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Telecoms' Battle Targets New Rural Subscribers

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By Abwao Oluoch
Nairobi

As urban subscribers approach the saturation point, mobile phone companies, equipment manufacturers and policymakers are united on a new approach to target rural areas through a series of tax incentives and cheap handsets.

Swedish equipment manufacturer, Ericsson, plans to radically reduce the cost of telecommunication in East Africa by supplying mobile phone and fixed line telecommunication operators with low-cost equipment.

Mr. Goran Soderholm, Ericsson's Vice President, marketing and communication in Africa, says the company is planning to supply "an expanded mix of technologies" which would ensure that operators have the best equipment at low cost.

Ericsson projects Kenya 's mobile phone growth could hit 50% yearly if mobile telephony providers have access to low-cost equipment, which translates into savings. Currently, mobile phone service providers across Africa, including Kenya, are able to register 18% growth in new entrants every year. Kenya has eight million subscribers.

"We believe in basic communication for all. We do not make equipment for Africa that is different from what we supply the developed world. The markets should have the same technologies. We make sure that the features we make are easier for operators," he said.

Ericsson has opened a regional office in Nairobi as part of a strategy to tap in the potential for more growth in Burundi, Kenya, Uganda, Rwanda and Tanzania.

Soderholm says Ericsson, which also makes Sony Ericsson mobile phone handsets, will introduce the low cost equipment focused on saving on energy, especially transmitters to allow operators like Celtel and Safaricom reduce their costs and pass on the benefits.

"We want to make it cheaper to call by providing an expanded mix of technologies to ensure network operators spend little on providing the service," Soderholm said.

"Our aim is to ensure that the equipment consists of less towers and consume less diesel to save on the cost of power for operators wishing to go to the rural areas," he added.

The government has announced plans to provide a series of incentives to mobile phone operators wishing to expand their reach to the remote villages, pledging tax cuts on frequencies to network provider who wish to expand into the villages.

Kenya says it is ready for talks with the mobile phone industry players to trigger a lowering of the cost of communications but is held between lowering call taxes and losing the revenue it requires for

development and financing its own budget.

Information and Communication minister, Mr. Mutahi Kagwe says the government is working on a series of new initiatives to lower the cost of telecommunication in the country.

Kagwe says the government is keen to consolidate the gains made in the telecommunication industry and wishes to see the subscriber base double to 16 million by 2015.

Kenya backs plans to increase the number of subscribers from 8 million to 16 million by ensuring that operators receive incentives like discounts on frequencies required for moving the mobile phone services to rural areas.

"We are reviewing a number of potential incentives like provision of discounts for frequencies required for deployment of services in rural areas and underserved areas for the local telecommunications operators," Kagwe said. Ericsson opened its headquarters in Nairobi earlier this year. The office will enable the Swedish mobile phone and fixed line equipment manufacturer to step up the distribution of its hardware and software across the Eastern Africa region.

Across Africa, mobile phones are available to some 118 million people out of the continent's 650 million people.

Ericsson executives believe Kenya has the potential to drive equipment demand in the region, which would obviously translate into greater demand for transmitters and base stations, signalling big volumes for the company.

"There is no reason why Kenya should not generate upto 50% penetration of mobile phone subscribers if South Africa currently records 75% penetration," Soderholm argued.

According to him, the low levels of new subscribers, especially in the rural areas, is partly due to the high cost of mobile phone charges.

"The tariffs are too high. Mobile phone is an expensive item but the more people realize the value of the cell phones, the better. People are beginning to realize the value of the mobile phone and its impact on the Gross Domestic Product of a country," he explained.

African countries are just beginning to realize the critical political and economic significance the mobile phone holds. In several places across the continent, governments are the sole owners and operators of mobile phone networks.

In Kenya, the government says it is aware of the pressure to reduce taxation on mobile phones to further translate into economic boom.

Kagwe says his ministry is working closely with that of finance to review the taxes on mobile phone airtime, which would in turn translate into further economic growth.

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