

chairperson's review



MANDLA LANGA
Chairman
(1 July 2000 – 30 June 2005)

I hereby present to Parliament the annual report of the Independent Communications Authority of South Africa (ICASA) for the financial year 1 April 2004 – 31 March 2005.

I have had the privilege and responsibility of chairing the first Council of ICASA that has led the organisation during its formative years from 1 July 2000 until 30 June 2005. During this time we have tried to shape a credible, coherent and effective regulatory body that could deal with the immense challenges facing the communications sector.

At the time of preparing this Annual Report, the Convergence Bill of 2005 was being debated by the Parliamentary Portfolio Committee on Communications (PPCC). This Bill presents a substantial revision to the current telecommunications and broadcasting sectors and is without doubt the most important legislative development since the Telecommunications Act and the Independent Broadcasting Act.

Our regulation has evolved from a time when no framework was in place, to a system based on transparency, fairness and the public interest. On the whole, I believe we have done well to protect the public interest, whilst establishing stability, growth and development in strategic sectors of the economy.

We have a right to trumpet our own achievements, as ICASA has been instrumental in stabilising a rapidly developing industry, whilst operating on an inadequate budget.

I am proud to say that during the year under review, the broadcasting division has produced policies and licensing

proposals that could extensively reshape the broadcasting sector for years to come. These policies and proposals impact on the public broadcaster, regional television broadcasting, the commercial radio market, community television, community radio, pay television and subscription broadcasting generally. The amount of work generated during this time is a remarkable achievement and is dealt with in detail in this Report.

ICASA has continued the fundamental transformation of the broadcasting sector from the apartheid state's monopoly control and a censorship regime to a prosperous, competitive and increasingly black-owned and controlled sector. We now have a sector that plays a vital role in the promotion of indigenous content, diversity of views and opinions, and freedom of expression.

ICASA is confident that the regulation of subscription broadcasting and the introduction of new entrants into the subscription broadcasting market will dramatically change the way the market is structured, introduce competition, address niche market needs and provide consumers with choice and diversity in programming.

ICASA is required by law to promote investment in the South African broadcasting industry. Over the next few years, we could see the doubling of the number of commercial sound broadcasting licences in South Africa.

We are very excited about opening up new opportunities in North West, Mpumalanga, Limpopo and Northern Cape provinces. We are also confident that these commercial opportunities will stimulate investment and entrepreneurship in the so-called second

economy of broadcasting. No economic market is risk free, but we believe that private commercial radio is now a market that is far more attractive to investors and advertisers.

The amendment of the SABC's radio and television licences was indeed a historic moment for both the public broadcaster and the regulator. ICASA conducted the most comprehensive consultative process in our history which took the best part of 15 months to reach fruition. In making its decision on the licence conditions to be imposed on the SABC in respect of each of its broadcasting services, ICASA attempted to strike an appropriate balance between, on the one hand, protecting the viability of public broadcasting services and, on the other hand, ensuring that the SABC's licences properly reflect its reorganisation into the public service division and the commercial service division (and, especially, the status of the SABC's various services as public broadcasting services).

In granting regional television licences to SABC 4 and 5, ICASA decided to suspend the issuing of these licences until the SABC had secured appropriate and necessary funding.

In accordance with the spirit of the Constitution, we are committed to promoting the provision of television broadcasting services at regional level to cater for all language and cultural groups, especially those languages that have been marginalised.

We have also reserved frequencies for digital terrestrial broadcasting in anticipation of the finalisation of government policy on the migration from analogue to digital.

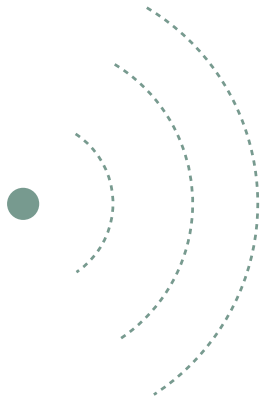
ICASA is confident about the development of this technology, while mindful of the need to protect consumers when migration becomes a reality.

South Africa stands at the beginning of a new digital era. In order to fully reap the benefits of the technology, we must have a supportive regulatory framework that encourages competition, diversity and universal access for all citizens. Regulatory solutions must be found to ensure that the digital revolution becomes an integral part of our developing economies.

South Africa has learned that delays in the opening up of our various communication sectors can have an adverse impact on the related policy goals of increased competition, greater choice in content and carriage as well as affordable communications.

We want to ensure that both local and foreign investors have confidence in our ability to open up markets and attend to regulatory bottlenecks without delay. In this spirit, we look forward to implementing the rapid liberalisation of our sector and promoting competition in all telecommunications and broadcasting markets.

One of the aims of further liberalisation must surely be the increased roll-out of different forms of broadband in South Africa. Every regulator takes pride in its capability to usher in competition. It was with a great sense of mission that ICASA welcomed this possibility, with the processes that flowed from the Telecommunications Amendment Act of 2001, which outlined the route that should be taken to license the Second Network



chairperson's review continued

Operator (SNO). However the disappointing delays in the licensing of the SNO have been well documented. I had always envisaged that by the time my term ended the SNO would have been not only licensed but openly competing for business.

