ITU Regional Economic and Financial Forum of Telecommunications/ICT for Africa

Costing and tariff policies in the region

São Tomé and Principe, 2-3 February

Presented By Mr. Vieira Sapalo

São Tomé and Príncipe is a small island nation of the western coast of mainland Africa.

Economic Context

Social & Cultural Context

Technological Context

	2013	Growth 2012
Surface area	1.001 km2	-
GDP ($M)	311	17%
Population	192,000	2.6%
Urban population	67%	1.25%
Per capita GDP ($)	1,609	4%
Poverty (%Pop)	61.7%	-
Ranking on the Human Development Index	# 142	-
Currency: Dobra (STD)	1 EUR = STD 24.500 1 $ = STD 21.087	

Briefing:

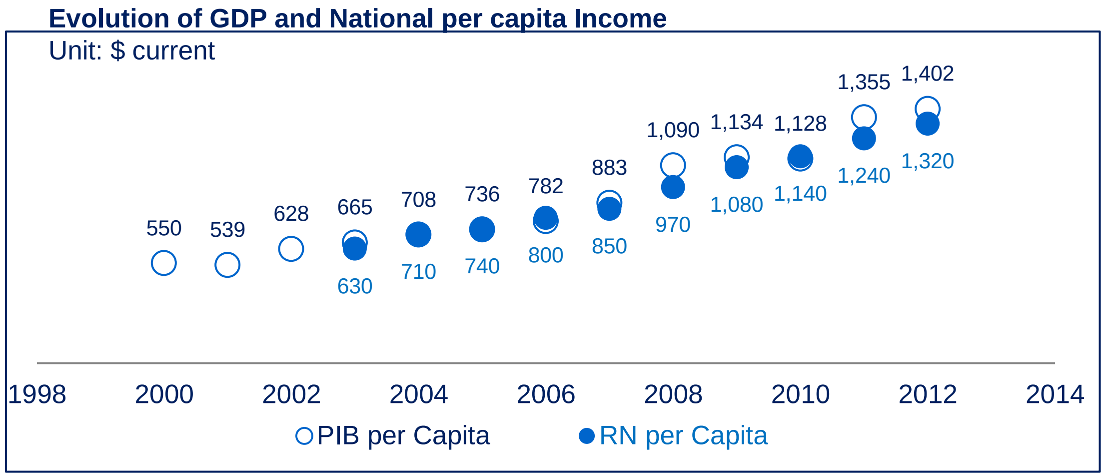
- Of the **1.001 km2** that constitute the Santomean surface area, more than 800 km2 are taken up by the island of São Tomé, Príncipe taking up the rest;
- With a population growth rate of **2% per annum,** the island presents high population density, around 188 inhabitants per square kilometer;
- **Per capita GDP** is among the lowest in Africa, under $1,609. However, it is growing (4% a year);
- More than 50% of the population lives on less than US$3.50 a day. However, the informal sector is pointed out as a challenge to accurate measurement of consumption by Santomeans;
- The Human Development Index presents low figures. Yet, cross-referencing the Santomean pattern with similar countries, STP is better positioned.

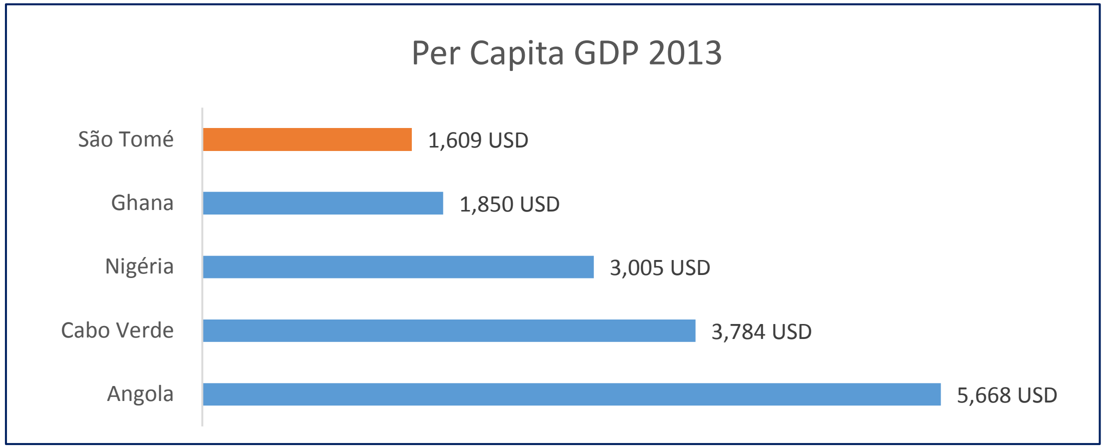
... and where per capita GDP remains below African average

