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MTN Presentation on the Broadband Services Market Inquiry

October 2020

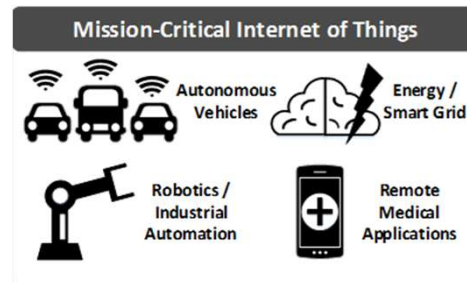
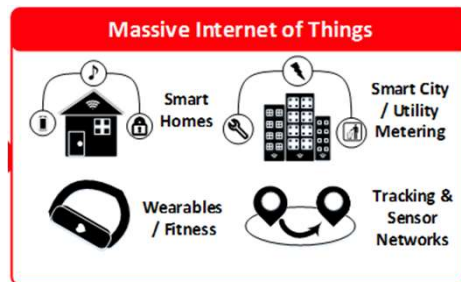
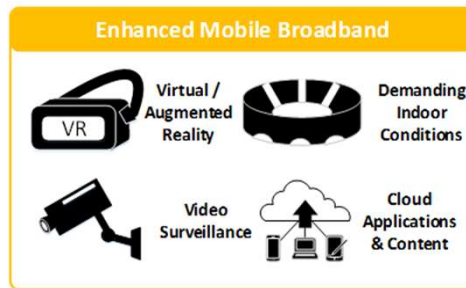
Key observations

Key Observations

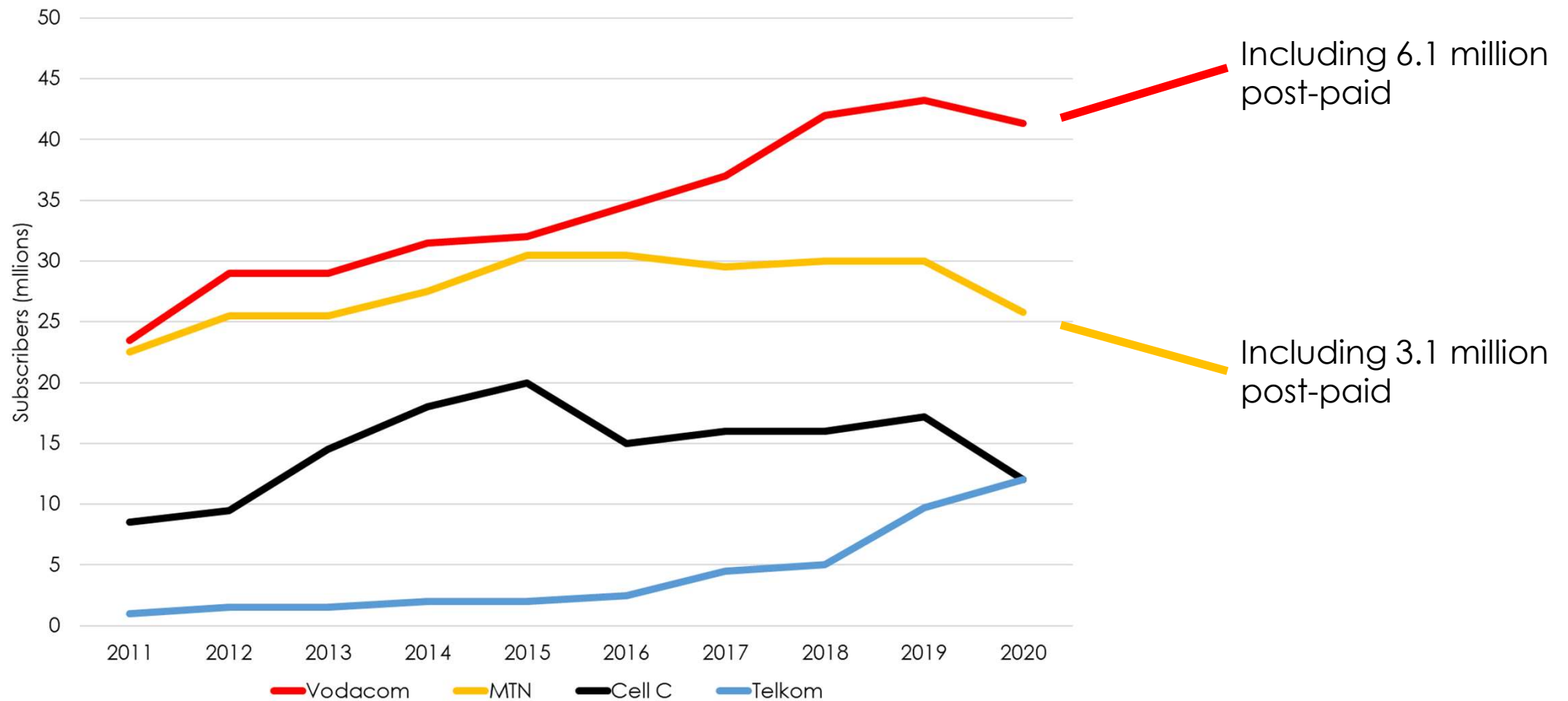
- No evidence to support narrow **geographic markets** (e.g. by municipality), not at the retail level, certainly not at the wholesale level
 - The introduction and inclusion of Tier 1 and Tier 2 categories using this classification has been introduced into the ITA without ICASA having followed a completed public process on the methodology and computation. -> municipality and “retail market share” of above or below 45% has reference
- No robust market definition for **site access**. In most cases MNOs do not own sites; MNOs typically have many options; different types of sites are linked by chains of demand and supply substitution; operators already have strong incentives to share common costs
- **Spectrum** is not a market, but rather an input; Spectrum is not produced, and cannot be traded. Spectrum is applied in a number of different ways
- **Vigorous and effective competition** has continued to deliver benefits to South African consumers. The regulatory environment needs to encourage and enable ongoing investment and rivalry

