Some technical questions from the media

1. Why did you focus only on pre-paid?

First, except South Africa, throughout the rest of the continent there is hardly any post-paid/contract subscriber base - over 90% of subscribers in most countries. Second, as a public interest and funded think tank we are primarily concerned with pro-poor policies and developments and in this case the development potential of mobile communication to enhance the information rights and economic well being of individuals.

2. Do you expect prices to decline further next year when MTRs drop to 40c?

As we have argued in the policy brief, we do think that as MTRs get close to cost, we should begin to see pricing pressure on incumbents, who are currently price setters. However, many of the countries now enjoying the competitive effects and very low end-user prices have regulated termination rates of as little as 2 US cents, so less than half the targeted 40c at the end of the current glide path in 2013.

3. Could you send through the January 2012 OECD Lower User Basket costs in USD table that includes PPP factor?

After converting mobile prices in USD PPP, the table reflects an improved ranking for South Africa, which we would be delighted to report on. However, we had long decided not to adjust the prices for PPP because of the subject matter (pre-paid mobile services) and our concern with the affordability of communications services in South Africa forms a public interest and public policy point of view. Although we often use them to demonstrate South Africa's purchasing power, the primary problem associated with the PPP calculation in cases such as this lies in the fact that price indexes are weighted averages of prices and both weights and prices could be incorrect. Individuals living at the poverty line may face prices that are different from the average national prices, but the World Bank International Comparison Programme (ICP) bases calculations on the average national prices. Furthermore, the expenditure patterns at the poverty line are substantially different from national expenditure patterns, and these expenditure patterns in the National Accounts provide the weights used for the consumption PPPs described by the ICP. Such measures notoriously mask the inequities in economies such as South Africa that has the highest GINI co-efficient in the world. Our household surveys reveal that both in terms of income and ICT penetration traditionally black rural areas of South Africa do not look very different from other parts of Africa.

January 2012 OECD Low User Basket costs in USD PPP

Country Name	Cheapest product from Dominant Operator		Cheapest product in country	
	Rank	US$ PPP	Rank	US$ PPP
Namibia	1	3,52	1	3,52
Mauritius	2	4,46	5	4,46
Libya	3	4,95	8	4,95
Sudan	4	5,41	3	3,76
Kenya	5	6,06	4	4,04
Egypt	6	6,88	9	6,88
Ethiopia	7	8,22	11	8,22
Ghana	8	8,24	10	7,00
Congo Brazaville	9	8,27	12	8,27
Rwanda	10	9,13	6	4,62
Algeria	11	9,84	2	3,61
Zimbabwe	12	11,23	15	10,31
Guinea	13	11,34	7	4,75
Sierra Leone	14	12,60	14	9,69
Sao Tome and Principe	15	12,69	19	12,69
Zambia	16	15,30	16	10,44
Senegal	17	15,34	25	15,34
Nigeria	18	15,51	13	9,65
South Africa	19	15,92	21	14,14
Tunisia	20	16,04	22	14,30
Mali	21	16,21	27	16,21
Tanzania	22	16,65	17	10,73
Angola	23	16,88	29	16,88
Côte d'Ivoire	24	17,15	31	17,15
Botswana	25	17,30	28	16,25
D.R. Congo	26	17,96	20	13,19
Benin	27	19,51	30	16,98
Madagascar	28	19,54	34	19,54
Burkina Faso	29	20,89	35	20,05
Cape Verde	30	20,94	38	20,94
Cameroon	31	20,94	36	20,62
Togo	32	21,31	39	21,31
Swaziland	33	21,42	40	21,42
Central African Republic	34	21,55	41	21,55
Morocco	35	22,61	37	20,90
Chad	36	22,73	42	22,73
Mozambique	37	22,98	43	22,98
Uganda	38	23,74	18	12,67
Niger	39	24,28	32	19,28
Lesotho	40	25,65	33	19,32
Gabon	41	28,36	26	16,01
Malawi	42	33,71	45	33,71
Gambia		na	23	14,70
Mauritania		na	24	15,12
Liberia		na	46	1018,80
Seychelles		na	44	27,94

4. Richard Boorman from Vodacom says that increased competitiveness within the market has led to a 24% decrease in Vodacom's "effective average price" for end users.

His statement is supported by Vodacom's 2011 annual report:

Vodacom key performance indicators 2011			
	2011	2010	2009
MOU per month[1]	**102**	80	79
Prepaid[2]	**78**	55	52
Contract	**202**	220	240
Total ARPU (rand per month)[3]	**157**	132	134
Prepaid[2]	**87**	70	70
Contract	**404**	447	474
ARPU/MOU	1.54	1.65	1.70
Prepaid[2]	1.12	1.27	1.35
Contract	2.00	2.03	1.98
1. Minutes of use ('MOU') per month is calculated by dividing the average monthly minutes (traffic) during the period by the average monthly total reported mobile customer base during the period.			
2. South Africa changed its disconnection policy for call-forward SIMs from 13 months inactivity to seven months during the quarter ended 30 June 2010. Prior year numbers have not been restated.			
3. Total ARPU is calculated by dividing the average monthly service revenue by the average monthly total reported mobile customer base during the period. Prepaid and contract ARPU only includes service revenue generated from Vodacom customers.			

The ratio of ARPU/MOU did indeed decrease for prepaid subscribers between the 2010 and 2011 financial years of Vodacom. However, the RIA prepaid data only covers a calendar year from January 2011 to January 2012. The Vodacom data reflects April 2009/March 2010 compared to April 2010 to March 2011 - a very different time period. Another reason for the different results is that OECD price baskets do not include cost of data. Vodacom's results explicitly state that termination rate revenues are not included in ARPU (note 3 in Table above), which rules that out as a source for the different results.

RIA will publish updated results for April 2012 soon on www.researchICTafrica.net. These results will then be able to confirm whether the MTR reductions from March 2012 had any impact on retail prices.