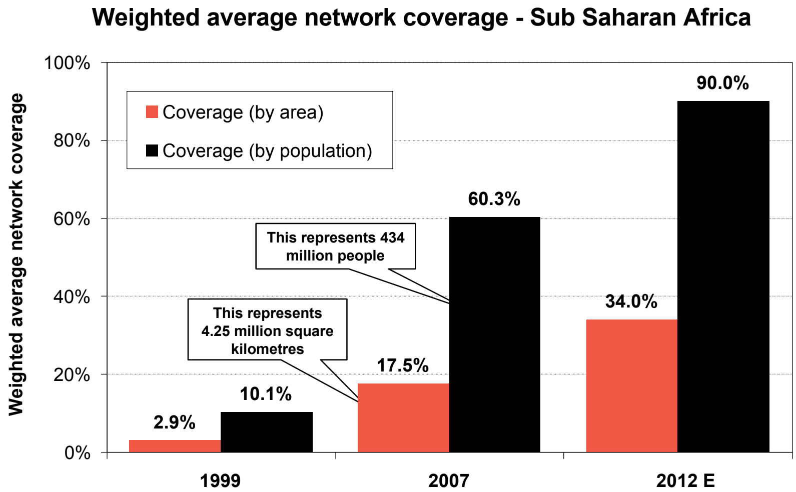
5th EuroAfriCa-ICT Concertation Meeting

CONNECTING AFRICA: POLICY PRIORITIES

Gabriel Solomon
GSM Association

434 million people covered by mobile; 37% subscribe



Source: GSMA; Europa Technologies, World Bank WDI Database

The 2012 estimate of population coverage assumes that the Ethiopian market will open to at least one new entrant within the period. An equivalent estimate of geographical network coverage is not available.

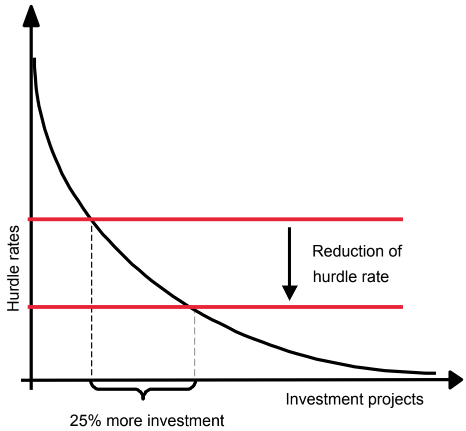
Connecting Africa

- To date, around $40 billion has been invested in SSA by the mobile industry
- $50 billion has been pledged over the next five years
- Governments play a key role in providing an environment that will help maximise the potential of this investment
- Significant policy bottlenecks exist that need to be removed

Policy Priorities

Lower risk, more investment

Predictability of Regulatory Policy



- Consistent, fair regulation:
  - reduces risk premiums and the cost of capital
  - increasing the number of investments that will be made
- In SSA, this could mean an additional $12.5 bn is invested in the next five years

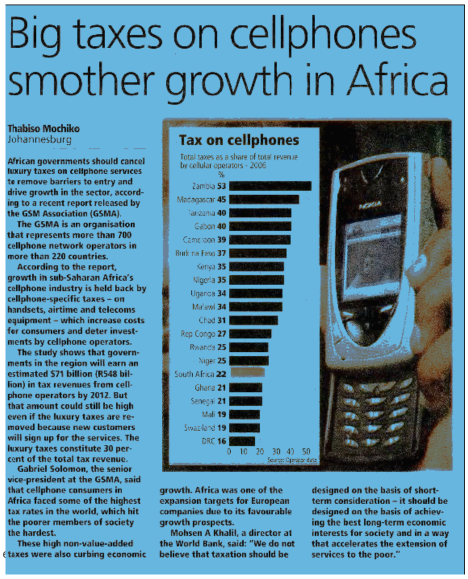
Consumer Taxes

Tax & Regulatory Fees

A device that was a yuppie toy not so long ago has now become a potent force for economic development in the world's poorest countries. But more can be done to exploit it. Most governments say they are in favour of economic growth and broader access to communications. By cutting back on mobile-specific taxes and tariffs, they can help to promote both of those things.

