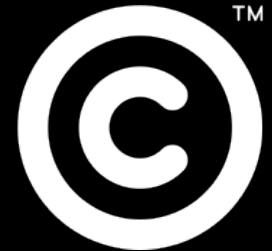


7 NOVEMBER 2014



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THE POWER IS  
IN YOUR HANDS

# CELL C BRIEFING ON THE COST TO COMMUNICATE

BY JOSE DOS SANTOS  
CELL C CEO

***What the South African telecommunication industry needs most is:  
more effective and sustainable competition  
to bring down the cost to communicate.***



# AGENDA FOR CELL C'S BRIEFING

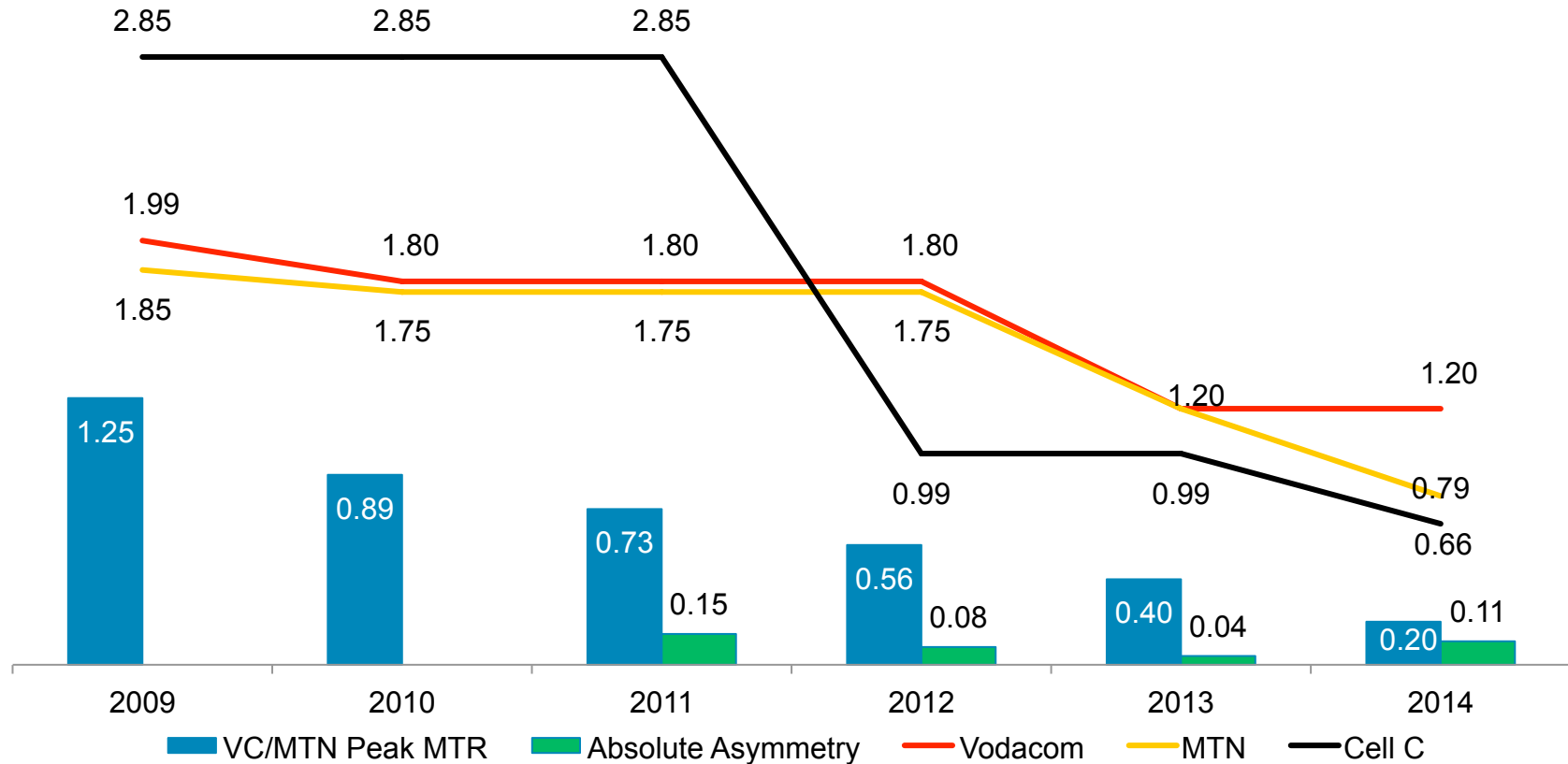
- 1 How mobile prices have evolved since 2012
- 2 Regulatory and other interventions since 2012
- 3 Impact on the telecommunications market structure and competition
- 4 What is needed going forward



