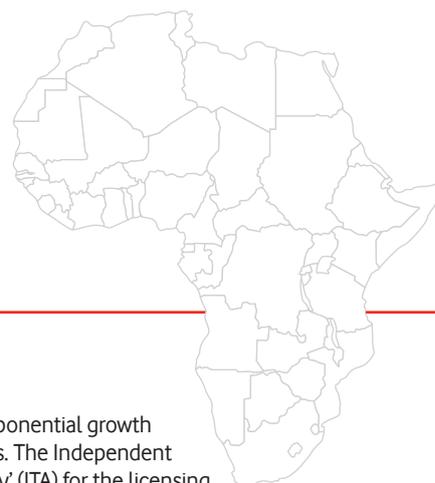


# Regulatory report



## South Africa

### Spectrum

The release of additional spectrum is critical for mobile network operators to meet the exponential growth in demand for data services, and to alleviate the current strain on traditional voice services. The Independent Communications Authority of South Africa's (ICASA's) much anticipated 'Invitation to Apply' (ITA) for the licensing of high-demand spectrum bands was delayed, pending the issuing by the Minister of Telecommunications and Postal Services of a Policy Directive guiding the licensing mechanisms and practices that ICASA may employ for the licensing of high-demand spectrum. The publication of an ITA by ICASA would have set the scene for Vodacom and other interested parties to bid for spectrum in the 700MHz, 800MHz and 2 600MHz bands through a transparent auction mechanism. As a result of the delays in assigning high-demand spectrum, Vodacom has resorted to 're-farming techniques' in selected spectrum, utilising some of its existing spectrum for the deployment of Long Term Evolution (LTE) to support the current demand for data services.

The Ministry has indicated its intention to publish new Spectrum Policy Directives through the draft ICT Policy White Paper. According to the Ministry, these directives aim to fundamentally restructure the market by seeking to address what it has termed "artificial monopolies" and "collusion by incumbents".

Access to further spectrum remains crucial for mobile operators to optimally roll out the implementation of International Mobile Telecommunications (IMT) applications and IMT Advanced (LTE-A) networks to address the growing market demand for mobile data services. The availability of sufficient additional IMT spectrum is also critical in delivering on the Government's broadband targets.

### ICT Sector Code on Broad-based Black Economic Empowerment (BBBEE)

On 29 February 2016, the Draft Amended Information and Communications Technology (ICT) Sector Code – as aligned with the revised Department of Trade and Industry (DTI) – was published for 60 days comment. Vodacom participated in the public consultation process with written comments, which was submitted in line with the deadline date of 28 April 2016. The next steps will be for the DTI to complete the process before gazetting the final ICT sector code for implementation. In aligning the current ICT Sector Code with the revised DTI Codes, the following key changes were drafted:

|                                  | Weighting               |                          | Difference  |   |
|----------------------------------|-------------------------|--------------------------|---|---|
|                                  | Current                 | Proposed                 | Current   | Proposed  |
| <b>Equity ownership</b>          | 20<br>+3 bonus          | 25                       | Full points for voting rights and economic benefit if BEE stake is >R7.5bn.   | 40% of net asset value target is sub-minimum. Apply either Modified flow-through or Exclusion Principle. R7.5bn threshold removed.  |
| <b>Management control</b>        | 10<br>+1 bonus          | 23                       | Employment equity 3 bonus points for achieving Economic Active Population (EAP) target of black employees with disabilities in junior management. | Incorporates employment equity targets: african, coloured and indian male and female representation, weighted on national demographic profiles.   |
| <b>Employment equity</b>         | 10                      | +1 bonus                 |   |   |
| <b>Skills development</b>        | 17                      | 20<br>+5 bonus           |   | Target increased to 6% of payroll 40% of target is sub-minimum  |
| <b>Preferential procurement</b>  | 20<br>+6 bonus          | 50                       | Bonus points for improved payment terms to Exempted Micro Enterprises (EME's) or Qualifying Small Enterprises (QSE's).                            | Empowered supplier must conform to all laws – failure to do so results in a loss of certification, 3 bonus points for creating new ventures, progressing from Enterprise development to Procurement and job creation. |
| <b>Enterprise development</b>    | 11                      | +3 bonus                 |   |   |
| <b>Socioeconomic development</b> | 12                      | 12                       |   | Support entrepreneurial activities.   |
|                                  | <b>100<br/>+9 bonus</b> | <b>130<br/>+10 bonus</b> |   | <b>Failure to meet ANY sub-minimum criteria results in loss of 1 status levels.</b>   |

