aims for the Barcelona 92 effect - 3 Jul 2009
- Spotlight on Kingdom of Lesotho - 26 Jun 2009

[View my profile and articles...](#)

For more, visit: <https://www.bizcommunity.com>