

28 March 2014

The Director-General, Department of Communications;
For attention: Ms. Mameetse Mphahlele, Head: ICT Policy Review Project Management Office
Block C, iParioli Office Part, 1166 Park Street, Hatfield, Pretoria
Private Bag X860, Pretoria, 0001

Via email: GreenPaper@doc.gov.za

Dear Ms Mphahlele,

Re: OFFICIAL COMMENTS ON THE PROPOSED NATIONAL INTEGRATED ICT POLICY GREEN PAPER, 2014 PUBLISHED IN GOVERNMENT GAZETTE 37261 ON 24 JANUARY 2014

1 Introduction

1.1 The Department of Communications (DoC) has invited written comments on The Proposed National Integrated ICT Policy Green Paper, 2014 (Published In Government Gazette 37261 On 24 January 2014) (“the Document”).

1.2 FibreCo Telecommunications was founded with the objective of building South Africa’s largest long-distance fully open access fibre optic network. The Company believes strongly that its investment will make a significant contribution towards the provision of affordable, reliable and fast Internet access to ordinary South Africans.

1.3 FibreCo’s business model is a working example of how private infrastructure investors and competitive operators can work together to deploy infrastructure quickly, cost effectively, and in a manner which allows other operators to gain access to the same infrastructure on an open access basis, without the need for regulatory intervention or the risk of anti-competitive commercial practices.

1.4 FibreCo submits that this type of industry collaboration is essential to the broader objectives of the ICT Policy in terms of promoting the deployment of enabling broadband infrastructure quickly and cost-effectively. Efficient backbone infrastructure is critical to the reduction of input costs for service providers which, in turn, will translate to more affordable and higher quality broadband service to consumers. However, clearly industry alone cannot deliver on the breadth of the requirements for broadband across the entire population base, and government will necessarily play a central role in ensuring that the whole country is able to benefit from access to broadband connectivity.

1.5 FibreCo has examined the Green Paper and takes this opportunity to respond to it in the public interest, with a view to strengthening the proposal and facilitating faster achievement of its objectives and goals.

2. Comment on the On The Proposed National Integrated ICT Policy Green Paper, 2014

2.1 FibreCo lauds the Department of Communications’ goal of achieving universal broadband access in the interests of the people and the economy of South Africa. As a new player engaged in rolling out broadband infrastructure across South Africa, we expect to make a meaningful contribution toward these aims.

2.2 In **Chapter 9: Universal Access and Services**, FibreCo submits that it is worth noting that extensive broadband infrastructure networks are already in place, with more roll-outs underway by new operators, of which FibreCo is one. These networks can connect small settlements *en route* to major hubs, thus ensuring that at least those rural areas located close to the major transmission routes can benefit directly from this infrastructure.

For example, FibreCo's link from Johannesburg to East London has sites at Klip, Parys, Kroonstad, Ventersburg, Kleinfontein, Reddersburg, Smithfield, Aliwal North, Kaalplass, Esperanza, Glencairn, Stutterheim, along with major points-of-presence in Johannesburg, Bloemfontein and East London. Alongside our other commercial customers who will be operating traffic across this link, our fibre is available to any other operator or public enterprise (including Telkom and BBI for example) to enable developmental initiatives such as e-Health and e-Education into these relatively under-serviced areas.

2.3 In Chapter 10: 'Promoting Investment in the ICT Sector', FibreCo submits that it is important to ensure that Government investment in broadband networks are complementary to, and do not duplicate private sector investment in existing networks. Such duplication would negate the investment case for private capital thus increasing the cost of capital for privately funded networks. A higher cost of capital will, in turn, increase the cost of services to the end consumer and result in unnecessary capital deployment on the part of the public sector.

FibreCo submits that government funding can be most effectively deployed in building out regional distribution networks (i.e. Provincial backbone networks) needed for connecting underserved areas to the national backbone links already in place or under construction.

It should also be noted that while rollout in certain areas may at this stage not be commercially attractive for private operators, government can underpin their viability by issuing up-front commitments to take up some capacity on the network in the relevant underserved areas if delivered on time. Such commitments would improve the business case for private sector investment in infrastructure, and enable more efficient allocation of government expenditure already committed for planned ICT spend, reducing the need for capital expenditure by the public sector, whilst achieving the same desired outcomes.