The Future of Telco's is driving economic growth for SA

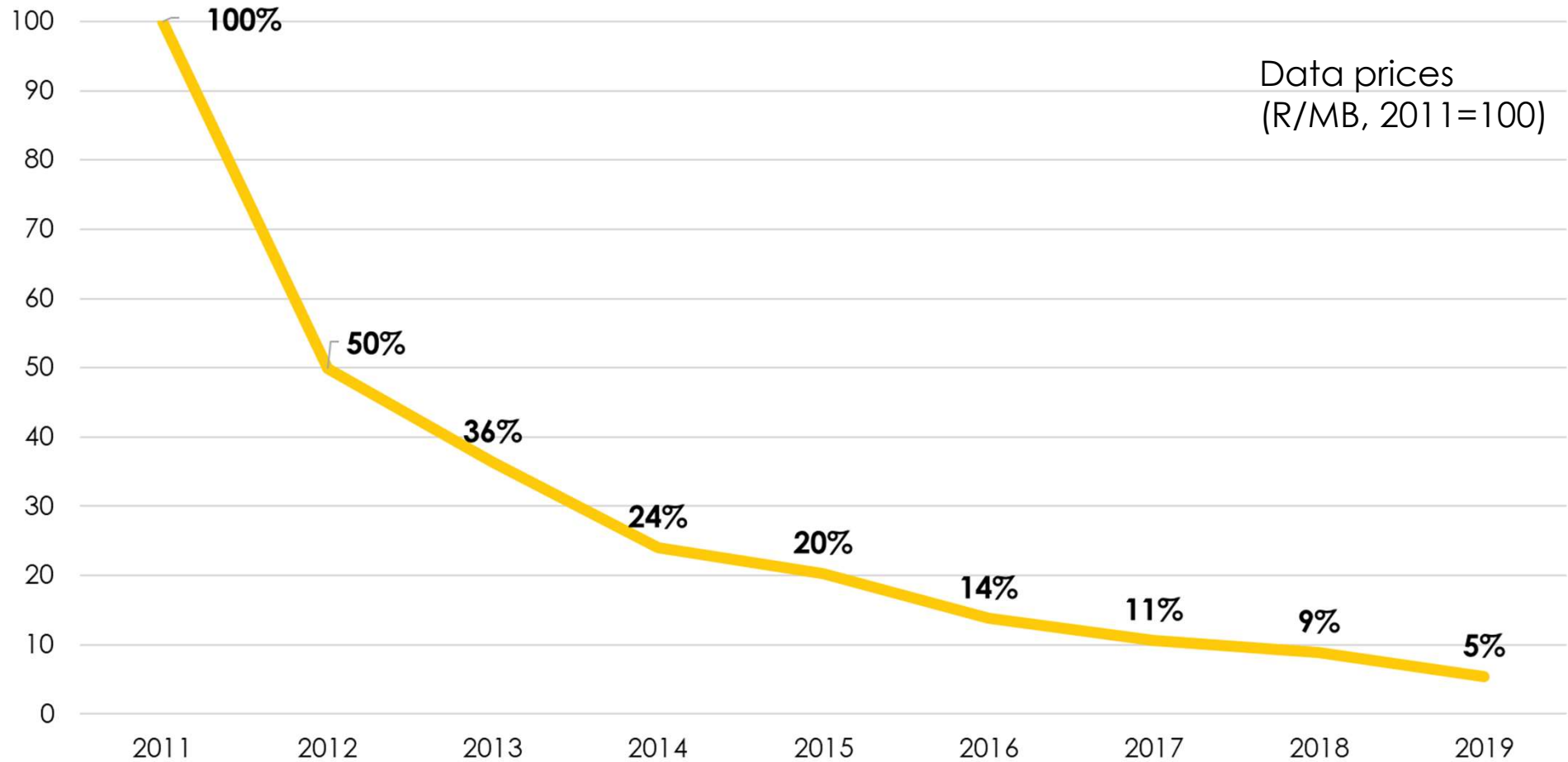
- To harness these benefits we need a regulatory environment which incentivises investment
- Lockdown has only accelerated these imperatives



