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CELL BOOM

Author / organisation	Minyanville
Year recorded	2007
Region	Africa
Category	Other
Original source	minyanville.com
Archive page	kiwanja.net/mobile-database/cell-boom/

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Africa's Telecom Boom

JUSTIN ROHRLICH
Jun 15, 2007 10:15 am

...over the last five years, Africa has seen faster growth in mobile telephone subscriptions than anywhere else in the world. >

Africa is the first continent to have more mobile phone users than fixed-line subscribers.

The continent's mobile phone use has increased at a rate of 65% annually—about twice the global average.

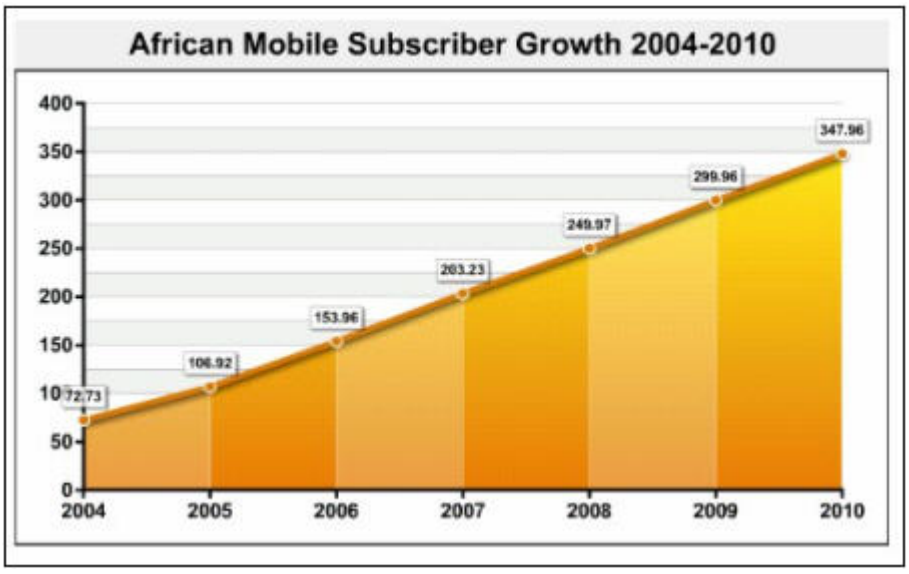
Top providers are MTC (Celtel), MTN, Millicom, Atlantique Telecom, Orascom, Orange, Vodacom, Comium Mobile and Wataniya Telecom.

Mobile phone networks cost far less to establish than traditional copper wire networks, or even fiber optics.

That's why, according to Portio Research, approximately 14% of Africans now use mobile phones—amazing, when you consider that John Nasasira, the Ugandan Minister of Works, Housing and Communications, told a group of delegates at a telecom conference that "more than 50% of Africans have never made a phone call."

"Africa has been able to leapfrog from having the most backward systems to taking advantage of the latest technologies," said Vanessa Gray, of the International Telecommunication Union, the leading United Nations agency for information and communication technologies.

A report from the London Business School stated that, over the last five years, Africa has seen faster growth in mobile telephone subscriptions than anywhere else in the world.



At the end of 2004, Africa's largest mobile phone firm, Vodacom, had 14.4 million users and MTN had 14 million subscribers. Vodacom CEO Alan Knott Craig was quoted by Reuters as saying, "Telecoms are Africa's big success story— perhaps the only one."

Siemens' (SI) telecommunications unit derives a tenth of its sales from Africa, said Hans van den Broeck, senior vice president of the division.

Another study (again, from Portio Research) shows that the "total number of mobile subscribers worldwide grew from 1.38 billion at the start of 2004 to over 2.12 billion at the end of 2005. During this period, Africa boasted the fastest growth rate of any region of the world except Eastern Europe, soaring from only a little over 60 million subscribers at the end of 2003 to break the 100 million barrier in 2005 and close out the year at approximately 113.5 million mobile subscribers, almost doubling the total size of the market in just two years."

They go on to say that, "There is one very big difference between these two regions; Eastern Europe is now approaching saturation and the region is forecast to grow by only 79 million further net additions in the next six years, while Africa represents a vast continent of almost a billion people, and barely 14% of them currently have a mobile phone. We forecast another 265 million subscriptions across Africa in the coming six years."

"Can you hear me now?"

But, mobile phones have done far more than allow Africans to talk to one another.

The Consultative Group to Assist the Poor (CGAP) says an estimated 80% of those living in the United Nations-designated least developed countries have no access to banking services.

Elizabeth Littlefield, chief executive of CGAP, says, "Poor people are very willing to use mobile phones as a basis for moving money around. In places like the Congo, mobile phones are used to transfer money around the country, circumventing the banking system as well as the more traditional money transfer."

And, it's not just traditional money transfer. Now, pre-paid airtime is becoming an alternate currency on the continent.

It began in Nigeria, where, instead of conducting transactions in cash, people started paying for goods and services with airtime.

Wizzit, a division of South Africa Bank of Athens, has processed more than 250,000 pre-paid airtime transactions in less than 24 months.

Beyond alternate currencies, wouldn't it be nice to have some actual currency?

Vodafone (VOD), whose affiliate in Kenya offers farmers a text messaging service which transmits updates from the Kenya Agricultural Commodity Exchange—not unlike a "Bloomberg in the Bush" of sorts.

The statistics show mobile phone penetration is actually working. A finding in 2005 by Leonard Waverman, of the London Business School, says that an extra 10 mobile phones per 100 people in a typical developing country leads to an additional 0.59 percentage points of growth in GDP per person.

A cell tower in Tanzania

It's this sort of private sector investment that could ultimately do a better job of narrowing the gap between the rich and the poor than traditional aid programs.

Amazingly enough, in the U.S., rural cell customers aren't even provided for as efficiently as they are in Somalia.

Wireless companies are expected to receive more than $1 billion in subsidies from the Universal Service Fund (USF) in 2007.

Nicholas Vantzelfde of Criterion Economics, a Washington, D.C. consulting firm specializing in matters concerning telecommunications, the Internet, and other network industries showed:

- In the 800 study areas where wireless carriers receive USF subsidies, unsubsidized carriers cover 97% of the population in these areas, while subsidized carriers cover only 70%.
- Of the 148 million people living in areas where wireless carriers receive subsidies, subsidized carriers provide unique coverage to only 2% of the population.
- On the other hand, unsubsidized carriers provide coverage to 44 million people who do not have coverage from the subsidized carriers.

In a separate study, Criterion economist Kevin Caves and Chairman Jeffrey Eisenach showed that:

- Contrary to the claims of wireless carriers, and holding constant such other factors as topography and population density that affect the availability of wireless service, there is no statistical correlation between the amount of subsidies paid and the proportion of the population or land area that has wireless coverage.
- Also contrary to the claims of wireless carriers, and again holding other factors constant, there is no statistical correlation between the amount of subsidies paid and the number of carriers from which consumers can choose, i.e., USF subsidies do not contribute to the level of wireless competition.

"You're breaking up…I think I hit a dead spot…hello? Hello? HELLO?"

Eisenach said, "I hope our work will cause policymakers who are inclined to support this program to take another look. Enhancing wireless coverage in rural America is a laudable goal, but the current program is not an effective way of doing so."

All they need to do is book a trip to Kinshasa.

They'll learn everything they need to know.

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