The Economist

29th May 2008



Big taxes on cellphones smother growth in Africa

Thabiso Mochiko
Johannesburg

African governments should cancel luxury taxes on cellphone services to remove barriers to entry and drive growth in the sector, according to a recent report released by the GSM Association (GSMA).

The GSMA is an organisation that represents more than 700 cellphone network operators in more than 220 countries.

According to the report, growth in sub-Saharan Africa's cellphone industry is held back by cellphone-specific taxes – on handsets, airtime and telecoms equipment – which increase costs for consumers and deter investments by cellphone operators.

The study shows that governments in the region will earn an estimated $71 billion (R548 billion) in tax revenues from cellphone operators by 2012. But that amount could still be high even if the luxury taxes are removed because new customers will sign up for the services. The luxury taxes constitute 30 percent of the total tax revenue.

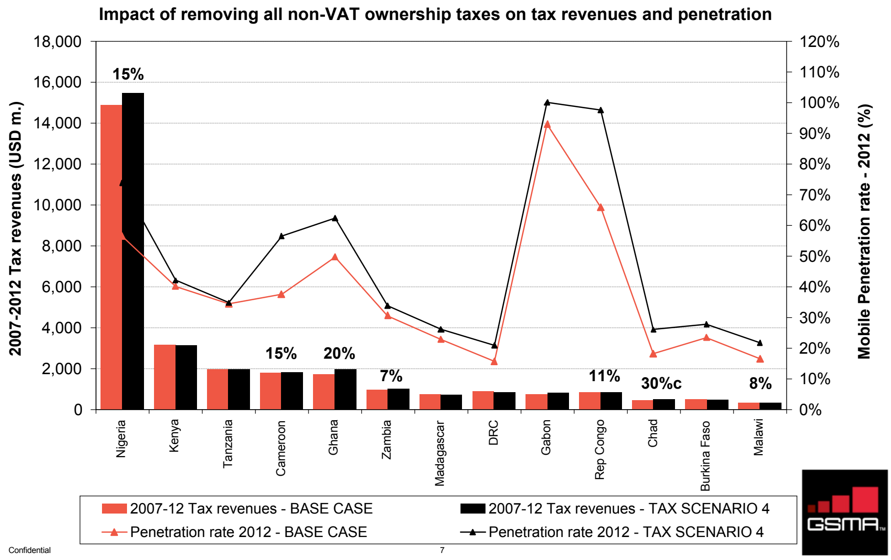
Gabriel Solomon, the senior vice-president at the GSMA, said that cellphone consumers in Africa faced some of the highest tax rates in the world, which hit the poorer members of society the hardest.

These high non-value-added taxes were also curbing economic growth. Africa was one of the expansion targets for European companies due to its favourable growth prospects.

Mohsen A Khalil, a director at the World Bank, said: "We do not believe that taxation should be designed on the basis of short-term consideration – it should be designed on the basis of achieving the best long-term economic interests for society and in a way that accelerates the extension of services to the poor."

Tax & Regulatory Fees

Total tax receipts can increase



International Gateway Liberalisation

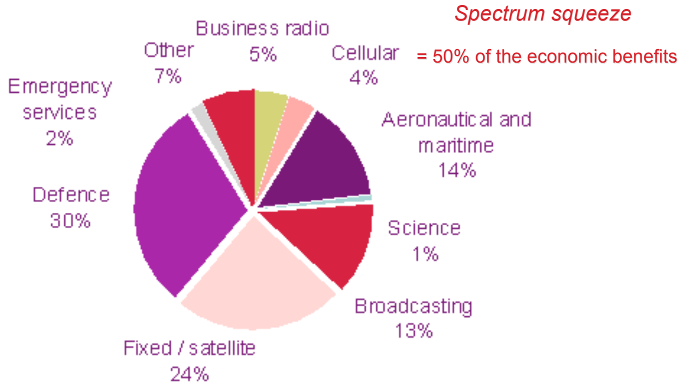
International Gateway Liberalisation

- Vital for consumers
  - Post liberalisation, international call prices fall steeply ~ 90%
- Vital for business
  - IGW monopoly increase transaction costs
- Vital for broadband
  - Broadband investments cut by IGW monopolies
  - SAT-3 reinforces market monopolies, why?
- Vital for governments
  - 1% increase in telecom sector performance boosts exports by .37% and FDI by .75% (World Bank)

