

# Submission to the Independent Communications Authority of South Africa

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## END-USER AND SUBSCRIBER SERVICE CHARTER AMENDMENT REGULATIONS (GG 41263)

**Telkom SA SOC Limited:** Reg no 1991/005476/30.

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## 1. BACKGROUND

Earlier this year the Independent Communications Authority of South Africa (“the Authority”) and the National Consumer Commission set up a task team to, *inter alia*, identify issues that require regulatory intervention to promote subscriber protection. The task team identified the current industry rules on data expiry and out-of-bundle billing as matters which need to be addressed.

The results from the above investigation triggered the Authority’s intention to amend regulations 1 and 8 of the current End-user and Subscriber Service Charter (“EUSSC”) Amendment Regulations 2016 as published in Government Gazette (“GG”) No 39898 on 1 April 2016.

On the 7<sup>th</sup> of August 2017 the Authority published proposed amendments to regulation 8 in GG No 41030 by including the following proposed headings in the regulation:

- 8A: ‘Voice and SMS services’;
- 8B: ‘Data Services – out of bundle (“OOB”) billing practices and expiry of data practices’;  
and
- 8C: ‘Consumer Education and Awareness’.

On the 17<sup>th</sup> of November 2017 the Authority published revised proposed amendments in GG No 41263 which impacts regulations 1, 4, 5, 8, and 13. The major difference between the latest publication and the previous one relates to regulation 8B.

Telkom welcomes the opportunity to analyse and comment on the proposed amendments to the EUSSC Regulations as contained in GG No 41263 of 17 November 2017. The due date of the submission the 3<sup>rd</sup> of January 2018.

## 2. CONTEXTUALISING THE PROPOSED AMENDMENTS

Telkom is committed to providing efficient and effective telecommunications services through competition and maximising consumer choice. Its view fully supports Government’s initiative to decrease the cost to communicate including the cost of data.

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### 3. ANALYSIS AND COMMENTS ON PROPOSED AMENDMENTS

#### 3.1 General comments

**Definitions** – Telkom is concerned that the Authority does not provide any definition of what constitutes a promotion. The EUSSC only provides guidelines on when a promotion must be filed and what information must be accompanied when filing a promotion. Telkom requests that a definition of “promotion” be included in the EUSSC in order to provide clarity to licensees.

**Obligations** – Telkom is of the view that certain reporting obligations being placed on operators by the Authority are unnecessarily burdensome with no apparent benefits e.g. sub-regulations 4 (4) and 5 (4) only serve to increase the regulatory burden and add to administrative costs without serving any identifiable purpose.

#### 3.2 Insertion of Regulations 8A, 8B, and 8C respectively in the Regulations

##### 3.2.1 Sub-Regulation 8A: Voice and SMS Services

***(1) A Licensee must send notifications for voice and SMS to an end-user, the intervals must show 50%, 75%, 90% and 100% service depletion. The notification must be through SMS or any other applicable means.***

Telkom currently offers both post-paid and hybrid subscriber packages that include voice minutes & SMS bundles. These such subscribers are able to purchase additional voice minutes & SMS bundles at an affordable price without being “forced” to go OOB. Currently subscribers receive a SMS notification when there are 10 voice minutes remaining and again when their voice minutes are completely depleted. For SMSs, subscribers are sent a SMS notification when their SMS resources is completely depleted.

Telkom’s current platform supports usage notifications based on a “fixed” absolute value methodology (i.e. usage remaining). This has proved to be easy for subscribers to understand since they do not have to calculate the amount of voice minutes or SMSs remaining, but rather know exactly how many voice minutes and SMSs are still available.

In addition, Telkom would like to point out that the Authority’s proposed method of notification would impact each product bundle offering and require that Telkom reconfigure its systems when it

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already has a transparent process of notifying its subscribers in place. Changing the reporting method will be costly to implement because Telkom will have to uniquely define and develop notifications for each bundle.

Currently Telkom subscribers have the option to view their voice & SMS balances at any given time by via the following options:

- a) USSD (dial \*188#);
- b) SMS (send message to 188);
- c) Telkom Mobile App downloadable from Google Play Store and App Store for IOS devices;
- d) Telkom Self Service Portal at <https://www.telkom.co.za/login/>.

