

20 SEPTEMBER 2016

CELL C



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THE POWER IS
IN YOUR HANDS

COST TO COMMUNICATE IN SOUTH AFRICA

THE COMPETITIVE ENVIRONMENT

High costs to Industry:

- Duplication of Infrastructure
Barriers to network deployment
- Import duties
- Foreign currency denominated equipment
- Volatile exchange rate
- Economies of scale

Market Conditions

- Market still dominated by two MNOs
- Cell C increased subscriber share but little gain in revenue share since 2014 MTRs (This is a work-in-progress)
- Imperfect market conditions so not enough consumer choice in products and prices
- Cost of voice calls has dropped significantly but retail price shows the 'effective rate' is still high relative to cost
- Strategies of on net off net price discrimination and lack of transparency persist, making it difficult to know what actual call prices are.
- Data is a lot simpler

**High cost of
communications**



IMPORTANCE OF CHALLENGER NETWORKS

A recent study entitled Competition, barriers to entry and inclusive growth by the CCRED and commissioned by National Treasury made the following findings:

- “*..entry [of competitors] has a positive impact on competition outcomes and that there are benefits to regulating for competition. Following ICASA’s mobile termination rates decision, competition in prepaid voice services broke out between the mobile operators..*”
- The report recognises Cell C’s progress at reducing the cost to communicate. It records that: “*...Vodacom and MTN still dominate the sector in terms of market share, whether measured by revenue or subscribers. Cell C’s market share is 50% higher when measured in terms of subscribers than when measured in terms of revenue, suggesting that it is gaining subscribers by **charging lower prices** to attract customers.*”
- Further to this, the research also detailed calculations that showed through competitive effects; “*..we calculate that consumers have benefitted from price reductions and increased voice usage to the value of approximately R47bn over the last six years.*”

Working Paper 2/2016

Source:

Competition, barriers to entry and inclusive growth:

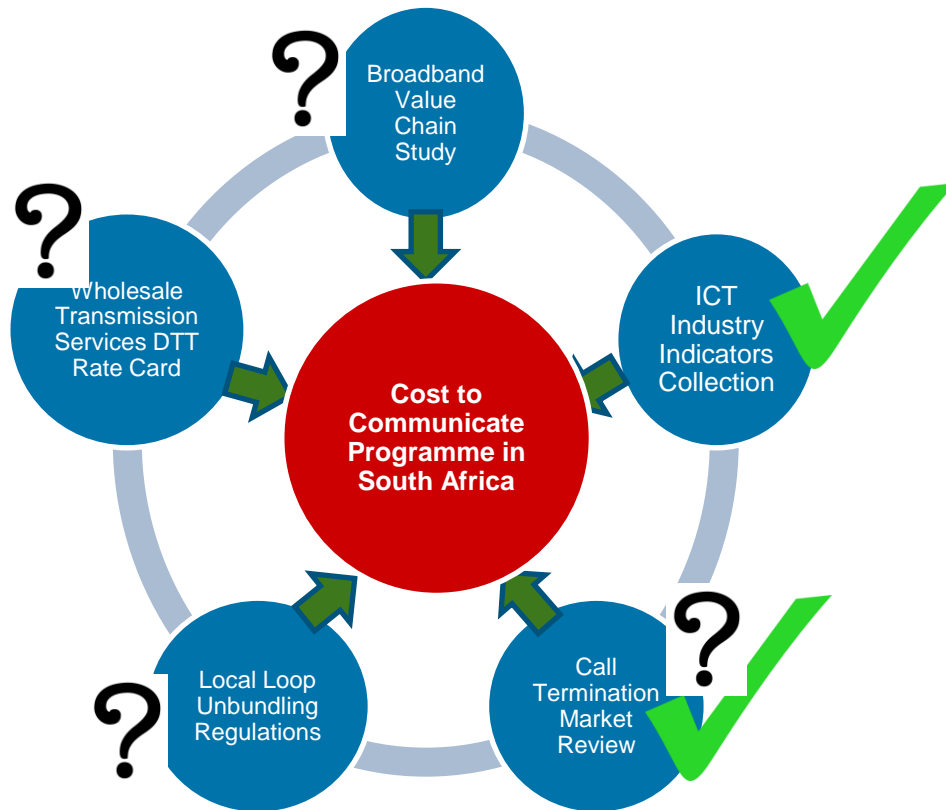
Telecommunications Sector Study

Ryan Hawthorne, Pamela Mondliwa, Tamara Paremoer, and Genna Robb¹

Centre for Competition, Regulation and Economic Development, University of Johannesburg.