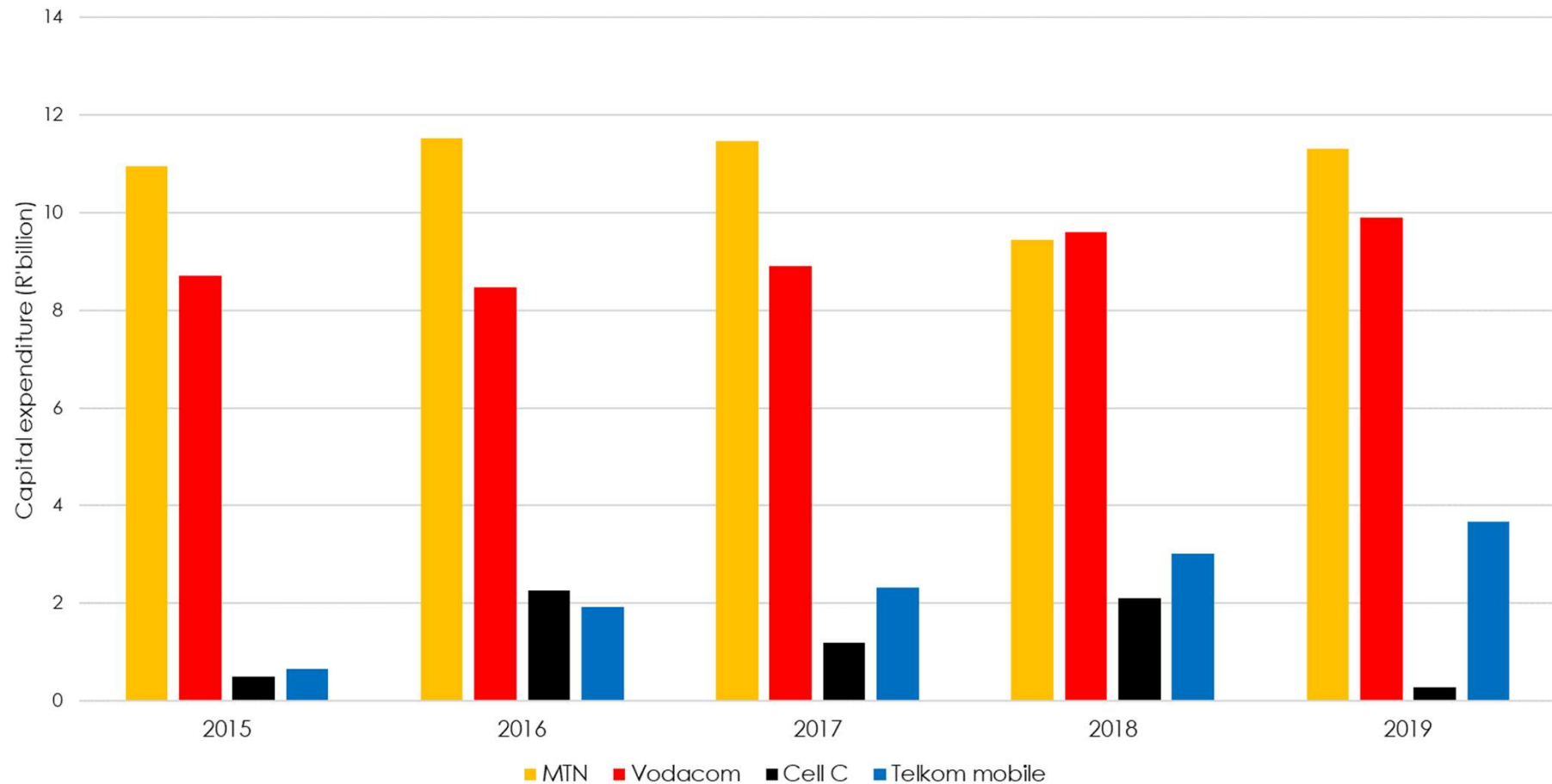
MTN losing, Telkom growth, Vodacom still dominates lucrative post-paid



