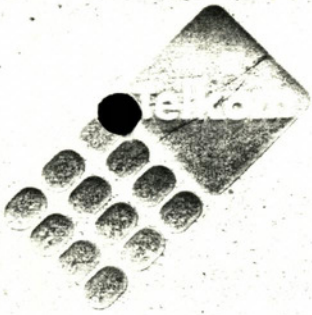


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**THE SECRETARY  
TECHNICAL COMMITTEE ON  
CONSTITUTIONAL AFFAIRS  
P.O. BOX 307  
ISANDO  
1600**

**DEMARCATIION, FUNCTIONS AND POWERS OF REGIONS**

Dear Sir,

Telkom SA Limited is the national provider of telecommunication services in South Africa. It provides telephone and data communication services to all South Africans, and it has "correspondent" relationship with equivalent organizations abroad, for the provision of international communication services.

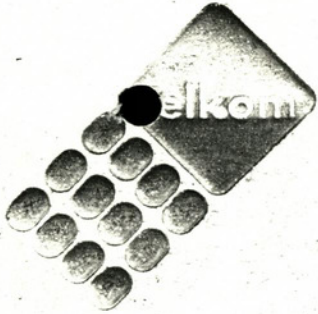
The envisaged creation of regional entities, and the powers to be invested in them in the new constitutional dispensation being developed, may impact on the business of Telkom SA. Therefore, Telkom SA would like to bring certain issues to the attention of the Technical Committee on Constitutional Affairs and the Commission on Demarcation of Regions (separate submission) that it would like these bodies to consider when deliberating on the demarcation of regions and of the powers to be vested in them.

**Telkom's telecommunications infrastructure**

Telkom's telecommunications infrastructure comprises of two basic components:

- (a) The national transmission and switching network. This consists of a number of "primary" switching exchanges, situated in the main metropolitan areas, all interconnected with each other by means of transmission links (microwave and/or optic fibre). Also part of this network are the interconnections with the communication networks in other countries. The national network is planned and managed as an integrated entity on a country-wide basis. Changes to any of its elements affect all its other component elements.
- (b) The local distribution networks. These networks, planned and managed on a regional and area basis, provide the link between the national network and Telkom's clients, and provide





them with the capability to communicate locally, nationally, and internationally. The traffic from these networks also affects the components of the national networks.

The telecommunication infrastructure is shown in concept in Figure 1.

### **Telkom's structure**

Telkom's structure consists of a number of corporate divisions and of six regions.

The corporate division relevant to this discussion is the Technology division. This division is responsible for planning the national switching and transmission network, in terms of technology, topology, functionality, and performance standards. The division is also responsible for determining the technology of the local distribution network. Because of the integrated nature of the national switching and transmission network, it is essential that such a planning function be performed centrally, therefore at the corporate level. Only in this way can the required connectivity between the various elements of the national network, and between the national network and the local networks, be ensured. Central planning is also essential to ensure uniformity of technical and performance standards in the networks.

The regions are responsible for the detailed planning of the local distribution networks and to interface with the clients in the provision and maintenance of services. They are also responsible for providing the corporate Technology division with the information necessary to size the national networks.

The six regions, whose delimitation is broadly based on the four Provinces and their traditional subdivisions, are:

1. Witwatersrand
2. Transvaal (the Transvaal province, excluding the Witwatersrand area)
3. Natal
4. Eastern Cape
5. Western Cape
6. Orange Free State and Northern Cape

The delimitation, beside sometimes following provincial boundaries, is based fundamentally on considerations of demography and of economic activities.

From a business point of view, the regions are not treated as cost centres, although revenue is recognized at the regional level. This is mainly due to insurmountable difficulties in equitably apportioning costs, especially capital. The Orange Free State and Northern Cape Region for instance, while contributing a relatively low share to Telkom revenue, has a very large capital asset,





as it is a major hub in the transmission network. Consequently Telkom's financial systems do not support regions as autonomous units.

### **Telkom's services**

Telkom's services consist primarily of telephone services and data communication services. Telephone services are provided to clients essentially on a regional basis. Data communication services however, are often required by the clients, mainly businesses, on an "end-to-end" national basis. These require to be planned and managed nationally.

### **Economics**

The telecommunications business is highly capital intensive and naturally Telkom has to attempt to derive maximum benefits from economies of scale. This is mainly achieved by equipment standardization and centralised procurement.

To ensure that basic services to the larger population remains affordable, cross-subsidisation is utilised within national tariff structures. Essentially this means that profits made from the lucrative services, such as long distance calls, are used to subsidize the non economic elements such as domestic telephone services. This can only be achieved if tariffs are set on a national basis.

### **Telecommunications Regulator**

The provision of telecommunication services in South Africa is regulated in terms of the Post Office Act and of the Radio Act. At present these Acts are administered by the Department of Post and Telecommunications. Telkom's licence to provide telecommunication services is in terms of these Acts.

However, it is envisaged that, together with the new political dispensation, a new regulatory framework for telecommunications will also be established in South Africa. Should consideration be given to allocating regulatory functions and powers to Regions it is important that it be kept in mind that the main functions of a regulatory body would be:

- (i) to provide a consistent and uniform interpretation and implementation of a national telecommunications policy and its objectives, such as the affordable provision of telephone services to all citizens, and adequate service levels,
- (ii) to act as a watchdog and/or arbitrator to ensure a level playing field in the telecommunications competition arena.





These objectives would be hard to achieve if Regions had autonomous powers in this regard.

### **National and international standards**

The end-to-end significance of many countrywide telecommunication services used by businesses requires that uniformity of standards and service levels be adhered to throughout the country. In addition there is also a need to remain compatible with telecommunications network developments and standards at the global level, if South Africa wishes to trade internationally and to assist with the development of telecommunications in Southern Africa.

### **Conclusion**

In order to become more client focused and responsive, Telkom has embarked on a decentralisation programme which endeavours to increase the autonomy of its regions, thus bringing the decision making that directly affects client services as close as possible to the client interface. However, Telkom needs to retain a considerable amount of centralization in planning and implementing the infrastructural networks, and in setting technological and operational standards.

Similarly, Telkom would like that any functions and powers that may be vested in Regions in the new political dispensation, be such as not to hinder those functions that perform need to be handled in a centralized way in providing telecommunication services.

  
**R A HARKER**



**FIGURE 1:TELKOM'S TELECOMMUNICATIONS INFRASTRUCTURE**