Spectrum is fundamental

Spectrum Allocation

UK spectrum use weighted by frequency & economic value

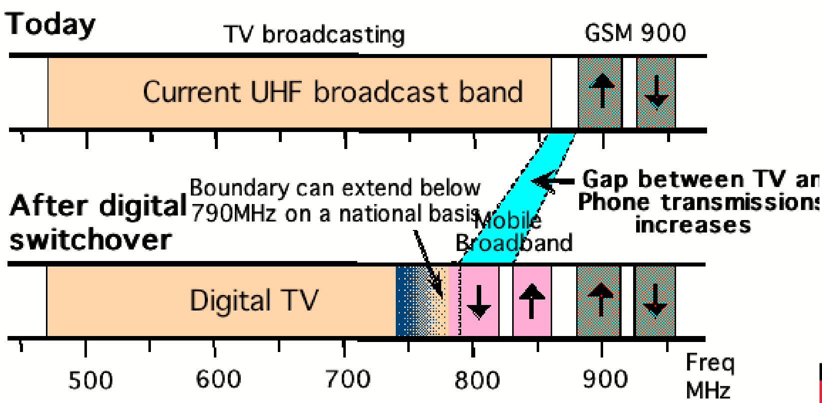


Source: Ofcom UK
Note: This has been weighted such that a 1MHz allocation at 100MHz is given equal weighting to a 10MHz allocation at 1GHz.

Digital Dividend

Spectrum Allocation

- Access to large chunks of spectrum at low frequencies **makes** the business case for mobile broadband



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Funding and
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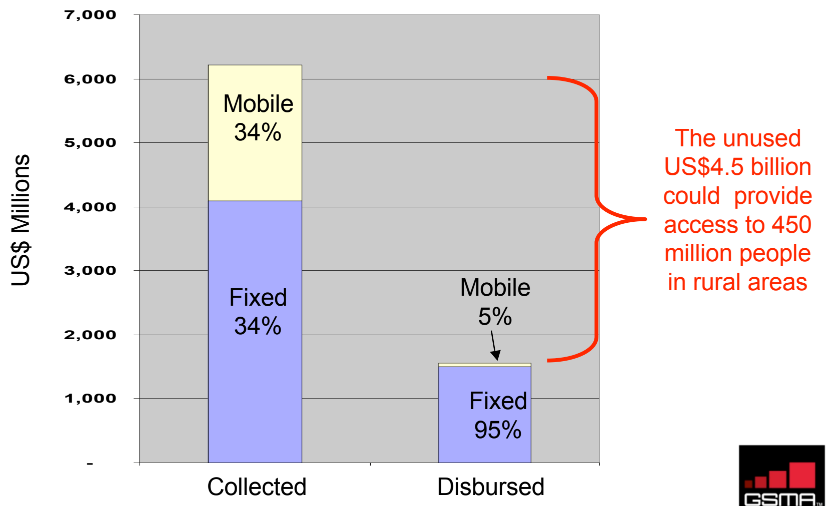
USF Performance 2006



Conclusion

- Universal and affordable voice and broadband mobile service are real goals that can be achieved:
  - Voice & basic data by 2012
  - Mobile broadband by 2017
- But governments must continue to create an enabling environment for investors
  - Allocate harmonised spectrum
  - Continue the liberalisation process
  - Maintain fair and transparent regulation
  - Remove ICT specific taxation
  - Don’t divert revenue