*Note: In addition to being notified via SMS, subscribers are also able to view their balances whenever they need to do so via the abovementioned media.*

**Telkom's proposal** – Telkom's current usage notifications provide subscribers with absolute values in terms of the remaining "usage" available. This method, together with the specifically designed intervals, are viewed as being sufficient and transparent: if subscribers are notified of the remaining usage at the current intervals, they are fully aware of the amount of voice minutes and SMSs that are still available. Based on this knowledge they to request additional OOB "usage" for that will satisfy their needs.

Telkom proposes that its current method of informing subscribers on their usage be included in the amended regulations as an alternative means of providing subscribers with information regarding their SMS and voice usage before and when it is depleted. Telkom therefore does not support the proposed amendment.

Telkom requests that the proposed amendment either be adjusted to allow for absolute values to be included as a means of notification or that it be removed.

***(2) A Licensee must provide end-users who are on post-paid plans with an option to buy additional voice services or SMS services upon depletion of such services.***

Telkom already offers voice and SMS bundles to subscribers via its self-service menu, its online portal and through USSD options. Telkom post-paid and hybrid subscribers have an option to purchase once-off or recurring voice bundles. Voice minute bundles are available in three variants i.e. (1) all-network minutes, (2) Telkom mobile minutes, and (3) Telkom fixed-line minutes. These variants are offered at different denominations e.g. 25min, 100min, and 200min. Similarly SMS

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subscribers have an option to purchase once-off or recurring SMS bundles. SMS bundles are available in different denominations e.g. 50, 100, 500, 1000, 1500 and 2000 SMSs.

**Telkom' proposal** – Telkom supports the proposed amendment.

**(3) Where an end-user who is on a post-paid / hybrid tariff plan does not buy additional voice services or SMS services, a licensee must provide end-users with an option to be disconnected from access to the relevant depleted services and allow such end users to only use emergency services, subscriber care services and to receive incoming voice calls and SMSs and other free services.**

Telkom offers a unique spend limit functionality that can be assigned per mobile subscriber. This enables subscribers to manage and control OOB spend. Spend limits can be set at over and above the monthly subscription cost and will enforce a limit on any additional voice, SMS or data usage.

The ability to make calls to emergency services and subscriber care services is supported on all Telkom plans, including after the spend limit has been reached.

**Telkom's proposal** – Telkom's current proposition is viewed to be sufficient to comply with the Authority's proposal. Telkom therefore supports the proposed amendment.

### **3.2.2 Sub-Regulation 8B: Data Services**

#### **Out of bundle billing practices:**

***(1) A Licensee must ensure that an end-user is:***

***(a) sent data depletion notifications on regular intervals through SMS, push notification or any other applicable means, showing 50%, 75%, 90% and 100% depletion of data bundles;***

Telkom currently sends subscribers SMS notifications when they have the following limits of data remaining on their allocated data bundles: 500MB, 100MB, 10MB, and 0MB. Telkom's current platform supports usage notifications based on a "fixed" absolute value methodology (i.e. MB remaining).

Telkom's submits that its "fixed" absolute value methodology (i.e. usage remaining) is easy for subscribers to understand since they do not have to calculate the amount of data usage remaining,

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know the exact amount of what is available. The following example highlights the impracticality of the Authority's proposed method: a subscriber with a 100 GB data package will receive the first usage notification when 500MB is left. However if the first notification is at 50%, the subscriber will be notified when there is still 50GB remaining. It is unlikely that a subscriber would have to purchase additional data with 50GB remaining – prompting the subscriber that 50% of the cap has been reached will only have a nuisance value when there is still a significant amount of data available. It will be much more useful to notify the subscriber when there is 500MB remaining, this will enable the subscriber to top-up with the required amount of data if necessary.

In addition, Telkom would like to point out that the Authority's proposed method of notification would require adjustments to each product bundle offering. This method will be costly to implement since Telkom will have to uniquely define and develop notifications for each bundle.

Currently Telkom subscribers have the option to view their data bundle balances via the following options:

- a) USSD (dial \*188#);
- b) SMS (send message to 188);
- c) Telkom Mobile App downloadable from Google Play Store and App Store for IOS devices;
- d) Telkom Self Service Portal at <https://www.telkom.co.za/login/>

**Telkom' proposal** – Telkom's usage notification messages to subscribers is based on absolute values and is the same across all product offerings thus optimising the subscriber experience. Telkom submits that its current method of "usage" notification, together with the specifically designed intervals, are viewed as sufficient by subscribers.