# 1 PREPAID COST TO COMMUNICATE: THE EFFECT OF CELL C

Vodacom and MTN were forced to react to Cell C's lower rates. These were only possible due to lower MTRs and wider asymmetry

**Vodacom / MTN / Cell C lowest lodged prepaid peak off-net retail rates vs. Peak MTRs / Asymmetry levels (ZAR)**



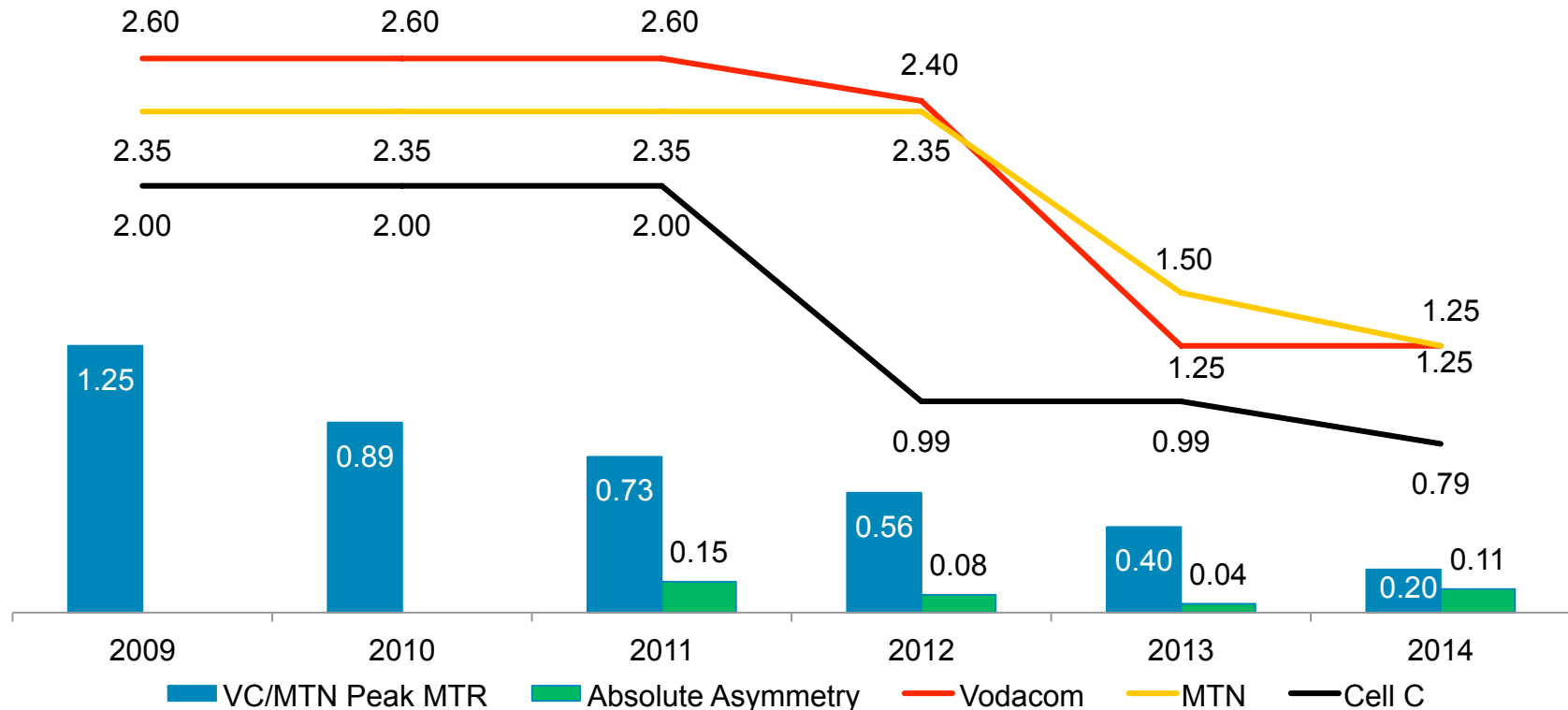
Note: Based on the lowest priced per second billing prepaid tariff (2009-2012): All Day (Vodacom), One Rate (MTN); (2013): Anytime (Vodacom), One4All (MTN); (2014): Anytime (Vodacom), Pay Per Second (MTN)