Prices continue to plummet – 95% drop in 8 years

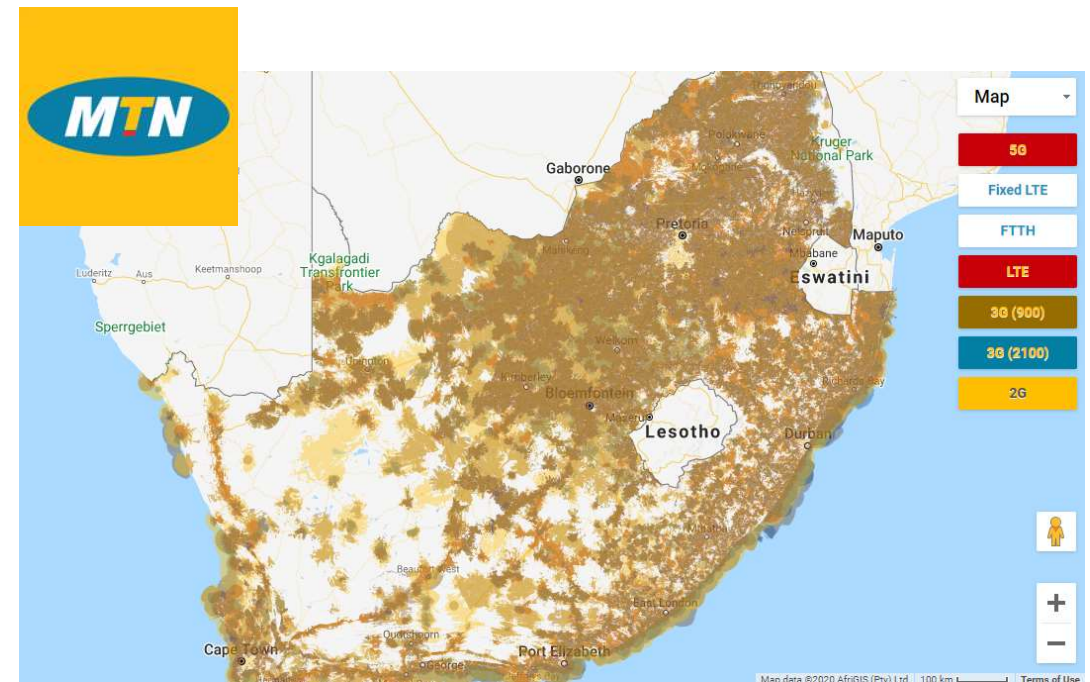
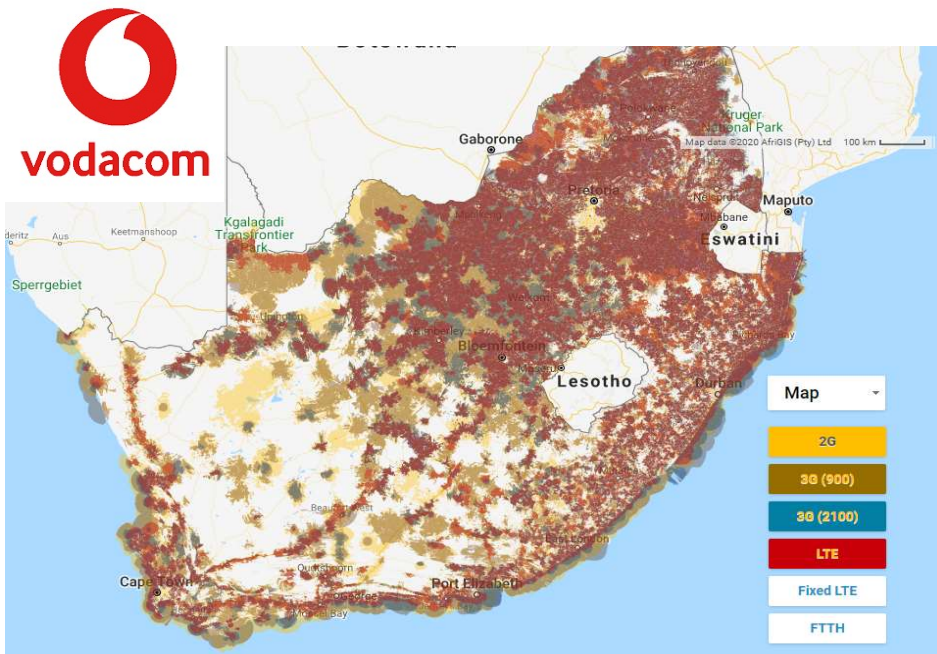


Massive investment required, to meet exponential demand



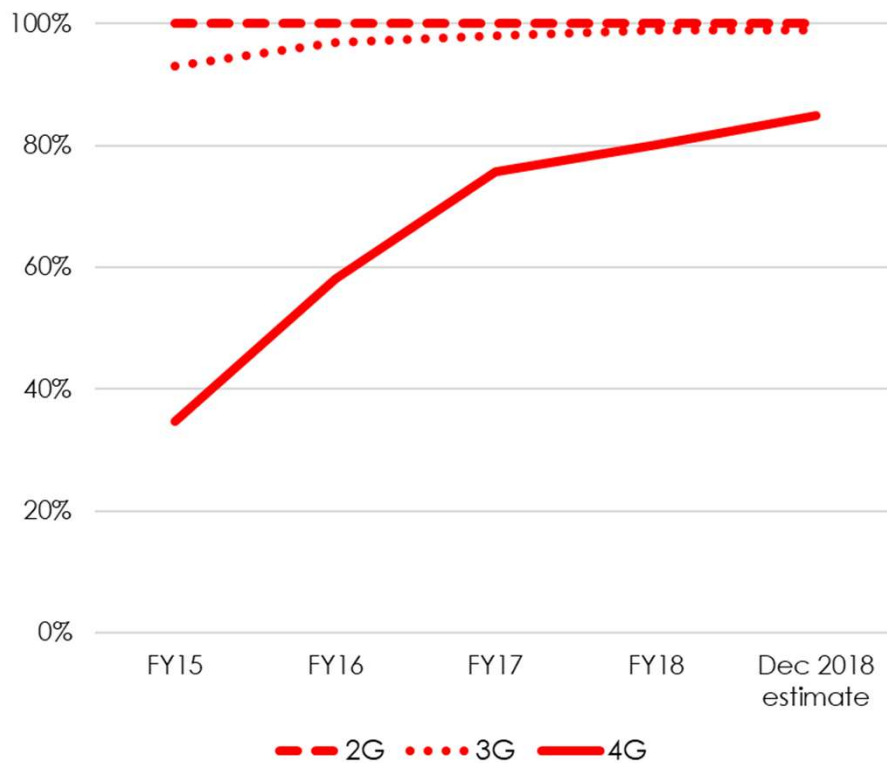
Source: Operator Annual and Media Reports