It is likely that the SNO will be licensed during 2005. This is our main priority and we have a dedicated team of ICASA councillors, management and staff working on this important project.

From ICASA's side, there is much work to be done. While increased competition offers more choice, the duplication of certain network elements is neither financially nor practically sound, and our challenge will remain to ensure a fair and non-discriminatory access regime.

The importance of the Convergence Bill, in whatever form it finally eventuates, cannot be overstated. The legislation as it currently stands, we have seen, often cannot accommodate the demands of technological change. The Convergence Bill is aimed at addressing that structural flaw that current legislation presents.

The opportunity presented by the Convergence Bill provides the occasion to remedy possible past defects with sector legislation. A golden opportunity exists to correct problems that may have presented themselves in the past.

Regulation is an ongoing process. As markets evolve so must regulation. So while much has been done in terms of establishing a regulatory framework, ICASA still has several major tasks ahead of it.

During the last year ICASA reviewed and updated certain critical telecommunications regulations and guidelines, including:

- Chart of Accounts and Cost Allocation Manual (COA/CAM) for mobile operators
- Interconnection Guidelines
- Facilities Leasing Guidelines
- Review of Fees and Charges for PSTS Services (Rate Regime)
- The Numbering Plan; and
- Number Portability Guidelines.

These are dealt with in more detail in this Annual Report.

While we await the reformation promised by the Convergence Bill, it is important for ICASA to continue with the tasks required by the Telecommunications Act, including the Ministerial Determinations.

It is our mission that ICASA should continue to facilitate a world-class communications environment with accessible services at affordable prices and should promote competition at all levels and in all markets.

As my term as Chairperson comes to an end on 30 June 2005, I would like to thank the President and the Minister for giving me the opportunity to serve the country and to lead the organisation for the first five years of its existence. I am grateful for the confidence that has been shown in my abilities.

I would also like to thank the Parliamentary Portfolio Committee on Communications for the oversight role they have played and continue to play with respect to ICASA, its finances and the appointment of Councillors.

ICASA is an important constitutional institution that cannot afford to lose its role as a credible, fair and expert authority. I trust that the regulator will continue to chart new waters and reach new heights in the quest to open up markets, provide more choice in services and content and lastly, to protect the principles of our great Constitution.



ICASA 4th year Anniversary and Stakeholder meeting 2004

chief executive's overview



JACKIE BOITUMELO MANCHE
Chief Executive Officer

It gives me great pleasure to present the Independent Communications Authority of South Africa's (ICASA) Annual Report for the year ending March 2005.

During the period under review, the ICASA executive management team has managed the organisation well in support of the Council. Despite successes in taking forward the mandate of ICASA, a number of challenges remained. The challenges identified include the following:

- Difficulty in attracting and retaining highly qualified staff
- Under-funding
- Inefficient and lengthy processes in key processes such as licensing, thereby undermining the credibility of the regulator

ICASA embarked on a number of initiatives aimed at addressing some of the challenges that continue to face the regulator. These initiatives centred around the following:

Performance Management

In an effort to build an organisation that is responsive, ICASA introduced an organisational performance management system. This initiative is a first step in building a performance driven organisation, and to also reward outstanding performance. A common performance management framework was designed and implemented across the whole organisation.

Job Grading and Salary Parity

One of the outcomes of the creation of ICASA out of a merger of IBA and SATRA was the discrepancies in staff salary levels. This not only created huge discontent among staff, but also led to a difficult relationship with the unions. During the year under review, a consultative and comprehensive job evaluation and grading process was undertaken to ensure parity in salary levels below senior management. A new salary structure was proposed and implemented. This marked an important achievement in our efforts to attract and retain skilled staff. A similar exercise will be undertaken for senior management as part of the organisational transformation process.

Funding Model

ICASA is a public entity wholly funded by government. ICASA continues to face significant funding constraints, which limit its ability to regulate the increasingly complex communications sector. International comparisons of regulatory authorities reveal that ICASA has one of the lowest budgets among a set of comparable regulators. The liberalisation of the South African communications sector with its rapidly increasing range of services and number of players provides new challenges for ICASA. In making a case to meet these challenges, ICASA proposed to government a funding model that would provide ICASA with the necessary resources to take on these challenges on a sustainable basis. The recommendation was made as part of the drafting of the forthcoming amendment to the ICASA Act.

FUTURE STRATEGIC CHALLENGES

After five years of its existence, ICASA is yet again at a crossroads. Changes in the legislative environment, new roles and responsibilities and imperatives for more affordable communications services have put ICASA under pressure to transform. ICASA has embarked on a comprehensive strategy to transform the organisation, primarily in response to the legislative changes in the communications sector. Both the Convergence legislation and the amendment to the ICASA Act will affect ICASA's operations. The strategic formulation process is aimed at giving effect to ICASA's vision which is to be an **effective**, **continually relevant** and **credible** regulator of the South African Communications sector.