2.5 In Chapter 5: 'Enabling Environment for Electronic Communications': In considering the objective of the ICT Policy Paper to "the creation of an enabling environment as it relates to broadband"

FibreCo strongly supports the principle that open access wholesale networks, as articulated in "South Africa Connect", is critical to enable innovation and competition. This is precisely in line with our business model. Not only do we support this approach for the reasons outlined in the Document, but in the long-distance fibre domain, this open access model enables competing operators (as well as public and private enterprises) to access their own fibre infrastructure at a much lower price than if they had to build competing networks individually, given that the cost of construction comprises more than 80% of the total deployment cost.

2.6 In Chapter 5, section 5.2.4 'Competition Issues', FibreCo believes it is important to differentiate between service-based competition and infrastructure level competition. It is our belief that on this subject, the emphasis of the Policy should be to enable true infrastructure competition which, in turn, will allow service-based competition to thrive.

Furthermore, FibreCo's submits that despite Telkom already owning 144,000 km of fibre, the South African broadband sector collectively has not been successful in achieving universal access. FibreCo submits that this is because the Telkom network is not available to other operators at an infrastructure level. Only when Telkom's dark fibre and ducts are available to other operators can true competition take place, which will stimulate service-based competition. Alternatively, if the government actively supports the development of new, independent open access infrastructure providers such as FibreCo and others, a similar outcome can be achieved.

FibreCo urges more clarification on the objective of wholesale network regulation and the wholesale open access networks, against the context set out above.

2.7 In Section 5.4.1.2 'Deployment of High Capacity and High Speed Fibre Networks and Broadband', reference is made to reducing the cost to rolling out infrastructure, FibreCo wholeheartedly supports need to create more efficient

coordination amongst government institutions (national, provincial and local spheres) through the implementation of the rapid deployment measures in the current legislation. In addition, the scope of these regulations should be extended to include access to water use licences, environmental impact approvals and access to way leaves on rail and power lines, which are essential in the deployment of long-distance fibre infrastructure.

As noted above, FibreCo believes that private sector investment in expanding networks to rural areas would be incentivised if the government put forward its commitment to act as a customer to these networks. This would increase the scope of privately funded networks, but would probably still leave a gap in respect of the universal access goal. This is where in our view Broadband Infraco has a key role to play. If Broadband Infraco's mandate is to support the government's developmental objectives and facilitate access, it would meet its mandate efficiently and cost effectively by acquiring fibre from private sector open access operators where available, and building new links where there are gaps.

2.8 In Section 9.4, 'Access Gap Analysis' refers to a gap analysis to be undertaken across national, provincial and local government levels. FibreCo strongly supports this approach and would welcome an opportunity to contribute to such a process. Collaboration between the public and private sector in the gap analysis phase would enable stakeholders to prioritise areas geographically, based on existing and planned networks. This data, coupled with the broadband access priorities, would enable a cohesive strategy to roll out connectivity to areas not yet covered, without the risk of duplication.

2.9 To summarise, in the interests of speeding up universal access delivery and ensuring the most efficient, cost-effective implementation of infrastructure, FibreCo proposes:

- Changing the focus of the policy as it relates to long-distance fibre infrastructure from building additional infrastructure to enabling access. In light of the fact that Telkom alone has installed over 144,000 km of fibre, while private operators are rapidly rolling out extensive networks, much of South Africa is currently covered by broadband networks. Optimal use of those networks, through infrastructure-level open access and opening up the value chain, will drive competition and incentivise development to underserved areas;
- Bringing the cost of services down by sharing this cost between as many operators as possible;
- Supporting and enabling infrastructure level competition, allowing commercially-driven infrastructures to extend networks to – or close to – underserved settlements; and
- Where settlements are close to networks but excluded, incentivising private sector operators to connect these settlements using government's proposed ICT services spend into these areas. In this way, the government agencies need only invest in connecting the remaining excluded settlements; thus eliminating duplication of networks and unnecessary cost.

3 Conclusion

FibreCo supports the broad objectives of the National Integrated ICT Policy Green Paper, and would like to thank the Department of Communications for receiving our comments

We believe open access infrastructure is key to facilitating the competition that will stimulate broadband development across the country. Greater collaboration between the private and public sector in both planning and implementation is needed to ensure a cohesive approach which does not duplicate networks unnecessarily. In addition, government incentives to private sector by means of commitment to serve as a customer, would greatly enhance the private sector investment case to roll out to underserved areas. This would enable the government to achieve its universal access goals more rapidly and cost effectively.

Yours faithfully

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Arif Hussain

Chief Executive Officer