MTN's 26 years of investment have created a second national network



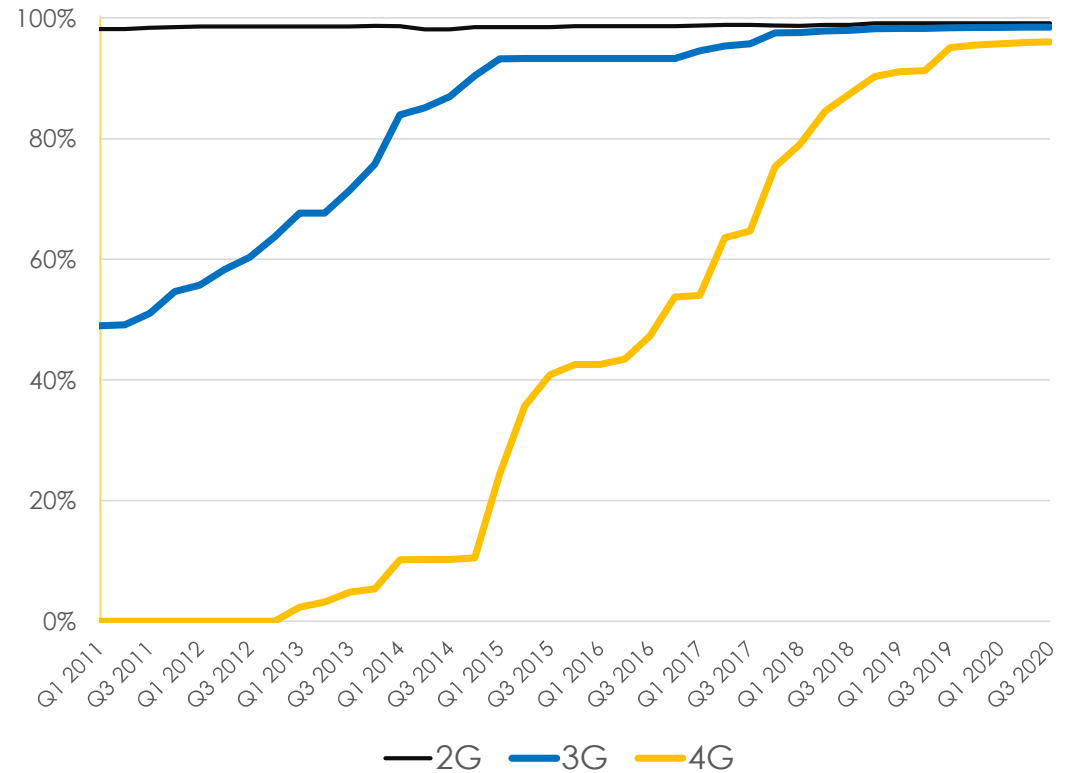
MTN plays a critical role in maintaining national infrastructure competition

Vodacom national coverage



Source: Adapted from the Competition Commission DSMI

MTN national coverage



Source: MTN Population Coverage

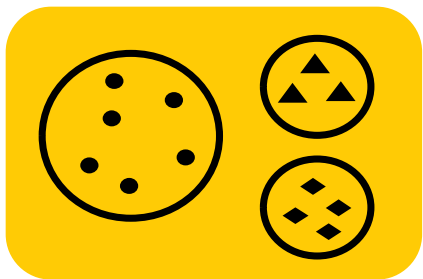
Relevant markets

ICASA has sought to define several markets

- These include:
 - Retail
 - Site access / facilities leasing
 - Roaming
 - Spectrum

Market Definition

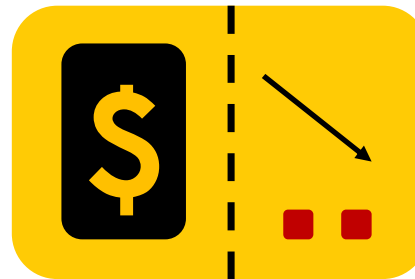
- Market definition is only the first step in any competitive assessment