WHAT HAS ICASA DONE?



Source: Government Gazette 36352 of 4 June 2013 [? & ✓ Our Insertions]

Stated Objectives Of The CTC Programme

- Stimulate public debate around CTC in South Africa
- Establish & implement regulatory needs to address CTC concerns
- Stimulate competition in the telecommunications sector

ICASA has delivered on two of the above projects, namely:

- ICT Indicators Collection: (Shows Cell C has increased market share but not revenue share)
- MTRs: (There is a need to continue with the asymmetric MTR regime as the effects are being realised at a slower rate than desired)

WHAT HAS CELL C DONE TO REDUCE THE COST TO COMMUNICATE?

- Cell C has proven it can lead the way in reducing consumer prices but currently lacks enough market power to ensure all players do likewise
- The sustainability of smaller operators that ultimately benefit consumers relies on continued pro-competitive regulatory support

What Cell C has recently done to reduce the Cost to Communicate

- WhatsApp Bundles – launched in September 2015-give customers access to full WhatsApp for 30 days for only R7.50. A Fair Usage Policy of 1.2GB applies.
- Wi-Fi Calling – launched in October 2015 –Enables all our customers to make WiFi Calls locally and while roaming internationally
 - Charged at normal local home country tariff rates
 - No bill shock or high roaming bills.
- Free Basics / Internet.org – launched July 2015 and ongoing
 - Free access to text-based info on news, literacy and health sites.
 - Free basic Facebook, excluding pictures, videos and external links.

