



# RIGHT2KNOW

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3 May 2013

Sifiso Dabengwa  
CEO of MTN

Dear Sifiso Dabengwa,

**Regarding affordable quality cellphone services in South Africa.**

As you are aware it is reported that 82,9% of South Africans have cellphones that could make our right to communicate real. This high level of cell phone access represents a great opportunity for South Africa to advance the right to communicate. Apart from voice communication, the cellphone potentially brings with it all the democratising and developmental possibility of the internet, including the ability to draw on vast amounts of knowledge as well as the ability to produce and upload content that can give a voice to those currently marginalized in society.

Your business is based on the commercialisation of electromagnetic spectrum – a public asset and natural resource of South Africa that is relevantly scarce. The state, through government policy and ICASA regulation, has an obligation to ensure that the use of the electromagnetic spectrum advances the vision of South Africa spelt out in our Constitution and Bill of Rights. This includes the right to communicate – to receive and impart information and ideas (Section 16 of our Bill of Rights). This right is central to our right to know.

Yet your current business practices serve to exploit the public, further marginalise the poor and unemployed and undermine economic growth and job creation.

In particular we wish to draw your attention to four aspects of this problem that we believe you should be addressing: The cost of communication, quality of services, unethical practices, and lack of access to information.

**1. Cellphone Profiteering**

South Africa is failing to realise the democratising potential of telecommunication in large part because MTN, VODACOM and the other cellphone operators have maintained high prices of your services that you offer.

Statistics from 2011 from the International Telecommunications Union place the country 77<sup>th</sup> out of 82 countries in a price basket review. This is a disgrace considering we have a relatively large market and well established infrastructure.

We can only conclude that you are profiteering at the expense of South Africa's people.

As you are aware the production cost of an SMS is estimated<sup>1</sup> at R0.026 yet MTN and VODCOM charge up to R0.80 for an SMS. This amounts to 3200% profit and is higher than all the other networks. Similar calculations cannot be made regarding the actual cost of airtime and other services because MTN and other operators keep necessary information secret (see #4 below).

MTN and VODACOM benefit in particular from termination rates, which we believe are still too high in spite of recent reductions, because as a virtual duopoly the majority of calls terminate on your networks. Despite this reality, when ICASA has regulated a reduction in termination rates MTN and VODACOM are also the two networks that have not passed this reduction on sufficiently, despite claims to the contrary.

**We call on you to make SMS free all day and everyday, pass the full reduction in the price of termination rates on to your customers and support ICASA to introduce other measures to bring down the cost of communication.**

<sup>1</sup> Muller, R (2012b) 'The true cost of an SMS', MyBroadband, 14/11/2012. From <http://mybroadband.co.za/...the-true-cost-of-an-sms.html> (on 28/11/2012.)

## **2. Quality of services & investment in the network**

Despite your massive profits you are failing to deliver the services you promise. According to ICASA, MTN has consistently failed to meet ICASA's quality-of-service targets. We are faced with the daily frustrations of dropped calls and lack of network coverage. Services that promise 3G internet access are often only available in more affluent urban areas and are all extremely limited in our rural areas.

**We call on you to invest in the maintenance and development of your network and make detailed plans to this effect available to the public.**

## **3. Unethical and possibly illegal business practices**

Many MTN customers lose airtime, sms or data bundles because they expire before they are used. According to the Consumer Protection Act and the National Consumer Commissioner, MTN's practice of forcing customers to forfeit airtime or bundles after a certain amount of time is unfair and the Consumer Act says that all vouchers should remain valid for three years.

This practice – a means to force people to spend more - is motivated purely by profit and impacts disproportionately on pay-as-you-go customers who are more likely to be from poor communities with less disposable income.

In our view this practice is tantamount to theft. At the very least people should get what they paid for.

**We call on you to comply with the Consumer Act immediately.**

## **4. Cellphone Secrets**

The Right2Know Campaign is committed to an open society where powerful institutions are held to account. In the case of the cell phone industry transparency and access to information are critical to enable effective public engagement, ICASA regulation and consumer choice.

MTN has often failed to embrace this spirit of accountability. You have failed to provide ICASA, Parliament and the United Nations' International Telecommunication Union with information regarding your services, business costs, and price structures.

You also market your services in a manner that makes it very difficult for consumers to compare offerings across your packages and across different networks.

**We call on you to provide ICASA and the Parliamentary Portfolio Committee on Communications with all the information that they have requested and that you simplify your product offerings and present easily comparative information to consumers.**

## **Further engagement**

We would like the opportunity to discuss the above issues and other concerns and hear your response.

**We invite you to respond on the 12 June 2013 at 12h00 on the pavement outside Parliament (corner Adderley and Wale streets) where we will also be engaging the Portfolio Committee on Communications after marching to the ICASA offices.**

Please confirm that you will meet us there.

Sincerely,

Mark Weinberg

for the Right2Know Campaign

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