Market definition must come before any assessment of substantial market power, or dominance



The assessment of **dominance (or SMP)** depends on market definition and the consideration of the state of competition within any defined markets



The assessment of **abuse of dominance**, or **substantial lack of competition**, depends on a finding of dominance, and the consideration of specific conduct, or some specific lack of competition



The consideration of, and suggestions for, **remedies** should only follow market definition, assessment of dominance, and robust conclusion of an abuse of dominance, or lack of competition

Retail market

- Product dimension – data, voice, and SMS
 - Use the same supply-side inputs
 - Bundles of different sizes linked by a chain of substitution
- Geographic market
 - Each of MTN and Vodacom have nearly 100% national coverage. Cell C, Telkom, smaller operators and MVNOs, can also offer national coverage by virtue of their roaming, MNS, or wholesale arrangements
 - Services are provided on a national basis - mobile services allow users to connect as they move throughout the country
 - Services are provided by the same underlying (core and transmission) and contiguous (RAN) network
 - Chains of substitution link different RAN towers. Soft handover is a direct example of these linkages
 - Effective data prices - differ between individual subscribers, and these differences change over time. Not a reliable basis on which to distinguish markets

Site access / facilities leasing market

- In most cases, MNOs do not own the sites on which they construct infrastructure
- In dense urban areas, MNOs will lease space on buildings – sites are an input into the provision of mobile services
- In less dense areas, MNOs may construct their own site infrastructure, or lease space on the infrastructure of another MNO. MNOs have many options to choose from, including building their own infrastructure
- Different forms of sites are linked by chains of demand and supply substitution, and there are typically options for any particular network requirement
- There is demand side switching between different form of sites
- Operators always have a strong incentive to share common costs

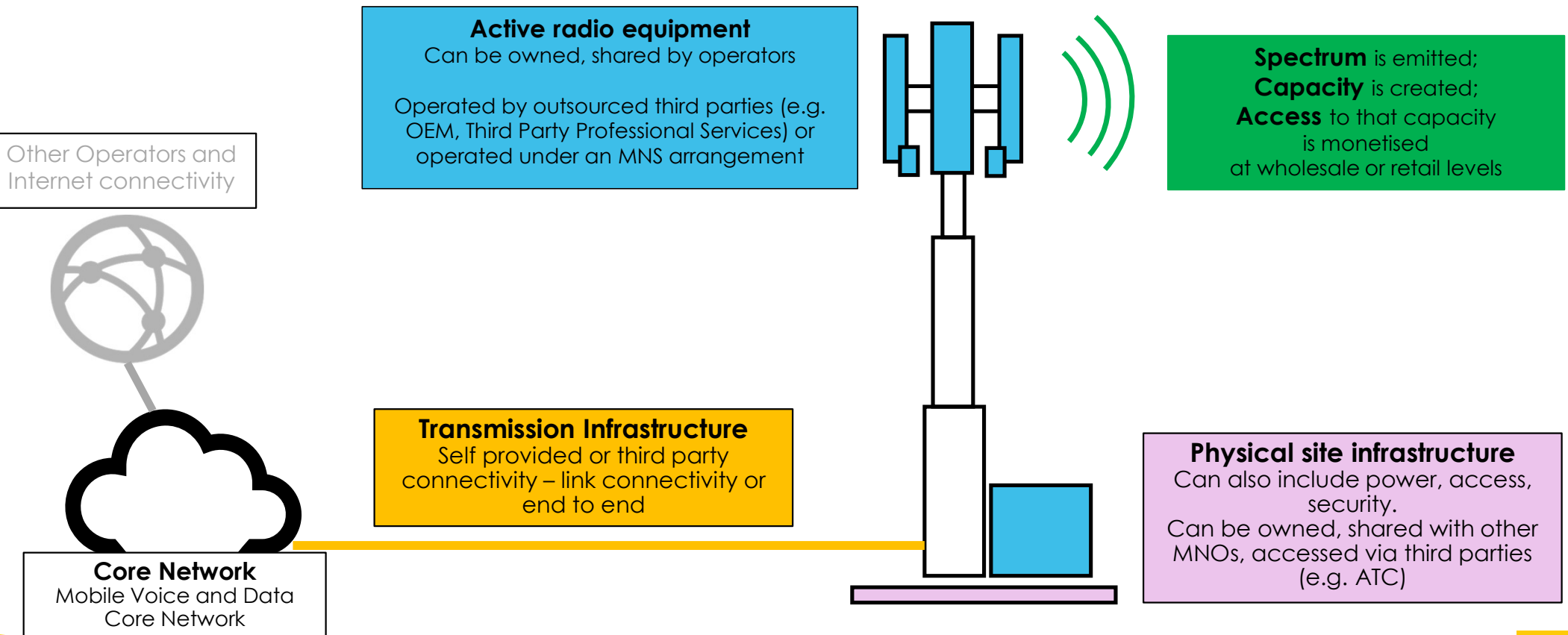
Roaming “market”