Telkom does not support the proposed amendment. Telkom requests that it either be adjusted to allow for absolute values to be included as a means of notification or that it be removed.

***(b) provided with an option to buy additional data bundles upon depletion of their allocated data through the USSD platform or any other applicable means;***

Telkom offers data bundles to subscribers on its self-service channels including through the \*180# USSD menu, mobile applications for Android and IOS, its online portal, or through all major banks via ATMs and internet banking and through a myriad of retail stores.

**Telkom’s proposal** – Telkom believes that it has sufficient measures in place for subscribers to purchase additional data bundles. Telkom therefore has no objection to the proposed amendment.

***(c) not defaulted to out-of-bundle data charges when their data bundle is depleted;***

Telkom already offers this feature as standard on its data packages, with the exception of its FreeMe offers which are aimed at providing subscribers with continuous connectivity. Once the data bundle is depleted, the subscriber is re-directed to the Telkom OOB page where a choice can be made from available options.

Below is a screenshot of the post-paid subscriber OOB re-direct page (subscribers need to exercise an option which will enable them to continue consuming data):

OPTIONS:	WHAT DOES IT MEAN FOR YOU:	WHAT DO YOU NEED TO DO?
Always surf "out of bundle", using credit limit, at OOB rates.	You will be charged at out of bundle rates.	<a href="#">CLICK HERE</a>
Purchase a bundle from your Credit Limit via the Web.	You will benefit from the In-Bundle rates.	<a href="#">CLICK HERE</a>
Purchase a bundle from your Credit Limit	You will benefit from the In-Bundle rates.	Dial *180# from your Dashboard or your handset to purchase a Once-Off Internet Bundle
Choose to surf at Out of Bundle rates for the rest of this month	You surf at Out of Bundle rates for the rest of this month	<a href="#">CLICK HERE</a>
Self Service	Get access to more Self	<a href="#">LOGIN</a>

Below is a screenshot of the prepaid subscriber OOB re-direct page:

OPTIONS:	WHAT DOES IT MEAN FOR YOU:	WHAT DO YOU NEED TO DO?
Buy Airtime online	EFT: Tired of using vouchers? EFT (electronic banking) top up is NOW available! Please follow the approved "Eighttime" process.	<a href="#">EFT INFO</a>
Buy Airtime online	Credit Card top up is NOW available!	<a href="#">CC TOP-UP</a>
Always surf "out of bundle", using my airtime, at OOB rates.	You will be charged at out of bundle rates	<a href="#">CLICK HERE</a>
Purchase a bundle from your current airtime	You will benefit from	Dial *180# from your Dashboard or your handset to purchase a Once-Off Internet Bundle

Purchase a bundle from your current Airtime via the Web.	You will benefit from the Once-Off In-Bundle rates.	<a href="#">CLICK HERE</a>
Self Service	Get access to more Self Service functionality.	<a href="#">LOGIN</a>
Recharge	Recharge With Airtime	<a href="#">CLICK HERE</a>
Choose to surf at Out of Bundle rates for the rest of this month	You surf at Out of Bundle rates for the rest of this month	<a href="#">CLICK HERE</a>

**Telkom's proposal** – The option to default automatically should be for the subscriber to choose, and should not be enforced by means of regulation. An automatic default could lead to poor subscriber experience.

Some subscribers find the option of going OOB easier to manage than having to exercise the option to purchase additional Top Up data bundles. Telkom has kept its OOB rate low at R0.29 per MB. This reduces the likelihood of bill shock. In addition, subscribers are made aware that they are being charged OOB rates.

Telkom therefore does not support the proposed amendment.

***(d) provided an option through SMS, push notification, USSD or any other applicable means to opt-in or opt-out of data bundle usage per session.***

This functionality is supported on Telkom's opt-out / in subscriber service portal.

**Telkom's proposal** – Telkom believes that there are sufficient measures in place to support subscribers to opt-in or opt-out of data bundle usage. Telkom therefore supports the proposed amendment.