# 1 POSTPAID COST TO COMMUNICATE: THE EFFECT OF CELL C

Similarly to prepaid, Vodacom and MTN eventually had to react in postpaid as well, although to a lesser degree

**Vodacom / MTN / Cell C lowest lodged postpaid peak off-net retail rates vs. Peak MTRs / Asymmetry levels (ZAR)**

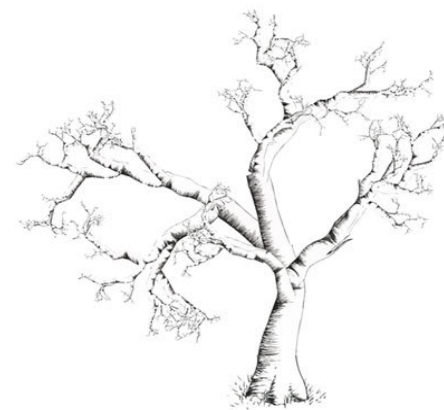


Note: Based on the lowest priced per second billing out-of-bundle postpaid tariff (2009-2012): Business Call S (Vodacom), Anytime 350 (MTN); (2013): Red Advantage for R749 monthly fee (Vodacom), Anytime 1500 for R1,500 monthly fee (MTN); (2014): Red Advantage for R999 monthly fee (Vodacom), My MTNChoice 1000 for R1,000 monthly fee (MTN)



# 1 PRICE TRANSPARENCY AND FAIRNESS

Do selected, special discounts represent real reductions in cost to communicate?



Under here you may get a discount but only if the time is right

*Base tariff is R2.50,  
the discount you get will depend on your location and the time of the day.*



# 1 THE SIGNIFICANCE OF EFFECTIVE RATES

The effective rate is the price that the average of all customers pay per minute or MB after factoring all discounts and promotional offers

## How it works

Recharge	Price / min.	Free min.	Usage	Effective rate / min.
R10	R1.00 / min.	5 min.	13 min.	R0.77

## Conditions

- Effective rates depend on customer's usage profile:
  - Total usage
  - On-net/off-net split
  - Time of day
- Expiry dates: free value usually comes with a shorter expiry date than the recharge credit



**Get 50 MEGS of data for only R3.**

Your 50 MEGS are valid for 60 minutes after you activate your Power Bundle voucher.



**Talk for 10 minutes for only R2.**

Call as many people as you want for 10 minutes after you activate your Power Bundle voucher.



**Talk for 60 minutes for only R4.**

Call as many people as you want for 60 minutes after you activate your Power Bundle voucher.

- Does this really mean that if a customer recharges R4 and uses up all minutes, his effective rate is 7c? No, since he will hardly be able to cover all his communication needs in those 60 min.!



*The effective rates quoted by Vodacom and MTN are meaningless. An effective rate is something personal that depends on a customer's usage behaviour.*



## 2 REGULATORY AND OTHER INTERVENTIONS SINCE 2012

Regulatory progress has been slow and highly unsatisfactory

Project	Outcome	Impact on small operators
Cost to communicate:		
<ul style="list-style-type: none"> <li>MTR review</li> </ul>	<ul style="list-style-type: none"> <li>Deadline for final Regulations: 25 October 2013<sup>(*)</sup> → not met</li> </ul>	<ul style="list-style-type: none"> <li>Too little, too late</li> </ul>
<ul style="list-style-type: none"> <li>Broadband value chain</li> </ul>	<ul style="list-style-type: none"> <li>Deadline for final Regulations: 14 April 2014<sup>(*)</sup> → not met</li> </ul>	<ul style="list-style-type: none"> <li>Unclear</li> </ul>
<ul style="list-style-type: none"> <li>Local loop unbundling</li> </ul>	<ul style="list-style-type: none"> <li>No visible progress</li> </ul>	<ul style="list-style-type: none"> <li>Unclear</li> </ul>
<ul style="list-style-type: none"> <li>ICT indicators</li> <li>DTT rate card</li> </ul>	<ul style="list-style-type: none"> <li>No visible progress, no impact on cost to communicate</li> </ul>	<ul style="list-style-type: none"> <li>Unclear</li> </ul>
Others:		
<ul style="list-style-type: none"> <li>IMT roadmap</li> </ul>	<ul style="list-style-type: none"> <li>Draft Regulations</li> </ul>	<ul style="list-style-type: none"> <li>Unclear</li> </ul>
<ul style="list-style-type: none"> <li>Price transparency</li> </ul>	<ul style="list-style-type: none"> <li>Under investigation</li> </ul>	<ul style="list-style-type: none"> <li>Unclear</li> </ul>
<ul style="list-style-type: none"> <li>Spectrum</li> </ul>	<ul style="list-style-type: none"> <li>ITA issued and revoked in 2012</li> </ul>	<ul style="list-style-type: none"> <li>Limits high-speed data rollout</li> </ul>
<ul style="list-style-type: none"> <li>Access to essential facilities</li> </ul>	<ul style="list-style-type: none"> <li>No visible progress</li> </ul>	<ul style="list-style-type: none"> <li>Network rollout speed and cost</li> </ul>
<ul style="list-style-type: none"> <li>On-net/off-net discrimination</li> </ul>	<ul style="list-style-type: none"> <li>No visible progress</li> </ul>	<ul style="list-style-type: none"> <li>Cell C had to revert to CompCom</li> </ul>
<ul style="list-style-type: none"> <li>NBN</li> </ul>	<ul style="list-style-type: none"> <li>No visible progress</li> </ul>	<ul style="list-style-type: none"> <li>Cell C has made suggestions on the approach</li> </ul>