- Roaming (whether national, international, or regional), is a component of wholesale activity
- Different costs to serve rural and urban areas. These cost differences are typically not passed on to consumers, but must be borne by the operators (whether hosting, or roaming)
- MTN provides a second option for national coverage (in addition to Vodacom), and accordingly is critical in creating competition at the wholesale level

Spectrum “market”

- Spectrum is not produced by operators or licensees – it is licensed to them by regulatory authorities
- Operators do not set spectrum prices – these are set by the authority, or determined in auctions
- Spectrum is an input into the provision of mobile services
- There is no trading of spectrum between MNOs
- Spectrum is used by licensed operators to create mobile capacity, access to this capacity is then traded at wholesale and/or retail levels
- Spectrum is applied in a number of different ways

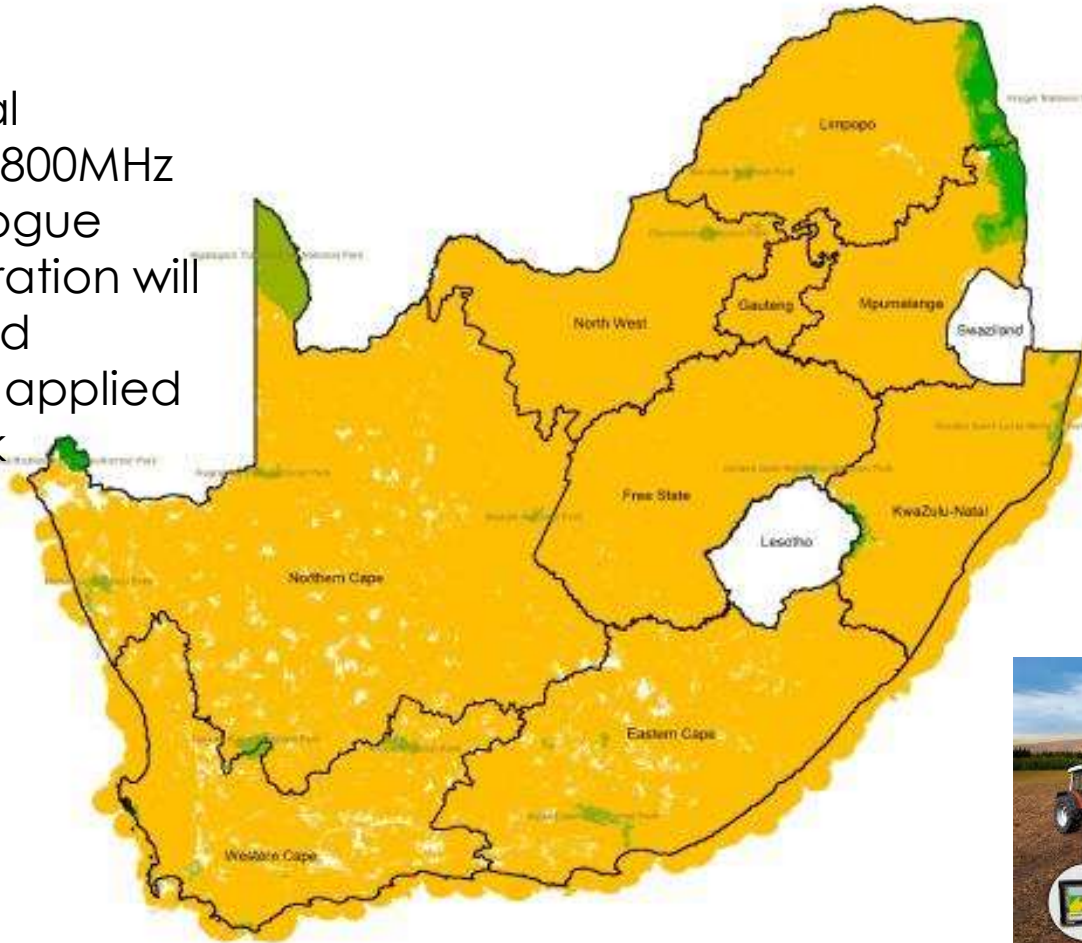
Spectrum



Key constraints

Spectrum, and connecting rural broadband

MTN can expand its Rural coverage using the 700/800MHz spectrum from the Analogue Broadcast to Digital Migration will improve Rural Broadband Coverage significantly if applied to MTN's Mobile Network