## International

All our markets are subject to mobile customer registration requirements. The industry is engaging with authorities to improve the process to ensure customer registration. Difficulties experienced in the registration process include: limited number of national identity cards, the inefficiency of a paper-based process, and the inability of mass market distribution partners to complete the registration processes correctly. Tanzania and Mozambique have replaced the paper-based process with an electronic registration process. We continue to actively register customers and have action plans in each country to achieve full compliance.

## Tanzania



### Quality of Service

In March 2016, the Tanzania Communications Regulatory Authority (TCRA) fined Vodacom Tanzania TZS27 million for non-compliance with network Quality of Service (QoS) targets for the period between October and December 2015. Other operators are also subject to similar fines. All operators are required to meet the QoS targets within a six month period.

### Spectrum

The TCRA approved Vodacom Tanzania's acquisition of Shared Networks Tanzania (SNT) in February 2016, however approval from the Fair Competition Commission is still pending. SNT holds 2x5MHz in the 900MHz spectrum that will be used to support provision of rural services. The TCRA has issued a request for proposal for consultant to advise on the planned auction of 700MHz spectrum, and we await confirmation of the details. Workshops on spectrum policy, including auction design, have taken place last year between the TCRA and industry.

### Mobile customer registration

On 27 May 2016, Vodacom Tanzania and other operators received letters from a TCRA with regard to non-compliance of mobile customer registration following tests carried out during January 2016. Each operator attended hearings on Friday 3 June 2016, and we await a decision.

### Central Equipment Identification Register (CEIR)

The TCRA has set a deadline of 17 June 2016 for implementation of new CEIR and blacklisting processes.

### Mobile number portability

The deadline for introducing mobile number portability has been set as 1 August 2016. This will allow a subscriber to shift to another network operator of their choice with the same number simply by informing the service provider.

### Mobile financial services regulation

In December 2015, the National Payment Systems Act became effective, and together with supplementary regulations, introduces a new mobile financial services regulatory framework under the jurisdiction of the Central Bank of Tanzania. Notably, operators are required to apply for a National Payment Systems Licence and an Electronic Money Issuer Licence by 1 July 2016, replacing the current letter of no objection used by Vodacom Tanzania to provide mobile financial services.

### Listing on Dar es Salaam Stock Exchange

Listing regulations for telecommunications licensees were gazetted in August 2015. The regulations introduce voluntary listing of a minimum of 20% local shareholding in licensees on the Dar es Salaam Stock Exchange. Companies that opt not to list are required to pay 0.6% of gross revenues to a sector development fund within 12 months of the effective date of regulation. We have elected to pay and not to list. In February 2016, the Ministry of Communications has commenced a consultation on the governance and structure of the fund and payments into this fund.

## Regulatory report continued

### DRC



#### 2G Licence and Spectrum

Vodacom DRC's 2G licence was renewed on 17 December 2015, with a 10-year extension on the expiry date of 1 January 2018 to 1 January 2028. In addition, additional spectrum was secured (2x5.8MHz in the 1 800MHz band and 1x15MHz in the 1 900MHz band).

#### Mobile Termination Rates (MTR) and Price Regulation

In March 2015, the regulator introduced a new voice price floor regulation (on-net US\$0,051 per minute, off-net US\$0.085 per minute). Subsequently, in September 2015, the regulator extended both the voice price floor and the current MTR (USD 0.034) to 30 June 2016.