***(2) Where an end-user opt-out of out of bundle data usage when their data bundle is depleted, a Licensee must disconnect the end-user from out of bundle data usage until such time that the end-user gives express consent or authorization to be charged out-of-bundle rate.***

This functionality is automatically available on all data plans, except for those subscribers who subscribe to Telkom's FreeMe plans. Subscribers on Telkom's FreeMe plans are by default reverted directly into OOB usage when their in-bundle usage is depleted. FreeMe subscribers may,



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however, change this option to an option which enables them to be re-directed to the Telkom OOB re-direct page should they so require.

A spend limit option is available to post-paid subscribers whereby subscribers can choose to specify the additional amount they are prepared to spend once their in-bundle limit has been used up. This ensures that there is no bill shock and that any additional spend does not exceed the subscribers specified spend limit amount.

**Telkom’s proposal** – Telkom believes that subscribers should be given the choice to select packages which allow them to automatically default to OOB if they so prefer – the FreeMe post-paid plans have proved successful in this respect in that they allow subscribers to choose packages which meet their specific requirements

Telkom does not support the proposed amendment since it limits consumer choice and stifles competition.

**Expiry of data practices:**

***(3) A licensee must provide prepaid data bundles with minimum expiry period of three (3) years, save where such prepaid data bundles have been exhausted prior to expiry of three (3) years, in line with section 63 of the Consumer Protection Act, 2008 (Act No. 68 of 2008)***

Telkom currently offers a variety of prepaid data bundles that subscribers can choose from with different validity periods, with the longest being 12 months. The table below shows Telkom’s different validity periods for each prepaid bundle.

<b>Once-off data bundles</b>	<b>Validity period</b>
25MB, 50MB, 100MB, 250MB, 500MB, 1GB, 2GB, 3GB, 5GB, 10GB, 20GB	End of next calendar month
20GB	6 months
50GB, 100GB	12 months
<b>FreeMe Boost bundles</b>	<b>Validity period</b>
500MB, 1GB, 2GB, 3GB, 5GB, 10GB, 20GB	31 days

Extending the current validity periods to three years will have a negative impact on current data bundle pricing and differentiation. In having to comply with the proposed amendment, Telkom will have to withdraw its current offerings and redevelop its offerings to packages with three year validity periods. This will result in data bundles with higher price points and will negatively impact subscribers.

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**Technical constraints** – Telkom’s network is designed to support its current data Plans and expiry rules. The current plans complement the network rules to ensure that the network is operated efficiently and that subscribers experience a high-quality service. Extending the data expiry periods to three years prescriptively, when subscribers already have a range of expiry periods to choose from, will disrupt the current configuration in the network. This will result in an increase in costs due to the need for additional network resources which will have to be provisioned to support the Authority’s new proposal. This will result in increase in the cost of maintaining the network.

Extending the validity period to 3 years will result in SIMs being kept as active for longer. This could result in fewer numbers being available in the mobile industry for number re-allocation.

**Potential financial impact** –  
[✂]

**Competition constraints** – When Telkom develops a new data offering it provides different value propositions to subscribers. Product differentiation and subscriber choice is optimised when different data expiry rules can be applied to different packages. This ensures that the relevant service offerings are attractive for different types of subscribers. Subscribers are currently able to select a package offering according to their specific needs. When selecting their data bundles they are able to budget for the correct amount of data that they think they will require and are unlikely to forfeit their in-bundle data.

Extending the data validity periods will skew the value propositions of existing products and will restrict competition in the industry. Smaller operators like Telkom will be restricted from providing innovative products and price offerings to compete with the larger incumbent operators. The proposed amendment infringes on Telkom’s ability to differentiate its products by means of different expiry periods based on subscriber needs. The ability to offer a variety of expiry periods has been a key differentiator in Telkom’s service offering which it has used to compete in the market.

**Telkom’s proposal** – When Telkom develops a data product it considers the impact on cost and revenue before commercially launching that particular product. Forcing changes to the dimensions

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of its current products via a change in data expiry regulation is not feasible. It will lead to potential revenue losses and an increase in cost. This will, in turn, lead to less funds being available to invest in network improvement which is necessary for expansion and growth.

The only way for Telkom to recoup its losses will be by raising its data prices. This goes against the principle of bringing down the costs to communicate. Telkom therefore proposes that the current expiry rules, as they apply to our existing data products, are sufficiently flexible and should remain in place. Amending any validity periods on Telkom's existing bundles will most likely have a negative impact on current price offerings e.g. extending periods will most likely result in Telkom having to increase its prices.

Telkom does not support the proposed amendment as it will negatively impact our ability to compete innovatively.