The term *continually relevant* speaks to the rapid changes in the communications industry – the convergence of technology and services, the further liberalisation of the market that has brought in new services such as voice over Internet protocol (VOIP), the increase in the number of players and therefore competition – all of which would require ICASA to respond rapidly to these changes and to the needs of the sector.

ICASA will have to keep up with these changes in order to fulfil its regulatory mandate and to provide a predictable and suitable regulatory framework for the converged environment. In the migration from the current to the converged environment, ICASA must maintain its role as a transparent and *credible* regulator.

This will be necessary to ensure continued stability in the sector, and to create an environment conducive to both local and foreign investment, economic growth and job creation.

Our strategy rests on three drivers of value by which we will exceed the expectations of our stakeholders and customers, and maximise ICASA's impact on the growth of the communications sector. The three drivers of value are:

- In-depth understanding and effective regulation of the communications sector. In order to be a knowledgeable and proactive regulator of the communications sector, ICASA will develop policies that promote investment growth in the communications sector, protect vulnerable communities and groups, and drive the improvement of services to under-served communities and groups.
- Functional effectiveness. ICASA will meet its stakeholder objectives by satisfying the needs of its customers of putting into effect appropriate regulation, providing transparent and responsive processes that address the needs of the sector it serves and providing relevant information needs.
- World-class execution of all its functions. The new organisational strategy is based on the drive to bring about efficiencies to the internal functioning of the organisation – at both the administrative and Council levels. This calls for building the organisational management capabilities necessary for additional mandates that will be brought about by the new legislation.

chief executive's overview continued

ORGANISATIONAL POSITIONING TO MEET FUTURE CHALLENGES

Due to the changed legislative environment, ICASA will have to:

- Review and adopt an organisational strategy in support of the legislative imperatives
- Develop new policies and regulations in line with the legislation
- Amend and repeal policies and regulations in conflict with the legislation
- Reissue all licences in terms of the new categories specified by the legislation
- Restructure the organisation in line with the legislative imperatives

Executive management has committed itself to become a responsive, learning organisation that is relevant to our stakeholders and customers. We will do so by aligning resources with strategic priorities, building organisational capability by attracting top talent and improving leadership and management competencies, and instilling a culture of performance. To ensure that the strategy is implemented successfully, a number of key interventions have been identified: key of which will be implementing an organisational structure that supports the strategy, cascading the strategic plan into operational plans, and reviewing progress regularly using a balanced score card.

ACKNOWLEDGEMENTS

As a statutory body implementing a public mandate, ICASA aligns itself with national vision and priorities. In this regard, I would like to express my sincere gratitude to the Parliamentary Portfolio Committee on Communications for the oversight role it continues to play. I would also like to thank the Ministry of Communications,

including the Department under the leadership of the Director-General for their support during this reporting period.

I wish to thank the ICASA Council for leading and guiding the executive management team on strategic issues. Most of all I would like to extend my personal gratitude to ICASA's most valuable asset, ICASA staff and executive management. Your commitment to contributing to ICASA's mandate and therefore the national policy objectives is an inspiration to us all. I look forward to another exciting year in the movement of the organisation from its present position to a desirable but uncertain future position full of promises. Notwithstanding the fact that the organisation has never been to this future place, I am confident that the pathway that we have crafted is clear and concise to all of us.



ICASA Aids Awareness Day

council members



MANDLA LANGA
Chairman
(1 July 2000 – 30 June 2005)



PARIS MASHILE
Chairman
(1 July 2005 – 30 June 2010)



NADIA BULBULIA
(1 July 2002 – 30 June 2006)



LUMKO MTIMDE
(1 June 2002 – 30 June 2006)



MTHOBELI ZOKWE
(1 July 2005 – 30 June 2009)



DR TRACY COHEN
(1 July 2004 – 30 June 2008)



MAMODUPI MOHLALA
(1 July 2002 – 30 June 2006)



ZOLISA MASIZA
(1 July 2004 – 30 June 2008)



highlights of the year

THE UNDER-SERVICED AREA LICENSING PROCESS

ICASA held licence application hearings into seven Under-Serviced Area Licence (USAL) areas. The hearings were followed by final evaluations, Ministerial approval and ICASA issuing the first seven USAL licences. The objective of these licences is to ensure that telecommunication services are rolled-out to areas where there was no service or limited service provision in the past. It is intended that through this licensing, access to telecommunications services at affordable costs particularly in the rural communities is attained.

FURTHER LIBERALISATION OF THE TELECOMMUNICATIONS MARKET

In September 2004, the Minister for Communications announced policy changes that seek to further liberalise the telecommunications market. These included the carrying of voice by value-added network service providers, self-provision of links by mobile operators and the resale of spare capacity by private telecommunication network service (PTNS) operators. ICASA, in response, convened a colloquium to solicit public input, and drafted and published regulations in pursuance of these determinations.