(\*): Deadlines according to Government Gazette 36532, 4 June 2013 (see copy attached)

*The regulatory framework in South Africa has not been conducive to competition.*

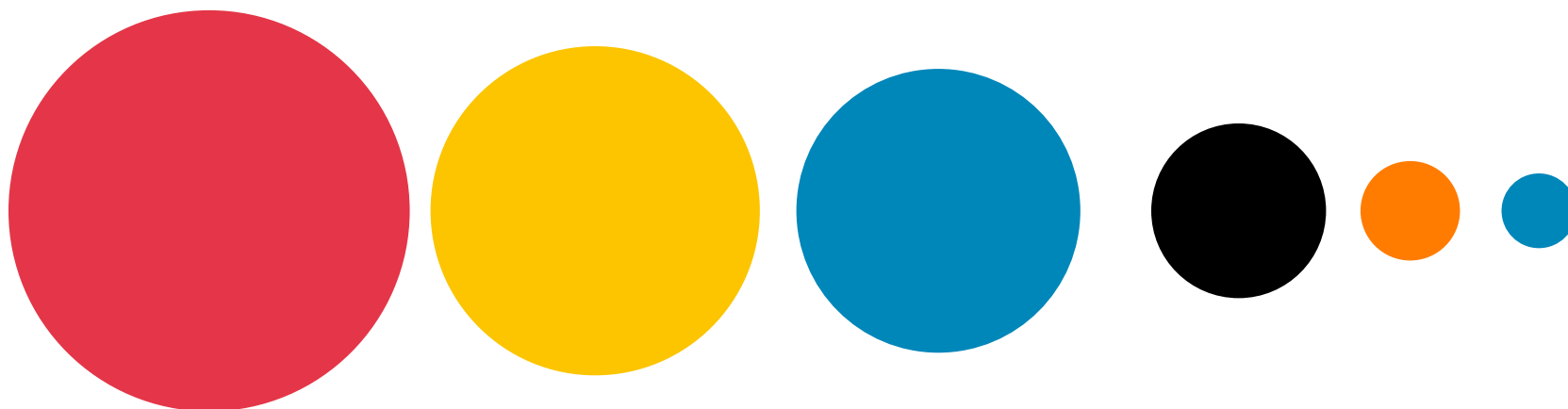




### 3 IMPACT ON COMPETITION AND MARKET STRUCTURE

The duopoly of Vodacom and MTN in the mobile market has not changed significantly, with both of them still holding close to 90% total revenue share

**Total revenues in 2013 by operator**  
(Size of bubble represent total revenues)



Source: Operator annual results, adjustments to calendar year, Telkom revenues exclude mobile revenues