#### **Roll over of unused data of monthly data allocation and transfer of monthly data allocation:**

***(4) A Licensee must provide an option to post-paid users to roll over unused data of monthly data allocation to the next billing period or to transfer the monthly data allocation or a portion thereof to other end-users on the same network.***

Telkom has a multi-SIM product which allows for data resources to be shared amongst multiple users. This functionality enables the primary SIM, which can be any capped post-paid data product offering, to have multiple secondary SIMs linked to it. The available data can be utilised by all the individual SIM cards within the multi-SIM group including the primary SIMS.

**Technical impact** – Telkom currently has a variety of data bundles which are limited to time of day, days of the week, hours in a day and specific sites such as universities, social media, etc. A subscriber can elect to have a combination of these types of bundles, including time-based and volume-based bundles. A selection process which allows subscribers to transfer a multitude of different types of packages to another subscriber is complicated and costly.

Enabling the transfer of data between different bundles is complex and enforcing such will not come without its challenges which will most likely result in an increase in subscriber frustrations and complaints. Hence, this will negatively impact on the subscriber experience.

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**Potential financial impact –**

[✂]

**Telkom’s proposal** – Telkom believes that its multi-SIM option is a sufficient alternative to the Authority’s proposal of having to roll data over as it allows post-paid subscribers to share the same data allowance and to fully deplete their inclusive data bundle.

**3.2.3 Sub-Regulation 8C: Consumer Education and Awareness**

**(1) A Licensee must conduct education awareness campaigns aimed at:**

**(a) educating end-users on the use of smart phones;**

Telkom is educating subscribers on devices via its current product education page:

<https://secure.telkom.co.za/today/help/get-help/devices/>. This includes educating subscribers on how to set up their devices. Telkom revises its education elements on an ongoing basis to make provisions for new devices. In addition, various other ad-hoc education campaigns are held via MMS, bill messages, etc. Some examples of these education campaigns are illustrated below:



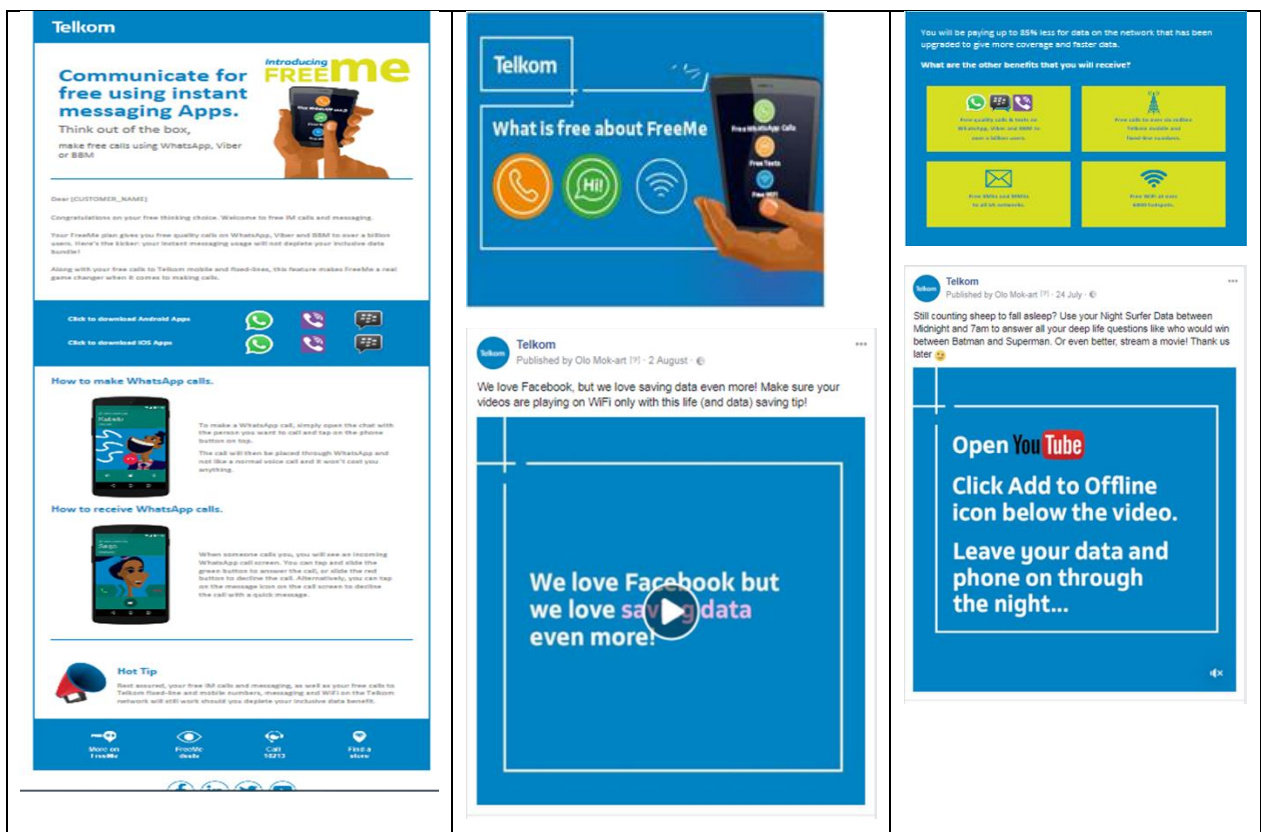
With so many technologies working in harmony, the XZ Premium is beautiful inside and out. It features the new Motion Eye™ - a camera so advanced, it captures motion that the human eye can't see. It has a unified design, astonishing 4K HDR display and intelligent features, it's our most ground-breaking smartphone to date.