REVIEW OF FEES AND CHARGES FOR TELKOM

ICASA reviewed the Price Control Regulations, which require Telkom to levy fees and charges according to the prescribed determination. This was a consultative public participatory process

and it included the publication of a discussion document, draft regulations and hearings into the proposed regulations. The proposed regulations, once implemented, would result in lower overall tariff increases by Telkom.

SABC LICENCE AMENDMENT

The SABC submitted its amendment applications in terms of the Broadcasting Amendment Act in March 2004. ICASA received eleven (11) representations as well as the SABC's response to the submissions, and conducted hearings in September and October 2004. In February 2005 ICASA published proposed licence conditions for the SABC and invited public comment by March 2005.

COMMUNITY TELEVISION BROADCASTING SERVICES

ICASA launched a Position Paper on Local Television in November 2004, following a public process that invited the industry and the public to comment on an economic study about the viability of commercial regional and local television and the development of a regulatory framework for community television in South Africa.

Closely related to the Local Television Policy, is the Special Event Licence for Community Broadcasting Services. ICASA published amendments to existing regulations that would allow scope for a temporary/limited period community television broadcasting licence in addition to a community television licence as contemplated in the Position Paper.

SUBSCRIPTION BROADCASTING

ICASA published a Discussion Paper in April 2004 for public comment and conducted public hearings in August 2004. The subscription broadcasting policy was launched with the publication of a Position Paper and regulations. The aim of the policy exercise is to develop a policy framework for subscription broadcasting and to introduce new entrants in the subscription broadcasting market.

SKA SURVEYS IN NORTHERN CAPE

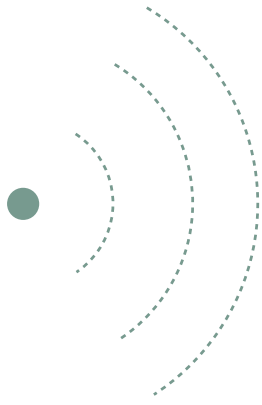
ICASA is involved with planning and conducting terrestrial interference surveys for the South African national bid for the Square Kilometre Array (SKA) radio telescope project. A series of RF SKA surveys were completed and contributed significantly to the South African bid for the project. This project is aimed at the development of the largest-to-date radio-astronomy telescope, currently estimated at US\$1,5 billion. South Africa is a strong contender with several sites identified in the Northern Cape and, as the southern hemisphere sites are preferred, competes with Australian sites in the western desert.

PARTICIPATION IN INTERNATIONAL FORA

ICASA was elected to chair the African Communications Regulatory Authorities Network (ACRAN/RIARC) from 2002 to 2005. ICASA played a key role in African and Southern African regulatory activities in its participation and chairpersonship of TRASA subcommittees dealing with policy. ICASA is also serving on the TRASA Executive Committee, as the second Vice President, 2004 – 2006.

Summary of Licences Issued

Category of licence	Type of licence	Number of licences issued	
Telecommunications	Private	23	
	Telecommunications Network		
	Under Serviced Area Licences	7	
	Licence Amendments	4	
	Total 34		
Broadcasting	4 year Community Radio Licences	55	
	Short-term (30 days) Community Radio Licences	32	
	4 year Community Television Licence	1	
	Short-term (30 days) Community Television Licence	1	
	Commercial Radio Licences	10	
	Commercial Television Licence	1	
	Total 100		
	Engineering	Aeronautical	5 268
		Amateur	6 341
		Exams & Certificates	19 175
Fixed		60	
Land Mobile		46 119	
Maritime		4 049	
Radio Dealer		5 378	
Satellite	223		
Total 86 613			



promoting universal access

The Independent Communications Authority of South Africa (ICASA) is established to regulate the telecommunications and broadcasting sectors in the public interest, in accordance with national policy goals and imperatives.

1. PROMOTING UNIVERSAL ACCESS

One of ICASA's most critical areas of service delivery is the promotion of universal access to services in the telecommunications and broadcasting sectors – colloquially known as bridging the information divide between the urban and rural, the rich and poor.

In the telecommunications sector, universal access to services translates to promoting community access to basic telephony. Recently, this right has come to include access to information and communication technologies, and services such as Internet access and electronic government services such as e-health.

Telecommunications

The amended Telecommunications Act, of 1996, provides for a new category of telecommunications licence called under-served area licence (USAL). This licence category seeks to enhance access to telecommunications services and create job opportunities in areas with a lesser telephone penetration in both rural and urban areas.

Following the enactment of the Amendment Act, the Minister of Communications declared 27 areas as under-served in December 2001. USAL licences provide for telecommunications services, including voice over Internet protocol (VOIP), fixed mobile services, public pay telephones and long distance calls to be transported through trunk networks of any operator licensed to carry international traffic.