#### Mobile customer registration

In June 2015, revised customer registration regulations were introduced. These retained the current paper registration process, while extending the type of ID copies that are permitted. On 26 December 2015, the Vice Prime Ministers of Communications and Interior issued a joint communiqué ordering all operators to disconnect all unregistered customers by 28 December 2015. Subsequently, on 4 February 2016, all operators received a non-compliance letter from the National Intelligence Agency, stating that sanctions would be applied. To date, no sanctions have been applied. Vodacom DRC is suspending customers with insufficient registration records and communicating to such customers the requirement to register to avoid disconnection. We are working with industry to engage the government and the National Intelligence Agency to seek reform to regulations to improve the efficiency of the registration process.

#### Finance Act

In December 2015, the Finance Act was passed, introducing a new telecoms service tax increase, from 2% to 3% on gross revenue. The Act also introduced a new tax on mobile payments; the tax rate is yet to be determined jointly by the Minister of Finance and Vice Prime Minister for Communications. The industry association is engaging with government on the introduction of this tax and other matters, supported by a GSMA Deloitte tax impact study.

#### New electronic communications bill

The Ministry of Communication is consulting on a new electronic communications bill, which includes the introduction of changes to the existing licence regime.

### Mozambique



#### MTRs

The regulator has extended the existing MTR of MZN0.86 up to January 2017, with the intention to conduct a study to be used to determine the next MTR regulation.

#### Electronic Communications Act

A new communications Act was passed in May by Parliament, though has not become gazetted to date. The Act introduces a new electronic communications technology neutral licence regime whilst protecting existing licence terms, a competition law-based regulatory regime, and new law enforcement powers. The regulator is required to consult on supplementary regulations within a 180 day period following the gazetting of the Act; this will include the process for conversion of existing licences to the new licence regime

#### Mobile customer registration

In August 2015, the regulator issued revised regulations which introduced electronic registration. In parallel, Vodacom Mozambique with other operators have been undertaking a phased disconnection programme, suspending and then disconnecting unregistered customers and taking further actions to improve effectiveness of the registration process.

## Lesotho



### Licence renewal

Vodacom Lesotho's (VCL's) service licence which expires on 31 May 2016, has been renewed at a cost of R5 million for 20 years from 1 June 2016.

### Spectrum

VCL obtained 2x20MHz of 800MHz spectrum for LTE in 2014. Unfortunately this remains unusable due to cross-border interference by television broadcasters in South Africa. VCL was awarded 2x20MHz 1 800MHz spectrum initially on a temporary basis pending resolution of the interference issue to launch LTE services. In February 2016, this 1 800MHz spectrum was allocated on a permanent basis to VCL, subject to meeting certain licence conditions and paying annual licence fees.

### MTRs

In October 2015, the regulator issued a new MTR glide path for three years: 2015 (M0.032), 2016 (M0.026), and 2017 (M0.020).

### Competition market review

In 2015, the regulator conducted a competition market review on mobile and fixed markets in accordance with the electronic communications law. The regulator issued findings that VCL holds a dominant position in mobile call termination, retail, and access markets and call origination market.

### Mobile customer registration

On 4 February 2016, the regulator wrote to operators to commence engagement on introduction of customer registration regulation, and VCL is participating in this consultation process.

## International roaming in SADC and EAC

On 4 September 2015, the Communications Regulatory Authority of Southern Africa (CRASA) issued guidelines on roaming regulation to be implemented by national regulators in accordance with respective local laws. These guidelines set out principles governing the introduction of roaming regulation, and set wholesale and retail three-year glide paths. National regulators are at different stages of consultation on these roaming regulations.

In November 2015, the Tanzania Ministry of Communications commenced consultation on the implementation of Phase 1 price caps (wholesale at US\$0.07 and retail at US\$ 0.10) for East Africa Community (EAC) countries. The EAC is also consulting on a Phase 2 Single Area Network Regulation.

We are participating in these consultations in our respective markets.