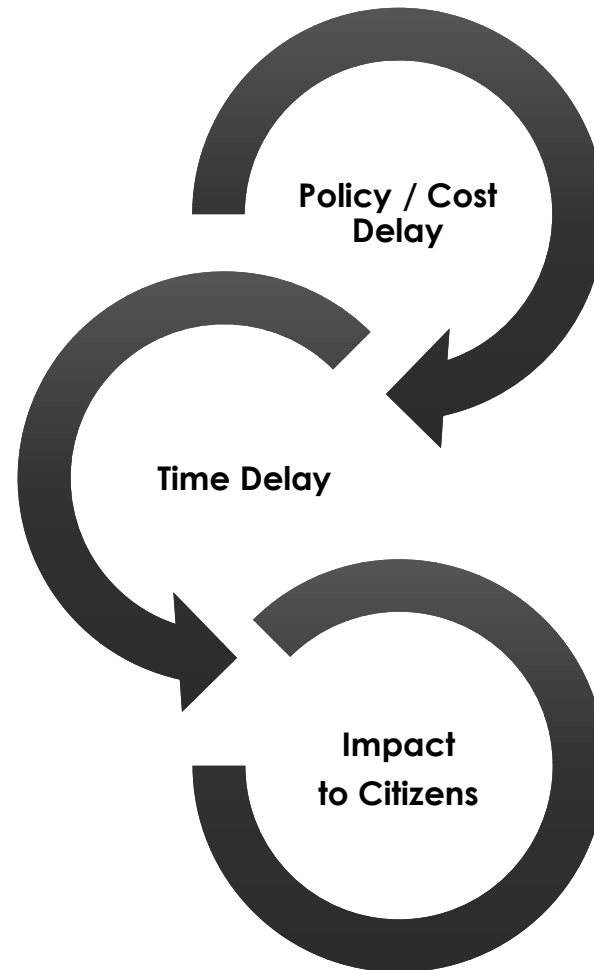


Rural Coverage Improvements:
~100% Population



Site acquisition, and encouraging efficient investment

- Site acquisition processes should be standardised across SA
- Infrastructure sharing should be encouraged e.g. streetlamp poles



- Delays with site permits / zoning / approvals

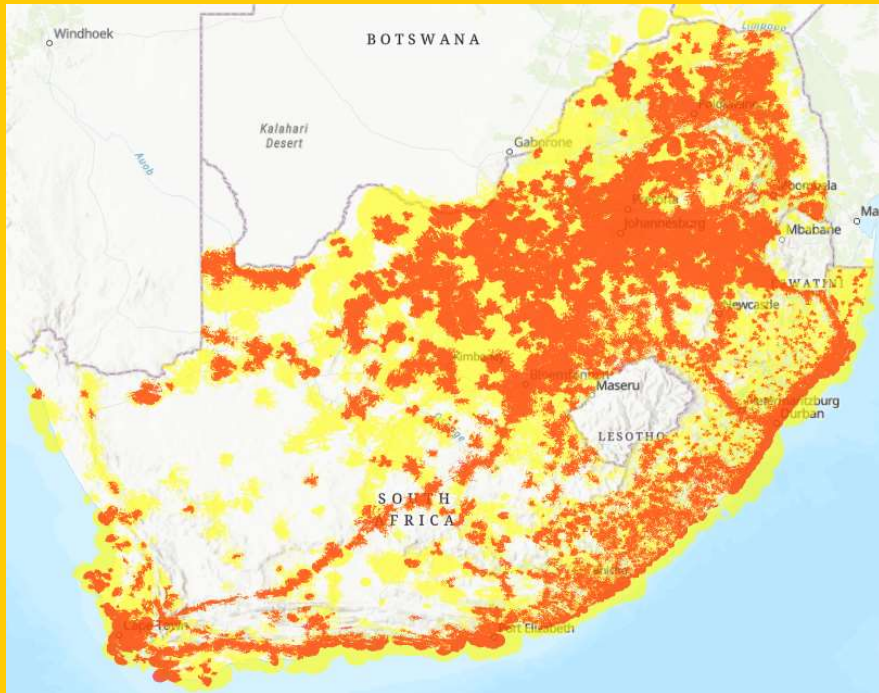
- Lost opportunities for Connectivity / Business / Growth
- Delay in achieving SMART city status
- All citizens connected could be connected sooner

In Conclusion





















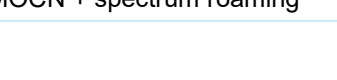
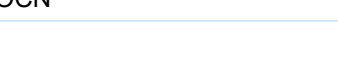
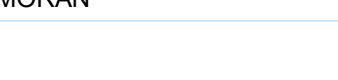
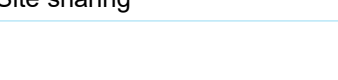




- Operators desperately need new spectrum
- The key to long term competition is the continued existence of national infrastructure competition. MTN operates as an essential counterweight, and outside option, to the far more profitable first mover, Vodacom
- MTN creates network competition, which allows the intensely competitive wholesale space that has emerged over the past decade

Current and future spectrum allocation must preserve (and enhance) this national infrastructure competition.

Everyone deserves the benefits of a modern connected life



Spectrum

Sharing option		Active sharing incl. spectrum roaming		Active sharing without spectrum		Passive sharing + base band		Passive sharing (deep sharing)	
Depth of sharing	Spectrum		O						
	Radio + Antenna		O		O*				
	RF		O		O				
	DU		O		O		O		
	BBU		O		O		O		
	Passive*		O*		O*		O*		O*
	Backhaul*		O*		O*		O*		O*
Industry name		MOCN + spectrum roaming		MOCN		MORAN		Site sharing	