



# Government Gazette Staatskoerant

REPUBLIC OF SOUTH AFRICA  
REPUBLIEK VAN SUID-AFRIKA

Vol. 479

Pretoria, 20 May  
Mei 2005

No. 27610



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CONTENTS

No.		Page No.	Gazette No.
GENERAL NOTICE			
Independent Communications Authority of South Africa			
General Notice			
791	Notice of intention to include any licensee with relevant market share of at least 35% of a defined telecommunications market, in the category of a major operator in terms of regulation 2.4 of Supplementary Interconnection Guidelines as published in Government Gazette 24203 dated 19 December 2002 .....	3	27610



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## GENERAL NOTICE

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### NOTICE 791 OF 2005



#### INDEPENDENT COMMUNICATIONS AUTHORITY OF SOUTH AFRICA

**NOTICE OF INTENTION TO INCLUDE ANY LICENSEE WITH RELEVANT MARKET SHARE OF AT LEAST 35% OF A DEFINED TELECOMMUNICATIONS MARKET, IN THE CATEGORY OF A MAJOR OPERATOR IN TERMS OF REGULATION 2.4 OF SUPPLEMENTARY INTERCONNECTION GUIDELINES AS PUBLISHED IN GOVERNMENT GAZETTE 24203 DATED 19 DECEMBER 2002**

The Independent Communications Authority of South Africa (the Authority) hereby:

- (1) Gives notice of a request received from a member of the public to include Vodacom (Pty) Limited and MTN Group Limited in the category of Major Operator in accordance with regulation 2.4 of above-mentioned regulation on the grounds that both licensees have a market share of at least 35% of the defined Telecommunications Market.
- (2) In accordance with the sub-regulation 2.4.2 of above mentioned regulation the Authority has attached the request received from a member of the public to this notice as annexure A.
- (3) The Authority invites written comments from interested parties on the proposed inclusion of MTN and Vodacom in the category of major operator.
- (4) Gives notice that written representations will be made publicly available except where respondents request that their responses or parts thereof be kept confidential. Respondents are requested to separate any confidential material into a clearly marked annexure.
- (5) Interested persons are hereby invited to submit written representations on the proposed inclusion of MTN and Vodacom as Major Operators, to be received by post, hand delivery, fax **and** also in electronic format (Microsoft Word 6.0, Adobe PDF) no later than 04 July 2005 for the attention of:

Nomvuyiso Batyi– Manager Competition  
ICASA Private Bag X10002, Sandton, 2046; Block A, ICASA, Pin Mill Farm, 164 Katherine Street, Sandton; Telephone (011) 321 8415  
Facsimile (011) 321 8536/(011) 444 6467  
e-mail : [nbatyi@icasa.org.za](mailto:nbatyi@icasa.org.za) copy [mnkopane@icasa.org.za](mailto:mnkopane@icasa.org.za)

14<sup>th</sup> March 2005

The Chairperson  
ICASA  
Private Bag X10002  
Sandton  
2046

Fax number: (011) 321 8547

Dear Mr. Langa

Re: Request in Terms of Supplementary Interconnection Guidelines as Published in GG 24203, Dated 19 December 2002.

With the introduction of new license holders in the Telecommunications Market it is essential that the interconnection regime is reviewed. The current practice of offering new entrants the 'Best Prevailing Termination Charges' will not have the desired result of driving down costs and improving competition.

In terms of paragraph 2.4 of the above mentioned guidelines, any party, acting in good faith, may request the Authority to include any licensee with a relevant market share of at least 35% of a defined Telecommunications Market, in the category of Major Operator.

Vodacom (Pty) Limited and MTN (Pty) Limited are both operators in the Mobile Cellular Telecommunications Services, which is a defined Telecommunications Market as listed in paragraph 2.1 of the said regulations.

1. In the table named "Key Operational Information" on page 30 of the Vodacom Group Annual Report 2004, Vodacom declares their market share to be 54% as at 31 March 2004. This document is available on the Vodacom website on the following link: <http://www.vodacom.co.za/about/docs/VodacomGroupAnnualReportYearEnd2004.pdf>.



2. Under the heading "Market Information" on page 39 of the MTN Business Report 2004, MTN declares their market share to be 38% as at 31 March 2004. This document is available on the MTN website on the following link: [http://www.mtn.co.za/pdfFiles/ar2004\\_busrep.pdf](http://www.mtn.co.za/pdfFiles/ar2004_busrep.pdf).