**Telkom’s proposal** – Telkom supports the Authority’s proposal that subscribers should be empowered to use their devices. Telkom believes that it has sufficient education awareness programmes in place for to support their subscribers on the use of smart phones.

**(1) A Licensee must conduct education awareness campaigns aimed at:**

**(b) educating end-users on how to use data; and**

Education on data usage takes place for new and existing subscribers. Education on data usage continues throughout product lifecycles across all prepaid and post-paid packages. The screenshot below provides examples of Telkom’s education awareness campaigns:



**Telkom’s proposal** – Telkom supports the Authority’s proposal to educate subscribers on the use of their data usage. Telkom believes that there are sufficient education awareness programmes in place that educate subscribers on how to use data.

**(1) A Licensee must conduct education awareness campaigns aimed at:**

**(c) educating end-users on a broad range of products and services offered.**

Telkom is educating subscribers on their products and services during their lifecycle by using various media, including broadsheets, its website, direct marketing and through social media.

The screenshot below is an example of how subscribers are educated on a more cost effective and higher value bundle from the current offering as technology progresses.



**Telkom’s proposal** – Telkom supports the Authority’s proposal that subscribers be educated on the use of smartphones. Telkom believes that it is equipped to comply with the proposed regulation.


***(2) A Licensee must conduct four (4) quarterly education campaigns per annum.***

Educating subscribers is a priority for Telkom and forms part of its product and lifecycle communication plans. As per the screenshot referenced in 8C.1. Telkom educates subscribers on a regular basis when new bundles are introduced.

One of Telkom’s previous mobile data on boarding awareness campaigns educated subscribers on how to buy bundles, how to manage their spend, multi-SIM usage and a data usage guide and how to turn their home into a Wi-Fi hotspot. These are highlighted in the screenshot below:

**Telkom**

## Never run out of data again



Dear Alinda Gouws

Data cost more when you use out of bundle rates, and as you know topping up data can become very expensive. Why don't you move to a data package that suits your needs as well as your pocket? Telkom's Smart Internet data packages offer you just that! That's not all with the extra night surfer data you can surf the internet day and night!

**Why move to a package with more data?**

- Choose a data deal that suits your online needs.
- Anytime & night data.
- You get more data to do more of the things you love online.
- You can turn your home into a WiFi hotspot by connecting all of your devices simultaneously, start sharing your data at home with your family.
- It's easy, it can be done at the comfort of your home.

One of our Smart Internet agents will be in touch to discuss the options available to you.

Kind regards  
Telkom Team


Call 1013 | Telkom.co.za website | Find a store

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**Telkom**  
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Connecting to a #TelkomWifi hotspot has never been easier. Follow these steps and you'll be surfing non-stop at the nearest hotspot soon!