Economic Context

Social & Cultural Context

Technological Context





National per capita income

- National per capital income has doubled in a 10-year period
- GDP increases are matched at the same rate by population growth and results on the increase of the National Income until 2018
- Per capita GDP remains low when compared to the African average

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Development of Telecommunication Operators, Products and Services

CST

Voice

Texts

2011

UNITEL

CST

Voice

Texts

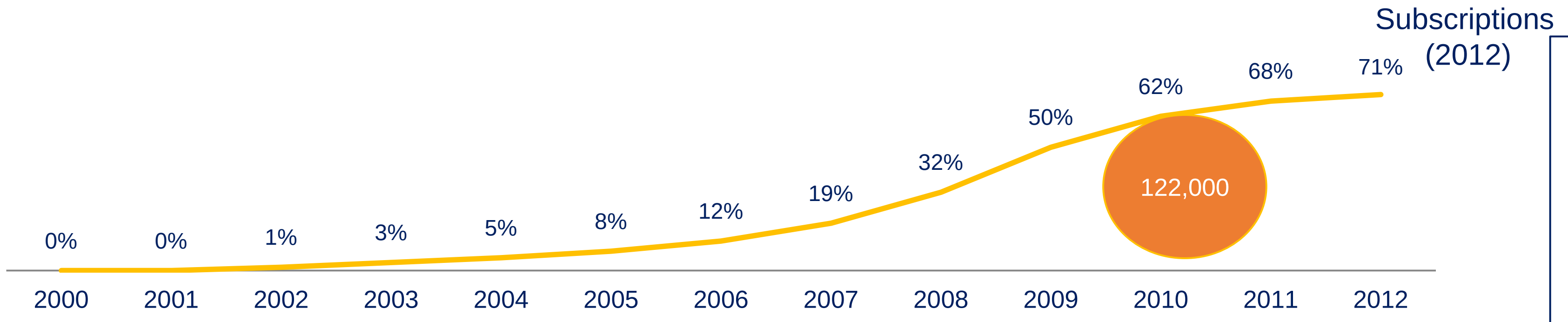
Mobile Internet

Social Networking

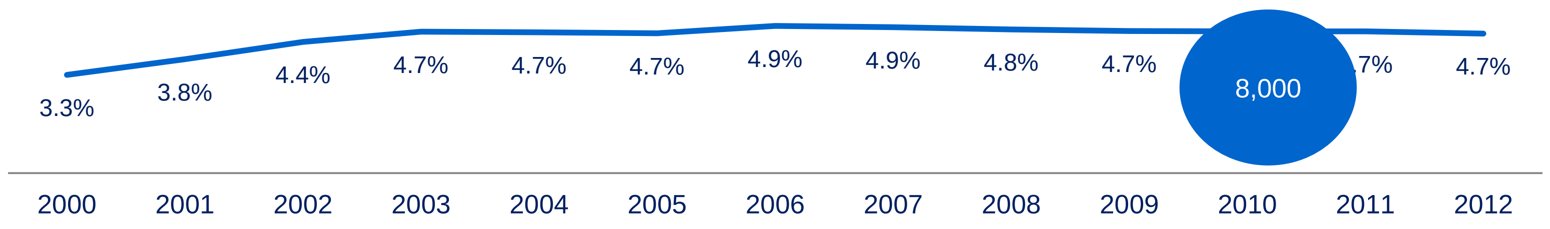
Video Calls

2014

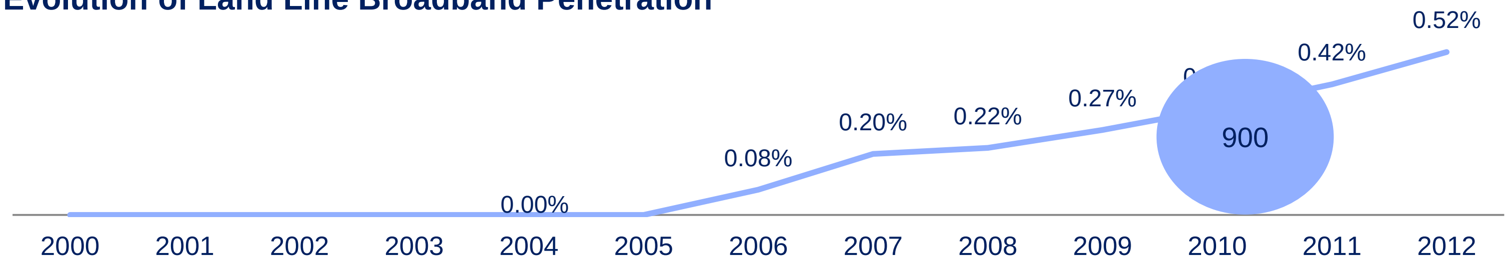
Market Evolution and Penetration in STP