The following seven companies were awarded licences in the first licensing phase:

1. Bokone Telecomms (Pty) Limited, Capricorn district, Limpopo
2. Kingdom Communications (Pty) Limited, Zululand district, KwaZulu-Natal
3. Thinta Thinta Telecommunications (Pty) Limited, Ugu district, KwaZulu-Natal
4. Ilizwi Telecommunications (Pty) Limited, OR Tambo district, Eastern Cape
5. Karabotel (Pty) Limited, Central district, North West
6. Bokamoso Consortium (Pty) Limited, Lejweleputswa district, Free State
7. Amatole Telecommunications (Pty) Limited, Amatole district, Eastern Cape.

A second invitation to apply for the USAL licences was published in the period under review, covering 14 under-served areas in Limpopo, North West, Gauteng and Mpumalanga. The closing date for this second phase of licensing was in April 2005.



Handover of USAL licences

Broadcasting

One of ICASA's objectives in promoting universal service and access to broadcasting services can be measured by people's access to a wide range of content, provided in various genres and languages. Access also relates to ownership of broadcasting services by communities and previously disadvantaged groups and individuals.

In pursuit of universal access to services in the broadcasting sector, ICASA issued and published a number of broadcasting licences and policies:

In March 2002, the SABC submitted its amendment applications in terms of the Broadcasting Act of 1999 as amended by the Broadcasting Amendment Act of 2002. The Act requires the SABC to apply to ICASA for such amendments to its existing licences as are necessary in order to reflect the reorganisation of the Corporation into public service and commercial service divisions and to comply with its related obligations in terms of the Broadcasting Act and the Independent Broadcasting Act.

In accordance with the notice to license the SABC in terms of the 1999 and 2002 Acts, ICASA received 11 representations as well as the SABC's response to the representations in July 2004. Public hearings were held in September and October 2004. One of the objectives of this exercise was to bring the SABC in line with all other broadcasters with respect to conditions that address the mandate of all the SABC stations, be they public or commercial. In December 2003, ICASA received an application from the South African Broadcasting Corporation for two Regional Television Services namely SABC 4 and SABC 5. In its application, the SABC

proposed that SABC 4 would broadcast in the Limpopo, North West, Gauteng, Free State and Northern Cape provinces in Setswana, Sesotho, Sepedi, Xitsonga, Tshivenda, Afrikaans and English.

For SABC 5, the SABC proposed that it would broadcast in Mpumalanga, the eastern border of Limpopo, Gauteng, KwaZulu-Natal, Eastern Cape and the Western Cape in isiZulu, isiXhosa, isiNdebele, isiSwati, Afrikaans and English. The SABC's licence application was gazetted for public comment in January 2004. ICASA received written representations from Sentech and e-tv, both requesting an opportunity to make oral presentations. Sentech subsequently withdrew its request, and ICASA then conducted public hearings in respect of the two applications in Polokwane and Cape Town in October 2004.



SABC licence amendment process



promoting economic growth and job creation

Furthermore, ICASA approved an application to amend the licences of SABC 1 and SABC 2 in order to allow for the expansion of these services to the Supingstad, Madibogo, Motswedi and Kuruman areas. ICASA also granted an application for the power upgrade of the SABC 1 and 2 transmitters in Ulundi and Harrismith, to enable the SABC to meet its universal service obligations. Meanwhile, the SABC has also applied to increase the coverage area of Ikwekwezi FM by means of two additional frequencies namely, 106.3 MHz in Johannesburg and 106.0 MHz in Pretoria.

The Position Paper for Low Power Sound Broadcasting defines a low power sound broadcasting service as a community or commercial sound broadcasting service which radiates power not exceeding 1 Watt. The introduction of Low Power licences would encourage investment in the broadcasting industry and ensure that broadcasting services, when viewed collectively, are controlled by persons or groups of persons from a diverse range of communities in South Africa. This type of licence would also ensure fair competition between broadcasting licensees, address issues of diversity in languages, and promote the objectives of the second economy and ownership by the previously disadvantaged.

ICASA has decided to license two categories of low power sound broadcasting services:

- Commercial low power sound broadcasting services – services operating from and broadcasting to shopping malls/centres, sports grounds, showgrounds and drive-in movie theatres, or any other similar service ICASA may deem appropriate, and

- Community low power sound broadcasting services – services operating from and broadcasting to old age homes, links between places of worship, links between places of worship and retirement villages, or any other similar service ICASA may deem appropriate.

In November 2004 ICASA published an invitation for communities in the 13 nodal point areas identified in the government's Integrated Rural Development Strategy to apply for community sound broadcasting licences. The nodal point areas have been identified by government to serve the needs of the rural areas in South Africa. ICASA is committed to deliver on government's request to provide community radio stations in these areas. This invitation called on applicants to submit application forms for 18 frequencies as allocated by ICASA on or before 1 June 2005.

ICASA launched a Discussion Paper on Local Television in August 2003. A Community Television Broadcasting service is a service which is fully controlled by a non-profit entity and is provided for non-profit purposes; and encourages members of the community served by it or persons associated with or promoting the interests of such community to participate in the selection and provision of programmes to be broadcast in the course of such broadcasting service. In addition to the Discussion Paper, the industry and the public were also invited to comment on an economic study on the viability of commercial regional and local television.

