

A4AI Comments on the South Africa’s “Competition in the Digital Economy”
report

30th October 2020

Submission by the [Alliance for Affordable Internet](#)

The Alliance for Affordable Internet (A4AI) hereby submits comments to the South African Competition Commission’s [report](#) on “Competition in the Digital Economy”. A4AI is pleased to notice that many of the steps implemented and/or planned by the Competition Commission are aligned with the work we have been developing over the past years. We thank the Competition Commission for taking a transparent stakeholder approach to discuss this issue further and hope the full submission shared below will provide strong insights to enrich the report.

1. What is the Alliance for Affordable Internet?

The [Alliance for Affordable Internet \(A4AI\)](#) is the leading advocate for affordable and meaningful broadband in the world. A4AI is an initiative of the World Wide Web Foundation (Web Foundation), whose founder is Sir Tim Berners Lee, inventor of the World Wide Web. With only only half of the world’s population connected to the internet today, plus a widening digital gender gap and usage, there is an urgent need to act fast to achieve the Sustainable Development (SDG) goals. Research from A4AI and the Web Foundation indicate [a slowdown](#) in progress and a risk of missing the targets set on global connectivity. In particular, we reference **SDG 9.c** (to *significantly increase access to information and communications technology and strive to provide universal and affordable access to the Internet in least developed countries by 2020*); and **SDG goal 5.b** (to *enhance the use of enabling technology, in particular information and communications technology, to promote the empowerment of women*). All countries need to overcome the barriers to closing the digital gap and to encourage more investment in strategies to connect those with no or little internet access. Ultimately this demands a combination of innovative policies, regulation, technologies, and new business models — things that A4AI is working hard to achieve

At A4AI, we believe that affordability should not be a barrier to internet access. We use a combination of research, advocacy, research, and in-country engagement to develop the policies needed to reduce the cost to connect and enable everyone, everywhere to afford to come online. A4AI convenes businesses, governments, and civil society actors ,working at national and regional levels to deliver the policies needed to reduce the cost to connect and

make universal, affordable internet access a reality for all. Please see A4AI’s website for more information¹.

2. Missing affordability data - Item 1.3 of the Report

Various figures and tables are available at the report. We would like to suggest adding numbers related to affordability, which can be found in our [2019 Affordability Report](#). South Africa is one of the largest economies and best connected societies in Africa, but large inequalities exist making the cost of broadband particularly expensive for many, as highlighted in our submission to the [Competition Commission of South Africa in 2017](#). We would like to share data from our internal model,(see Table 1) which found that internet access is unaffordable for about 80% of the population.

Table 1 Internet Affordability breakdown by Income quintiles

Income Quintiles					
Lowest 20%	Second 20%	Third 20%	Fourth 20%	Highest 20%	
2.4%	4.8%	8.2%	16.5%	68.2%	Income Share (World Bank, 2014)
7.973	15.947	27.242	54.817	226.577	Projected income held (as billions) - US\$
\$689.98	\$1,379.97	\$2,357.44	\$4,743.64	\$19,607.04	Projected income per capita - US\$
\$57.50	\$115.00	\$196.45	\$395.30	\$1,633.92	Projected monthly income per capita - US\$
18.03%	9.01%	5.28%	2.62%	0.63%	Data affordability (1GB prepaid data as % of average monthly income, 2019)

Source : A4AI . 2019

The situation is likely to be more dire, with greater disparities if the newly launched target of [Meaningful connectivity](#) is applied. We believe this staggering proportion shown above should be acknowledged in the “Competition in the Digital Economy” report . A successful digital economy is one that gives all its citizens the chance to connect in an affordable and meaningful way. To this end A4AI has been consistent in its advocacy on affordability, lent to the #datamustfall campaign where we [testified before the South African Parliamentary Committee in 2016](#) .

¹ A4AI’s Website: <https://a4ai.org/>

3 Meaningful connectivity and competition

A strong digital economy has to be underpinned by quality broadband connection. This justifies the need to raise the bar for internet access as advocated by the Alliance for Affordable Internet (A4AI), to the recently launched [“Meaningful Connectivity”](#) target. This Meaningful connectivity (MC) target is a way to measure not only if a user has access to the internet, but the level of connection they have. This 2020 research presents targets to address the quality of access and sets more ambitious policy goals for digital development. Considering that the level of connectivity, its affordability and quality varies widely across different countries and regions, it is important to understand which minimum thresholds should be in place. Thus, the MC standard sets these minimum thresholds across the four dimensions of internet access that matter most to users, according to the following:

- A fast connection - minimum threshold: 4G mobile connectivity
- An appropriate device - minimum threshold: access to a smartphone
- Enough data - minimum threshold: an unlimited broadband connection at home or a place of work or study
- Regular internet use - minimum threshold: daily use

The dimensions are further illustrated in table 2 below:

Table 2: Dimensions of meaningful connectivity	
<p>SUFFICIENT SPEED</p> <p>4G MOBILE CONNECTION</p>	<p>A SMART DEVICE</p> <p>SMARTPHONE ACCESS</p>
<p>SUFFICIENT DATA</p> <p>UNLIMITED CONNECTION AT HOME OR PLACE OF WORK/STUDY</p>	<p>SUFFICIENT RELEVANCE</p> <p>DAILY INTERNET USE</p>

It is worthy of note that the thresholds leading to this target are grounded on relevant, evidence-based and measurable criteria. The process of arriving at these, involved a series of consultations with different stakeholders, research exercises including nationally representative

surveys of approximately 6000 people, and in depth (focus group) discussions with over 120 people in three countries.