Evolution of Land Line Telephony Penetration



Evolution of Land Line Broadband Penetration



Penetration of Telecommunication Services

- Mobile currently enjoys 71% penetration and has reached the maturity stage.
- Subscriptions to landlines have been decreasing since 2006, having been surpassed by mobile in 2004. Only a restricted set of people have access to land line telephony services.
- Broadband Internet served over land lines has been growing 20% a year, however, it serves less than 1% of the population.

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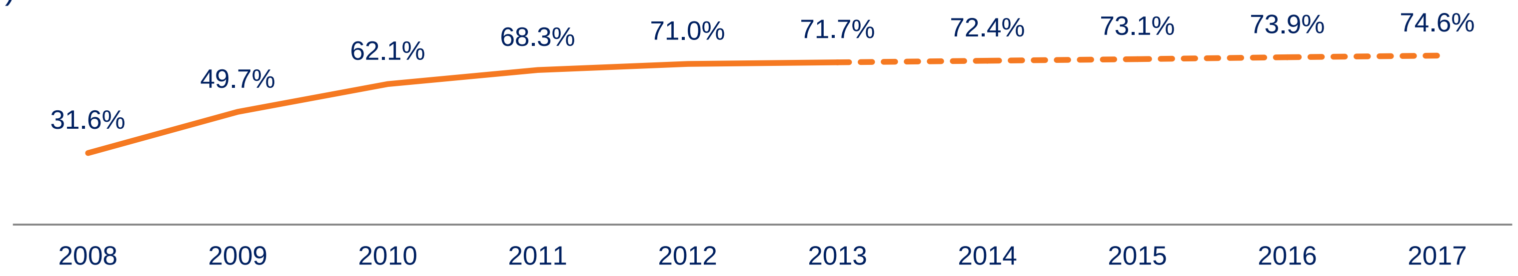
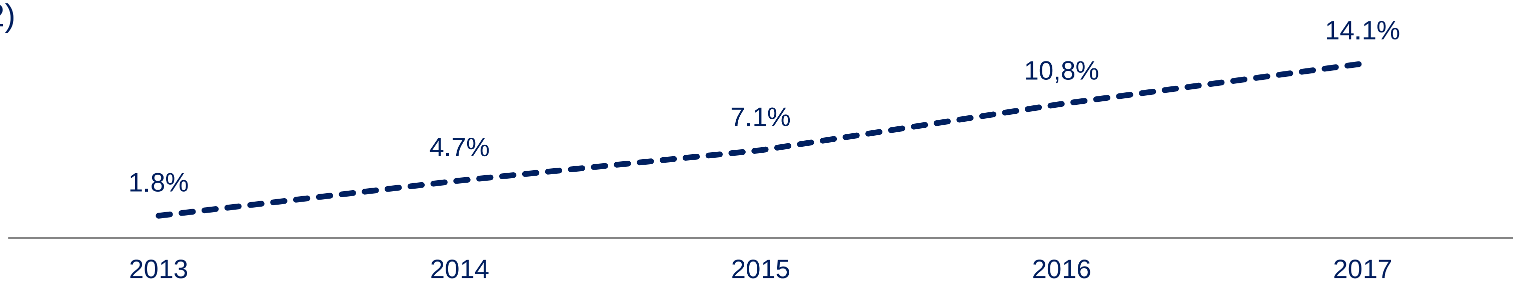
Data client numbers grow faster than voice client numbers, as penetration in voice services has almost stagnated