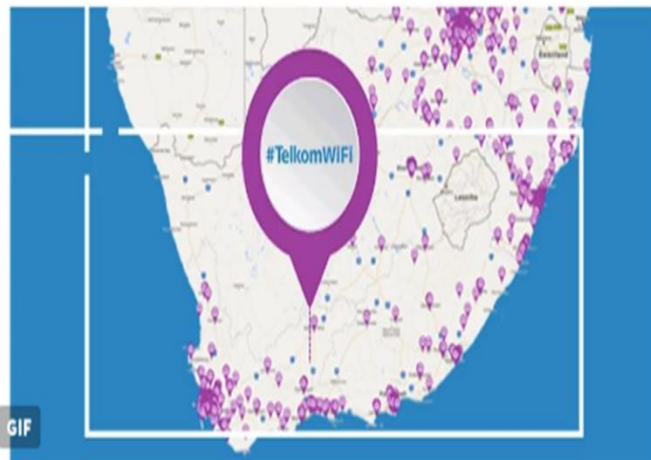
How do I WiFi...  
If I'm not a Telkom Subscriber?



00:30

**Telkom** @TelkomZA · Jun 19

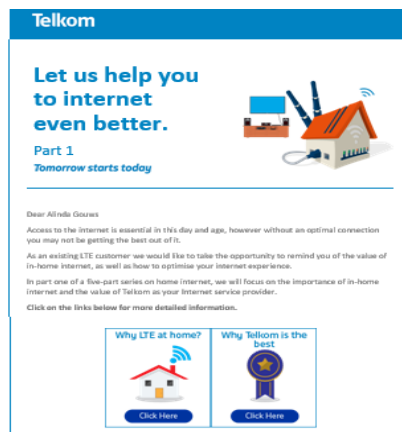
It's World WiFi day. Tweet us your location with the hashtag #TelkomWifi and we'll reply back with your nearest WiFi hotspot!



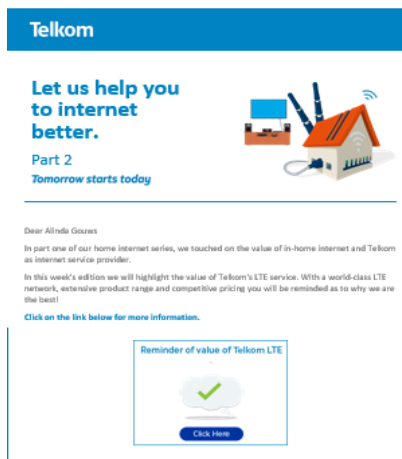
298 32 54

In another example, Telkom educated LTE subscribers during a 4 week education journey as follows:

- *Week 1:* Benefits of LTE at home and the value of Telkom as ISP



- Week 2: Reminded subscribers of the value of LTE

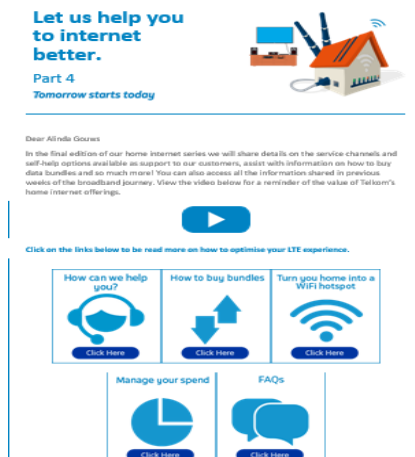


- Week 3: Assisted subscribers to determine what type of data user they are, how much data they need based on their usage and informed them of all the LTE deals on offer





- *Week 4:* How to buy bundles, turn homes into Wi-Fi hotspots, how to manage spend and addressing frequently asked questions



**Telkom's proposal** – Telkom supports the Authority's view of educating subscribers on how to use their smartphones and determine how much data they need. It is, however, of the view that the number of awareness campaigns should not be prescribed by the Authority. Telkom therefore does not support the proposed amendment.

#### 4. CONCLUSION

Although Telkom supports a number of the proposed amendments, there are other amendments which Telkom views as having a negative impact or being unnecessarily cumbersome. It is specifically concerned that the proposed amendment on extending the data expiry periods will have an adverse impact on competition across the South African telecommunication industry. It will also negatively impact the profitability of existing data products and will place pressure on operators to revise their ways of differentiating products. It will only serve to either force operators increase prices, or to find ways of reducing costs. This will negatively impact investment and subscriber experience. It may also result in a reduction in human resource head count, which will negatively impact employment and the broader economy.

**END OF REPORT**