A4AI's "Meaningful Connectivity" targets are aligned to the goals described under the section on regulatory issues in the digital economy to ensure inclusive growth as well as section 1.5 of the report.

We commend the paper's reference, to ensure greater collaborations with regulators in other jurisdictions to share knowledge and good practices. This is particularly important as the digital space often transcends borders and the harm of anticompetitive practices might not only hinder citizens local access but also decrease their ability meaningfully transacting business internationally.

4. Rural connectivity and infrastructure sharing - Item 3.1 of the Report

An inclusive digital economy will have to prioritise coverage and services to peri-urban and rural areas and close the current gulf that exists. The potential for growth in this area is immense but this will require a targeted approach. In partnership with the Association for Progressive Communications (APC), the Collaboration on International ICT Policy for East and Southern Africa (CIPESA), the Digital Empowerment Foundation (DEF) and Facebook, A4AI has launched the [Rural Broadband Policy Framework \(RBPF\)](#) in early 2020, to provide guidance on how to address the pernicious digital divide faced by people living in rural areas. The RBPF acknowledges that "rural areas face special connectivity-related challenges and other severe divides not faced in urbanized areas", and provides "a basis for considering and adopting policy approaches most likely to facilitate the deployment and adoption of new and/or better broadband infrastructure and services in underserved rural areas".

The RBPF framework has 8 key elements and touches upon important issues related to competition and access in rural areas, such as the fact that technology-neutral licensing should guide service provision in rural areas, as long as the appropriate competition protections are in place. Infrastructure sharing is also a way to facilitate competition at the retail level to benefit rural areas. We believe the key elements in this framework and the great cases studies referenced would be useful in guiding the strategies for increased competition and expansion into rural areas of South Africa.

5. Infrastructure Sharing - Item 1.5 of the report

The "Competition in the Digital Economy" paper also references infrastructure sharing as a crucial element to the Digital Economy (Section 1.5). A4AI has previously highlighted the need

for infrastructure sharing backed by our [good policy and regulatory practices](#). In our [2019 Affordability Report](#), South Africa was one of the countries featured during the assessment of the Wholesale Open Access Networks (WOANs). As the “Competition in the Digital Economy” report highlights, there are plans for the creation of an Wholesale Open Access Network ([WOAN](#)) [in South Africa](#), which can help fostering a more competitive market if implemented properly. It is worthy of note that the 2019 affordability report highlights, political will, capital, and time as fundamental dimensions of projects such as the one South Africa is proposing:

“In the case of Mexico and Rwanda, two of the most advanced and promising examples and both based on 4G LTE technology, retail prices have decreased, and new retailers have started to operate. However, there are still doubts regarding the ability of new entrants to offer competitive services. Some criticisms — such as delays in project implementation — are expected, as is common in infrastructure projects. Overall, these projects do offer stakeholders a few lessons: as major infrastructure investments, these projects require extensive political will, capital, and time as foundations for development and impact (A4AI, 2019)

Besides Mexico and Rwanda, which have focused on wireless networks, our report also analyzed the attempts of Kenya and Peru, which have rolled out fiber networks. Initial observations from these countries suggest that WOANs can be a viable alternative in certain conditions. The recommendation is that these projects are best suited to countries facing lower levels of connectivity and more consolidated markets that require more substantive changes in their broadband market.

5. A note on recent relevant reports

In order to foster competition in the digital economy, ongoing investment across the internet supply chain needs to be encouraged, while also supporting and stimulating demand. This is acknowledged throughout your paper. We wish to highlight additional resources on infrastructure which might prove insightful. In September 2020, the International Telecommunications Union (ITU) launched the [Connecting Humanity](#) report, the result of a collaboration with A4AI. Our research revealed that nearly \$428 billion will be required to achieve universal connectivity to quality broadband internet in the next ten years. Internet infrastructure will require a major portion of the investment, with remaining funds dedicated to policy development and regulatory reform and digital skills training and local content production.

Furthermore In 2019, the Broadband Commission published the report [Connecting Africa Through Broadband](#), a collaboration of A4AI, the World Bank and the Commission’s Working Group on a Digital Infrastructure Moonshot for Africa. Box 5.1 in this report speaks to digital public platforms which is referenced in your paper. Other recommendations include a policy framework to support competitive investment in the sector as well as a roadmap to implement that framework. Both reports stress the importance of healthy market competition for innovation

and market growth and offer some great case studies the Competition Commission might wish to reference .

6. Conclusion

The approach taken by the Competition Commission to realise its goal is commendable. Attaining a vibrant digital economy will have to be underpinned by affordable and meaningful connectivity backed by strong infrastructure and investment. We hope the above publications, research and their ensuing recommendations have provided some depth on A4AI's continuous work towards internet access, affordability as well as connectivity policy and regulation, and its relationship to the goals outlined in the "Competition in the Digital Economy" report. It is important to add that this overview does not reflect the full content of our work. We therefore encourage you to explore further details about the research and policy framework in the original documents and accompanying blogs outlined below. We remain at your disposal for any questions you may have.

References:

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