Given the facts as they stand, it is obvious that both Vodacom and MTN are Major Operators by virtue of their market share being in excess of 35%. I therefore wish to request that the Authority include Vodacom (Pty) Limited and MTN (Pty) Limited in the category of Major Operator in accordance with paragraph 2.4(a) of the Supplementary Interconnection Guidelines as published in Government Gazette 24203 on the 19<sup>th</sup> December 2002.

They will thereafter be obliged to provide Essential Services, such as Interconnection Termination and Facilities Leasing services at the Fully Allocated Cost (FAC) in the interim, and later at Long Run Incremental Cost (LRIC). This will have a significant effect on future competition in the telecommunications sector, and will promote the objects of the act.

Yours Sincerely



# Review of operations South African operations continued

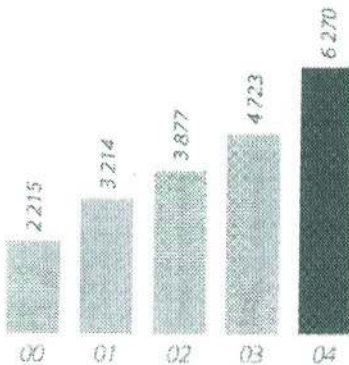
## Key operational information

	Year ended (March 31)					% change 01/00	% change 02/01	% change 03/02	% change 04/03
	2000	2001	2002	2003	2004				
<b>Customers ('000)<sup>1</sup></b>	<b>3,069</b>	<b>5,108</b>	<b>6,557</b>	<b>7,874</b>	<b>9,725</b>	<b>66.4</b>	<b>28.4</b>	<b>20.1</b>	<b>23.5</b>
Contract	963	1,037	1,090	1,181	<b>1,420</b>	7.7	5.1	8.3	20.2
Prepaid	2,082	4,046	5,439	6,664	<b>8,282</b>	94.3	34.4	22.5	24.3
Community services	24	25	28	29	<b>23</b>	4.2	12.0	3.6	(20.7)
<b>Gross connections ('000)</b>	<b>1,884</b>	<b>2,990</b>	<b>3,038</b>	<b>3,495</b>	<b>4,998</b>	<b>58.7</b>	<b>1.6</b>	<b>15.0</b>	<b>43.0</b>
Contract	261	263	199	197	<b>377</b>	0.8	(24.3)	(1.0)	91.4
Prepaid	1,617	2,725	2,836	3,295	<b>4,617</b>	68.5	4.1	16.2	40.1
Community services	6	2	3	3	<b>4</b>	(66.7)	50.0	0.0	33.3
<b>Inactives (3 months - %)</b>	<b>n/a<sup>2</sup></b>	<b>n/a</b>	<b>13.9</b>	<b>18.2</b>	<b>17.6</b>	<b>-</b>	<b>-</b>	<b>4.3</b>	<b>(0.6)</b>
Contract	n/a	n/a	3.8	5.3	<b>5.7</b>	-	-	1.5	0.4
Prepaid	n/a	n/a	15.9	20.5	<b>19.7</b>	-	-	4.6	(0.8)
<b>Total churn (%)<sup>3</sup></b>	<b>31.8</b>	<b>23.3</b>	<b>27.2</b>	<b>30.4</b>	<b>36.6</b>	<b>(8.5)</b>	<b>3.9</b>	<b>3.2</b>	<b>6.2</b>
Contract	17.4	18.7	14.5	11.9	<b>10.1</b>	1.3	(4.2)	(2.6)	(1.8)
Prepaid	40.5	24.8	30.1	34.0	<b>41.3</b>	(15.7)	5.3	3.9	7.3
<b>Traffic (millions of minutes)<sup>4</sup></b>	<b>5,669</b>	<b>7,472</b>	<b>8,881</b>	<b>10,486</b>	<b>12,297</b>	<b>31.8</b>	<b>18.9</b>	<b>18.1</b>	<b>17.3</b>
Outgoing	2,885	4,052	4,967	6,343	<b>7,772</b>	40.5	22.6	27.7	22.5
Incoming	2,784	3,420	3,914	4,143	<b>4,525</b>	22.8	14.4	5.9	9.2
<b>ARPU (Rand per month)<sup>5</sup></b>	<b>266</b>	<b>208</b>	<b>182</b>	<b>183</b>	<b>177</b>	<b>(21.8)</b>	<b>(12.5)</b>	<b>0.5</b>	<b>(3.3)</b>
Contract	481	493	560	629	<b>634</b>	2.5	13.6	12.3	0.8
Prepaid	132	98	93	90	<b>90</b>	(25.8)	(5.1)	(3.2)	0.0
Community service	n/a	1,453	1,719	1,861	<b>2,155</b>	-	18.3	8.3	15.8
<b>Minutes of use per month (MOU)<sup>6</sup></b>	<b>158</b>	<b>137</b>	<b>111</b>	<b>101</b>	<b>96</b>	<b>(13.3)</b>	<b>(19.0)</b>	<b>(9.0)</b>	<b>(5.0)</b>
Contract	274	270	264	269	<b>263</b>	(1.5)	(2.2)	1.9	(2.2)
Prepaid	90	70	58	54	<b>56</b>	(22.2)	(17.1)	(6.9)	3.7
Community service	1,593	2,659	3,354	3,162	<b>3,061</b>	79.5	17.3	(5.7)	(3.2)
<b>Number of employees</b>	<b>4,048</b>	<b>4,102</b>	<b>3,859</b>	<b>3,904</b>	<b>3,848</b>	<b>1.3</b>	<b>(5.9)</b>	<b>1.2</b>	<b>(1.4)</b>
<b>Customers per employee</b>	<b>758</b>	<b>1,245</b>	<b>1,699</b>	<b>2,017</b>	<b>2,527</b>	<b>64.2</b>	<b>36.5</b>	<b>18.7</b>	<b>25.3</b>
<b>Market share (%)<sup>7</sup></b>	<b>59</b>	<b>61</b>	<b>61</b>	<b>57</b>	<b>54</b>	<b>2.0</b>	<b>-</b>	<b>(4.0)</b>	<b>(3.0)</b>
<b>Cumulative capex (Rand millions)</b>	<b>7,048</b>	<b>10,232</b>	<b>14,317</b>	<b>16,535</b>	<b>18,132</b>	<b>45.2</b>	<b>39.9</b>	<b>15.5</b>	<b>9.7</b>
<b>SA network capex per customer (Rand)</b>	<b>2,543</b>	<b>2,053</b>	<b>1,991</b>	<b>1,933</b>	<b>1,720</b>	<b>(19.3)</b>	<b>(3.0)</b>	<b>(2.9)</b>	<b>(11.0)</b>