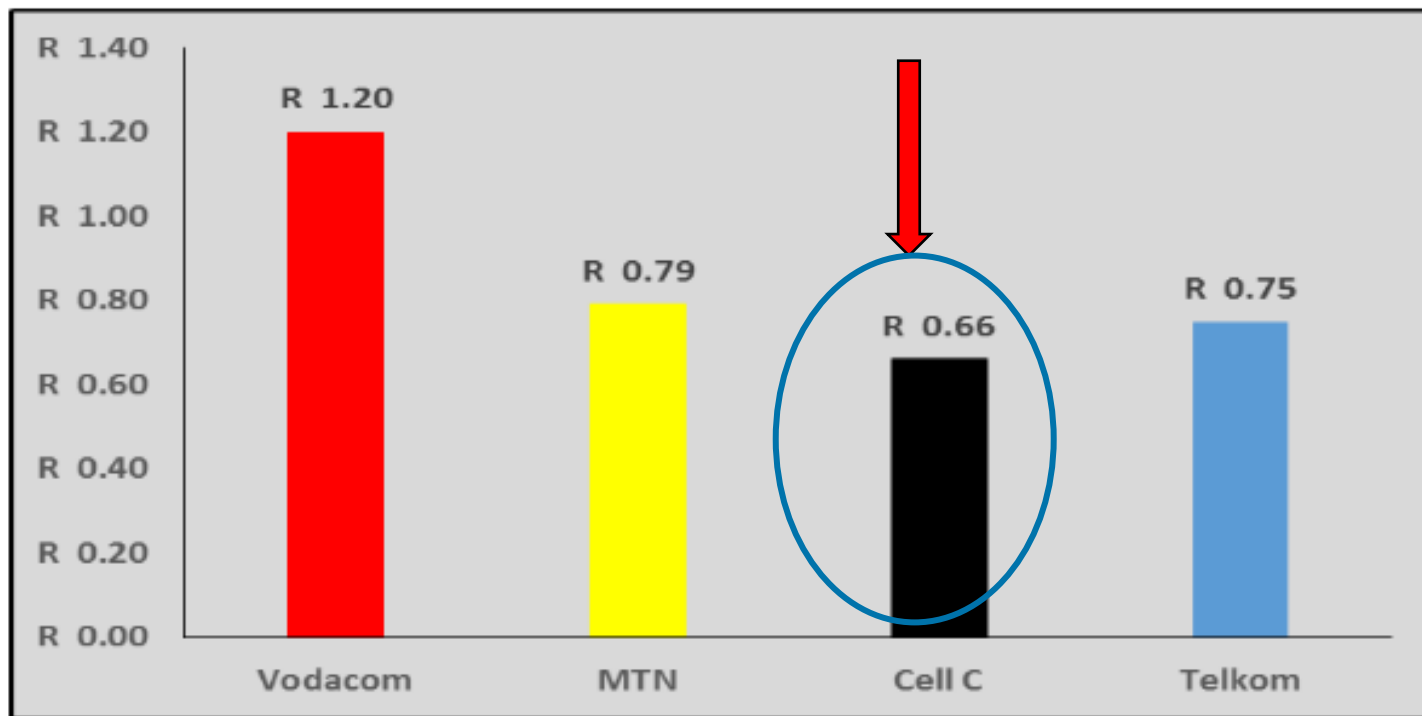


PREPAID COST TO COMMUNICATE: THE CELL C EFFECT

Competitors reacted to Cell C's flat rate prices. Cell C's pricing was assisted by the reduction of MTRs and the introduction of asymmetry in favour of smaller operators.

Figure 1: Per minute retail tariffs per network operator³

Voice Calls



Source: ICASA database based on tariff notifications Analysis of Tariff Notifications by ICASA dated 6 September 2016-covering April-June 2016

An asymmetric MTR regime needs to continue if consumers are to retain the gains of the last three years and to assist smaller players in remaining sustainable



PREPAID COST TO COMMUNICATE: THE CELL C EFFECT

Table 5: In -bundle rate per megabyte for prepaid data packages Data

Data	Included MB	Unit	Vodacom (In-bundle rate per MB)	MTN (In-bundle rate per MB)	Cell C (In-bundle rate per MB)	Telkom (In-bundle rate per MB)
50	50	MB	N/A	R 0.50	R 0.26	R 0.29
100	100	MB	R 0.29	R 0.35	R 0.25	R 0.29
250	250	MB	R 0.24	R 0.28	N/A*	R 0.16
500	500	MB	R 0.20	R 0.21	R 0.18	R 0.14
1	1024	GB	R 0.15	R 0.16	R 0.15	R 0.10
2	2048	GB	R 0.12	R 0.13	R 0.12	R 0.07
3	3072	GB	R 0.10	R 0.11	R 0.10	R 0.06
5	5120	GB	R 0.08	R 0.08	R 0.08	R 0.06
10	10240	GB	R 0.03	R 0.06	R 0.05	R 0.05
20	20480	GB	R 0.05	R 0.06	R 0.05	R 0.04

Source: ICASA database based on tariff notifications Analysis of Tariff Notifications by ICASA dated 6 September 2016-covering April-June 2016

Although Cell C has the least and non-contiguous spectrum, we continue to provide low cost bandwidth to our customers through innovative use of resources:

- Wi-Fi Calling – Eliminates international roaming charges
- Embracing OTT (Flat rate WhatsApp; Free Facebook)



INITIATIVES TO SUPPORT CHALLENGER OPERATORS TO CONTINUE LEADING THE CONSUMER AGENDA

Asymmetric MTR Regime

Regulated National Roaming

Focus on Infrastructure
Sharing & Rapid Deployment
Guidelines

Remove Barriers to Number
Portability

Regulated costs of contract
cancellation

Although SA has achieved a high mobile penetration rate, the lack of market power by challenger networks like Cell C presents a hindrance to sustained efforts in reducing the cost to communicate and these challenger networks need continued pro-competitive regulatory support.



Thank you!

