

**NATIONAL ASSEMBLY
QUESTION FOR WRITTEN REPLY
QUESTION NUMBER: 582 [NW663E]
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582. Mrs M R Shinn (DA) to ask the Minister of Finance:

(a) When was the Market Sounding Study on broadband (i) commissioned and (ii) completed, (b)(i) who carried out the study and (ii) at what cost and (c) what (i) was the scope and (ii) were the key findings of the study?

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REPLY:

a) (i) & (ii) The market sounding was not a commissioned study, but an exercise to obtain the view of the private sector on broadband issues. The market sounding exercise took place on the 25th, 26th, 27th and the 31st of July 2012.

b) (i) Key industry role players, from all parts of the broadband value chain, and domestic and international banks were invited to present their views on South Africa's broadband environment to a panel of policymakers. The National Treasury, Independent Communications Authority of South Africa (ICASA), the Department of Communications and the Department of Public Enterprises were represented in the market sounding panel.

(ii) The market sounding had no cost implications for government. No research study was commissioned as part of this process and the market sounding was held at the National Treasury's offices.

c) (i) National Treasury conducted the market sounding exercise in order to understand the associated fiscal support and the range of potential funding models that may be required to catalyse the rollout, through understanding the challenges within the sector and looking at possible approaches for achieving the targeted broadband coverage.

(ii) The following findings were common amongst most of the presentations to the panel:

- In general, there is sufficient broadband infrastructure on an international, national and metro level, with some gaps. The major bottleneck is the deficit on the last mile.
- Internationally, rural areas are most cost effectively served through wireless technologies (mobile and satellite) and urban areas by fibre optic networks in order to satisfy high density demand. Global best practice requires state financial support for the construction of networks, with most countries focusing such support on

access in rural areas. Additional support targeted at demand stimulation through computer literacy and computer subsidy schemes is often required

- Government and the private sector need to work together in order to clearly identify the gaps in broadband infrastructure in South Africa.
- Existing infrastructure should be leveraged and regulatory and policy bottlenecks need to be removed to allow the private sector to build where it is viable.
- The costs of broadband infrastructure development depend on: the type of technology used, the speed and capacity requirements, the project timelines, the extent of rural area coverage required, the required network density, the state of existing infrastructure and the extent of the backbone network to be rolled out.
- Depending on the approach adopted, the full cost of the roll out would not have to be borne by Government. However, nearly all of the participants highlighted that some kind of government funding would be required, especially in terms of supporting the roll out of broadband infrastructure in rural areas and supporting demand side interventions.
- The spectrum needs to be allocated as soon as possible. There was consensus that the 800MHz and 2.6GHz spectrum licenses need to be bundled together and to ensure that entities which have licenses for lucrative spectrum also have an obligation to roll out broadband in underserved areas. Spectrum needs to be taken away from entities not currently using their allocations efficiently.
- The rapid deployment guidelines provided for in the Electronic Communications Act need to be urgently finalised to ensure rapid approvals for infrastructure roll out, EIAs and way-leave approvals.
- A technology neutral, open access network was recommended.