The Position Paper and regulations on Community Television Broadcasting Services was published in November 2004. ICASA decided that at this stage it would not be appropriate to license commercial local television and decided to focus only on the licensing of community television broadcasting services. The aim

is to fulfil the commitment made in ICASA's Triple Inquiry Report, 1995, of encouraging the freeing of the airwaves and continue the process that began with the licensing of community sound broadcasting services. This process will promote diversity and choice and provide communities with a voice and platform for development.

In December 2004, ICASA published a Discussion Paper on self-help stations followed by a Position Paper. Self-help stations promote access to broadcasting services in areas which operators do not view as economically viable. A self-help station is a community owned and funded relay station which transmits the signal of a broadcaster (in the licence area) in cases where, for technical or other reasons, the broadcaster's signal cannot be received. The purpose of the Discussion Paper was to review ICASA's current policy and regulations. Current policy was originally conceived and implemented as a technical and administrative solution and did not take into account policy considerations such as universal service and the diversity obligations of broadcasters using self-help stations.

2. PROMOTING ECONOMIC GROWTH AND JOB CREATION

ICASA plays an important role in promoting economic growth and job creation in both the first economy and the emerging economy. Telecommunications is a R99 billion industry, contributing 6% to the country's GDP, while broadcasting contributes R9 billion. Both sectors have recorded impressive growth in their figures in the past year.

Telecommunications

In September 2004, the Minister announced 1 February 2005 as the date for the introduction of further liberalisation in the telecommunications industry through the following measures:

- VANS could obtain facilities from operators other than Telkom
- VANS could provide voice services over their networks
- Mobile operators could provide their own fixed links
- PTNS may resell spare capacity

The Telecommunications Act makes provision for the granting and issuing of a licence to a Second Network Operator (SNO) to provide public switched telecommunication services, and to compete with the current monopoly incumbent, Telkom. In February 2005, the Minister granted the SNO to a consortium made up of Communitel, Two Consortium, Esitel (Eskom), Transtel, Nexus Connection and TATA Communications. Once the shareholder structure and business plan have been submitted to ICASA, a licence will be issued to the SNO.

ICASA has embarked on a licence amendment process in terms of the Telecommunications Act regarding the Public Switched Telecommunications Service licence held by Telkom. ICASA has proposed amendments to the licence and this has been presented to Telkom. The amendments to Telkom's licence are meant to prepare Telkom for operating in a competitive environment. The rationale for this amendment process emanates from the impending competition being introduced against Telkom. The process seeks to level the playing fields for all by allowing the SNO to compete with Telkom in an equitable manner. The two licences will be issued on similar terms, with the SNO licence being issued on terms that are no less favourable than those of Telkom.



promoting economic growth and job creation continued

Value-added network services (VANS) are telecommunication services that provide services such as electronic data exchange, electronic mail, protocol, conversion and managed data network services among others. The September 2004 Ministerial Determinations changed the regulatory framework for value added network services (VANS) licensees. ICASA proposed a new regulatory framework for VANS and conducted public hearings in this regard.

In January 2005, ICASA submitted the proposed amended VANS regulations to the Minister for consideration and approval in terms of the Act. The new regulatory framework seeks to enable VANS to enter other segments of the telecommunications market and compete with Telkom, the SNO, USALs and other operators. The regulations require applicants to ensure participation by historically disadvantaged persons in terms of management and control, procurement, enterprise and skills development. Further, the regulations require licensees with turnover above R1 million to achieve 15 and 30 percent equity ownership by historically disadvantaged persons within 12 and 24 months of the issue of the licence, respectively.

Frequency Management

One of ICASA's key mandates is the management of radio frequency spectrum. This is a finite national resource which, if unmanaged, would obstruct the delivery of essential broadcasting and telecommunication services.

The Telecommunications Act calls for ICASA to issue radio frequency spectrum licences to the Mobile Cellular Telecommunication Service (MCTS) licensees in the 1800MHz and

3G frequency spectrum bands. Access to these frequencies will provide the MCTS operators with improved capacity for their delivery of services.

ICASA has already issued radio frequency spectrum licences in the 1800MHz frequency spectrum band to Vodacom and MTN, in which the two operators made an undertaking to the Minister of Communications to provide 5 000 000 SIM card connection packages and 250 000 terminal equipment units. Both undertakings would be delivered according to an implementation timetable approved by ICASA. Cell C was also licensed with access to the 1800MHz frequency spectrum band.

Both Vodacom and MTN applied for test licences during 2004 to undertake 3G (third generation) trials to test their equipment. This was to inform their procurement decisions in order to maximise



Councillor Mamodupi Mohlala making a point at an ICASA hearing

the benefits of this technology. In December 2004, ICASA issued Vodacom with a 3G licence, subject to Internet access universal service obligations determined by ICASA.

One of the important aspects in the management of frequency spectrum is the maintenance of the table of frequency allocations. The South African Table of Frequency Allocations (SAFTA) is a national assignment of radio frequency spectrum in line with International Telecommunications Union (ITU) requirements.