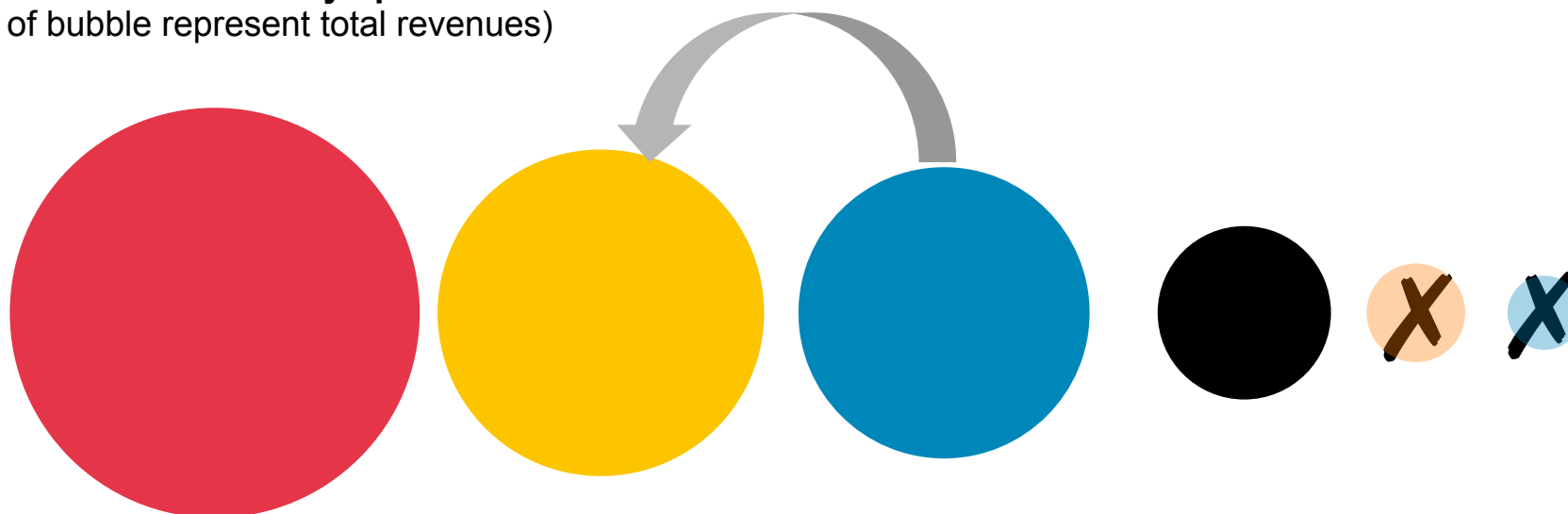
*The structure of the telecommunications market has not changed much since 2012...*



### 3 IMPACT OF PROPOSED MARKET CONSOLIDATION

If the proposed transaction of Vodacom/Neotel and MTN/Telkom Mobile are approved, Cell C would be the only remaining challenger network

**Total revenues in 2013 by operator**  
(Size of bubble represent total revenues)



Source: Operator annual results, adjustments to calendar year, Telkom revenues include mobile revenues

*...and if the proposed mergers are approved and pro-competitive regulation remains absent, it is unlikely that it will change.*



## 4 WHAT IS NEEDED GOING FORWARD

- 1 Remedies in Call Termination Regulations are insufficient to ensure effective competition in the mobile market. Increased asymmetry required. Legal review is likely
- 2 On-net/off-net discrimination should not be allowed by dominant players
- 3 National Roaming rates should be regulated at MTR level
- 4 A National Broadband Network needs to be set up and the necessary spectrum made available
- 5 Handset subsidies should be abolished. Revenues from mobile devices in SA exceeded R20bn in 2013, financed by mobile operators, which is money flowing almost exclusively out of the country, to Korea, US, Canada, etc. (e.g. R14,000 cash price for an iPhone 6 Plus 128GB at an iStore)
- 6 Access to essential facilities, e.g. towers, needs to be ensured at fair and reasonable cost




*Vigorous regulation to stimulate competition.*



## 4 EXAMPLE: NIGERIAN TELECOMMUNICATIONS REGULATOR

The Nigerian Communications Commission (NCC) has been instrumental in driving competition in the telecommunications sector

- Continuous efforts to make more spectrum available
- Issued a 10 year Wholesale Wireless Access Service license
- MTN Nigeria was declared a dominant operator and was banned from differentiating on-net and off-net prices
- MTN Nigeria and 2 other operators were fined and banned from selling SIM cards for poor service
- All GSM operators were fined for contravening a ban on promotions



*“You’ve got a very capable regulator in the country now and they are doing the right things to promote competition, better costs to communicate and a better experience for the consumer.”<sup>(\*)</sup>*

<sup>(\*)</sup>: Nadim Mohammed, First Avenue Investment Management



## AND BY THE WAY...

...one thing Cell C has recently done to bring down the cost to communicate: free WhatsApp!



# WHATSAPP IS FREE

-  Send texts locally and internationally for FREE
-  Share pictures for FREE
-  Share videos of your family or friends for FREE
-  Send voice messages for FREE

**ONLY AVAILABLE ON CELL C**

[FIND OUT HOW >](#)

**NO hidden costs / NO data charges/ Positive balance required**



Thank you!