Subscriber base  
('000)



#### Financials

	2004 Rm	2003 Rm
Revenue	15 098	12 298
EBITDA	4 514	3 389
PAT	2 245	1 490

#### Market information

Population	45,7 million
Mobile penetration	36%
Market share	38%

#### Operational information

Pre-paid/post-paid mix (%)	81/19
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Note: financial data reflect 100% of the operation

The growth in subscribers was obtained without compromising quality of services. Network management procedures including software have been developed that allow MTN South Africa to maintain service levels in the top bracket of international GSM operators.

### Marketing

Brand affinity and awareness measured 79,5% and 99% respectively for the year.

The contract base at 31 March 2004 of 1,2 million subscribers and the pre-paid subscriber base of 5,1 million have increased by 20% and 36% respectively year on year. No significant changes occurred in the overall composition of the subscriber base with pre-paid subscribers representing 81% at March 2004.

Blended ARPU of R203 per month was recorded for the current year compared to R206 in the prior year. ARPU for the year was R597 on post-paid and R104 for pre-paid. The reduction in blended ARPU was mainly due to the decrease in MOU.

### Products and services

Improved economic conditions, together with low interest rates, led to an increase in consumers' disposable income and as expected, the mobile market has benefited, especially pre-paid where 1,3 million net connections were recorded during the year.



MTN South Africa's advertising brand campaign reflected MTN's personalised approach to its subscribers, including soul, warmth and a distinctly South African spirit. The commercial was entitled Taxi.



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Advertisements: Tel: (012) 334-4673, 334-4674, 334-4504  
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Gedruk deur en verkrygbaar by die Staatsdrukker, Bosmanstraat, Privaatsak X85, Pretoria, 0001  
Publikasies: Tel: (012) 334-4508, 334-4509, 334-4510  
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