The South African Table of Frequency Allocation was published in August 2004. It currently covers frequencies from 20MHz to 70GHz. ICASA will embark on the re-planning of high frequency (HF. 9 KHz -20 MHz) in the next financial year.

For the period under review, the following frequency spectrum assignments were processed:

Frequency Spectrum Applications:

Applications completed	2 018
Frequencies assigned	3 014
Cancellations	764
Co-ordination (cross border)	83

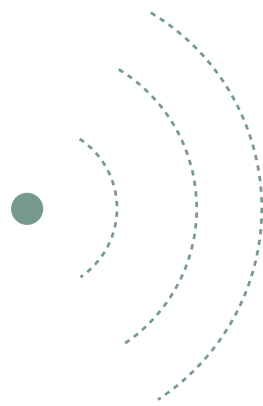
During the reporting period over 5 000 new frequency spectrum licences were issued. In total more than 85 000 licences (new and renewals) were issued during the year under review. Approximately 8 500 licences were cancelled either on request or due to non-payment. The total number of valid licences in each category is listed below:

Valid Licences Per Category

Category	Number of valid licences in 2005
Aeronautical	5 268
Amateur	6 341
Exams & Certificates	19 175
Fixed	60
Land Mobile	46 119
Maritime	4 049
Radio Dealer	5 378
Satellite	223
TOTAL	86 613

In support of ICASA's mandate and policy decisions, a number of broadcasting spectrum initiatives were undertaken for the year under review:

- The annual review of the terrestrial broadcast frequency plan in accordance with the IBA Act
- Participation in the deliberations of the SABC licensing process in terms of the Amendment Act of 2002
- Formulation of the Digital Broadcasting Plan. This includes the development of a plan for the digital migration as an initial submission to the International Telecommunications Union in order for South Africa to meet the ITU February 2005 deadline
- Secondary Markets Frequency Assignment. The generation of frequencies for the secondary, commercial radio broadcasting markets for Limpopo, North West and the Northern Cape
- ITU Frequency Protection (aimed at coordinating the protection of frequencies to prevent cases of interferences)



promoting competition, choice and diversity

between different countries) – completed ITU frequency registration forms for each frequency assignment in the plan. Council approved the registration of frequencies with the ITU, and the registration of frequencies with the ITU in the Master International Frequency Register

- Nodal Points Frequency Assignments. The generation of frequencies for the nodal points community radio stations to support the Integrated Rural Development Strategy.

Several member-countries have requested the ITU to convene regional radio conferences to plan the migration from analogue to digital technology for broadcasting services.

The digital migration policy process is part of the broader socio-economic imperative of bridging the digital divide, creating jobs and promoting electronic government and education, as well as encouraging diversity and choice.

The first of these Radio Communication Conferences (RRC-04) was held in Geneva in May 2004. The conference sought to establish the technical basis for the planning of the digital terrestrial broadcasting service for both radio and television in the frequency bands 174-230 MHz (Band III) and 470-862 MHz (Band IV/V) for parts of Region 1 (Europe, Africa and the Middle East) and Region 3 (Islamic Republic of Iran).

The second RRC session will establish a new regional agreement for these bands to be used for terrestrial digital broadcasting. ICASA participated in task teams established by the Department of Communications (DoC) to formulate a South African plan which was subsequently sent to the ITU in February 2005.

Broadcasting

ICASA published a Discussion Paper on Subscription Broadcasting in April 2004 for public comment and held public hearings in August 2004.

The policy aims to provide for the licensing of new entrants into the subscription broadcasting market. This policy process is part of a licensing framework that seeks to promote investment and create jobs in the formal economy.



Value added network services hearings

3. PROMOTING COMPETITION, CHOICE AND DIVERSITY

Since inception, the telecommunications and broadcasting sectors have been dominated by state monopolies in many countries around the world. Recent economic reforms call for the introduction of competition through the licensing of new market players and service providers. With competition comes affordability and choice, as well as quality of service for the general public.

In telecommunications, processes to license the second national operator to compete with Telkom in the fixed line market and licensing of VANS to provide a variety of telecommunications services are all measures intended to promote competition and choice for the consumers of telecommunication services in South Africa.

Telecommunications

The Chart Of Allocations/Cost Allocation Manual (COA/CAM) is a reporting framework for telecommunications operators that deals with the underlying costs of providing a particular service such as a local or national long-distance call.

Costs can then be compared to the charge for the service levied by the operator and a decision made regarding the reasonableness of the charge taking into account the relevant costs. This enables ICASA to monitor operator charges to ensure that customers are not overcharged for services. ICASA undertook a review of COA/CAM for mobile operators, and the relevant regulations were promulgated in the year under review. Proposed implementation

plans were received from the mobile operators as required in terms of the regulations.

ICASA embarked on a major exercise to review Telkom's tariffs, culminating in the publication of Rate Regime Regulations¹. These Regulations provide the basis for the level of charges and fees, including monthly rental and local, national long-distance and international call charges, for services offered by public switched telecommunications service (PSTS) operators such as Telkom. The Rate Regime Regulations allow for restrictions on price adjustment proposals by Telkom² and are necessary to ensure that consumers are not unduly burdened in markets such as the PSTS in which there is minimal or no competition.

A consultation document on the Rate Regime was developed and published for public comment. Written representations were received and hearings were held. Draft regulations were generated, taking into account inputs obtained through the consultation process. The thrust of the proposed regulation is to ensure that Telkom achieves efficiencies in its service delivery processes that can then result in lower tariffs to its customers.

Following the submissions received on the draft regulations, ICASA published the regulations for a further round of consultation. ICASA is in the process of finalising these regulations which should be implemented by September 2005.

The Telecommunications Act requires ICASA to develop a numbering plan for telecommunications services. With the imminent licensing of the Second Network Operator and under-

¹Government Gazette 22870, Notice 1248, of 26 November 2001 (Rate Regime Regulations)

²The methodology used to restrict the increases is the price cap mechanism where the overall increase in a basket of services is restricted to inflation minus a productivity factor set at 1,5%. The maximum single price movement allowed for any item in the basket is CPI + 5%.



promoting competition, choice and diversity continued

serviced area licences, the numbering plan is anticipating meeting the operators' numbering requirements.

The numbering plan is neutral and clearly structured, identifying various number ranges for specific telecommunications services. Number ranges not in use are reserved for future growth to accommodate new service demands. A proper allocation and numbering procedure, commonly referred to as the Numbering Conventions, is included.

ICASA has finalised the numbering plan through the normal regulation-making process and is awaiting the promulgation of the numbering plan by the Minister.

Number portability allows telecommunications users to choose an operator/service provider and to change location and/or service providers without losing their number. ICASA embarked on rule-making processes in order to meet the number portability requirements of the Telecommunications Act. Draft Number Portability and Functional Specification regulations were published for public consultation.

Written representations were received on the draft regulations and hearings were conducted. The regulations have been finalised, and ICASA is on track to meet the implementation timeline of the end of 2005.

Broadcasting

The licensing of public, commercial and community broadcasting services provides not only competition among the various

broadcasters, but also choice for the public. The following commercial sound-broadcasting licensees applied for amendments to their respective licences:

Radio Oranje (Pty) Limited

ICASA approved an application for some technical amendments from Radio Oranje. These include the reactivation of the transmitter site in Boesmanskop and Springfontein, the establishment of a transmitter site in Sasolburg and a power reduction at the transmitter sites in Ladybrand and Christiana.

Cape Talk

ICASA approved an application for the Cape Talk shareholding amendment to its broadcasting licence.



SABC Licence Amendment

Jacaranda FM (Pty) Limited

ICASA approved the Jacaranda FM (Pty) Limited shareholding amendment to enable New Africa Investment Limited (NAIL) to dispose of its media stake as envisaged in the NAIL/Tiso Consortium transaction.

Kaya FM (Pty) Limited

The Authority approved the Kaya FM (Pty) Limited shareholding amendment application to enable New Africa Investment Limited (NAIL) to hold their shares in Kaya FM directly and not through its wholly owned subsidiary, New Africa Media Holdings (NAMH).

P4 Radio Cape Town (Pty) Limited

ICASA approved a shareholding amendment to allow P4 International to dispose of its stake in P4 Radio Cape Town (Pty) Limited.

P4 Radio Durban (Pty) Limited

ICASA approved a shareholding amendment to allow P4 International to dispose of its stake in P4 Radio Durban (Pty) Limited. Furthermore, ICASA renewed P4 Radio Durban (Pty) Limited's commercial sound broadcasting licence.

East Coast Radio (Pty) Limited

ICASA approved an application to amend the shareholding structure of East Coast Radio (Pty) Limited, allowing Kagiso Media Limited to own 100% of the issued shares in East Coast Radio. The East Coast Radio Share Trust will also be replaced by a Profit Participation Scheme.

Midi TV (Pty) Limited (e-tv) – Self-help Stations

ICASA considered 20 self-help station applications from e-tv as part of e-tv's expansion to fulfil its mandate of universal coverage. ICASA approved 19 self-help stations. The self-help station in Hex River Valley was refused and e-tv was ordered to put the previously granted 519.25 MHz frequency at the Hex River into operation.

M-NET LICENCE AMENDMENT PROCESS

In June 2004, ICASA gave notice of its intention to effect various amendments to M-Net's licence. In broad terms these amendments are to:

- delete all references to the open window, thereby resulting in M-Net providing a purely encoded service, unavailable to anyone other than subscribers to the M-Net service; and
- ensure that ICASA's consent be obtained, whether by way of an amendment in terms of the IBA Act or by a prior written consent process, to various direct and/or indirect shareholder changes.

Hearings were held in January 2005. A committee of Council, after the hearings, decided to continue with the process and issue a notice in terms of section 52(5) that essentially repeats only the provisions of the first notice with respect to the closure of the open window, thereby making no amendment to the ownership and control provisions in the M-Net licence.