Population X | Penetration = | Total Market

(2012)



(2012)



Voice Market Assumptions:

- Population CAGR 2%
- Mobile penetration CAGR at 1%, consistent with market maturity.

Data Market Assumptions:

- The future standard will be consistent with data market evolution in Africa (penetration will reach 10.8% within 3 years) and inferior growth in 2017, bringing penetration to 14.1%.

Source: IMF, ITU, Deloitte, Assumptions validated by Client

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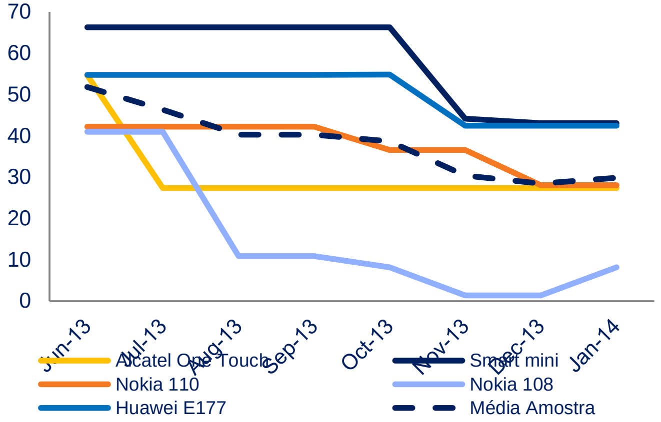
Market Evolution in the Region Product Pricing

Regional market evolution has trended towards decreasing prices and changing supply. Three global phenomena to consider: Touch screens dominate the market, the emergence of low-price and high-end segment terminals, and also tablets as a secondary device.

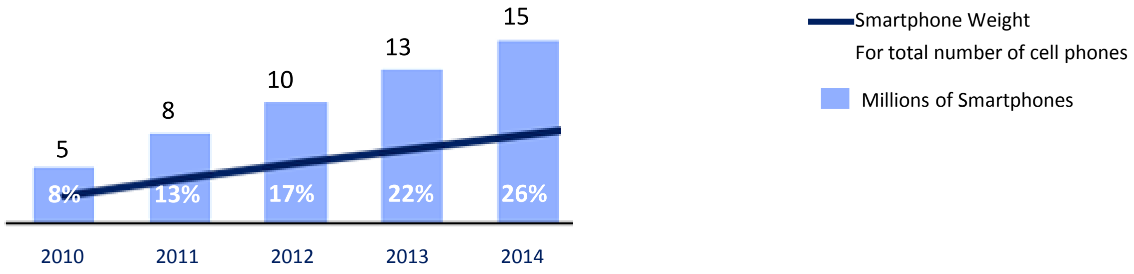
Evolution of tablet quantity and pricing

Variation of pricing for mobile terminal sets ($)



Evolution of Smartphone Penetration

(South Africa)



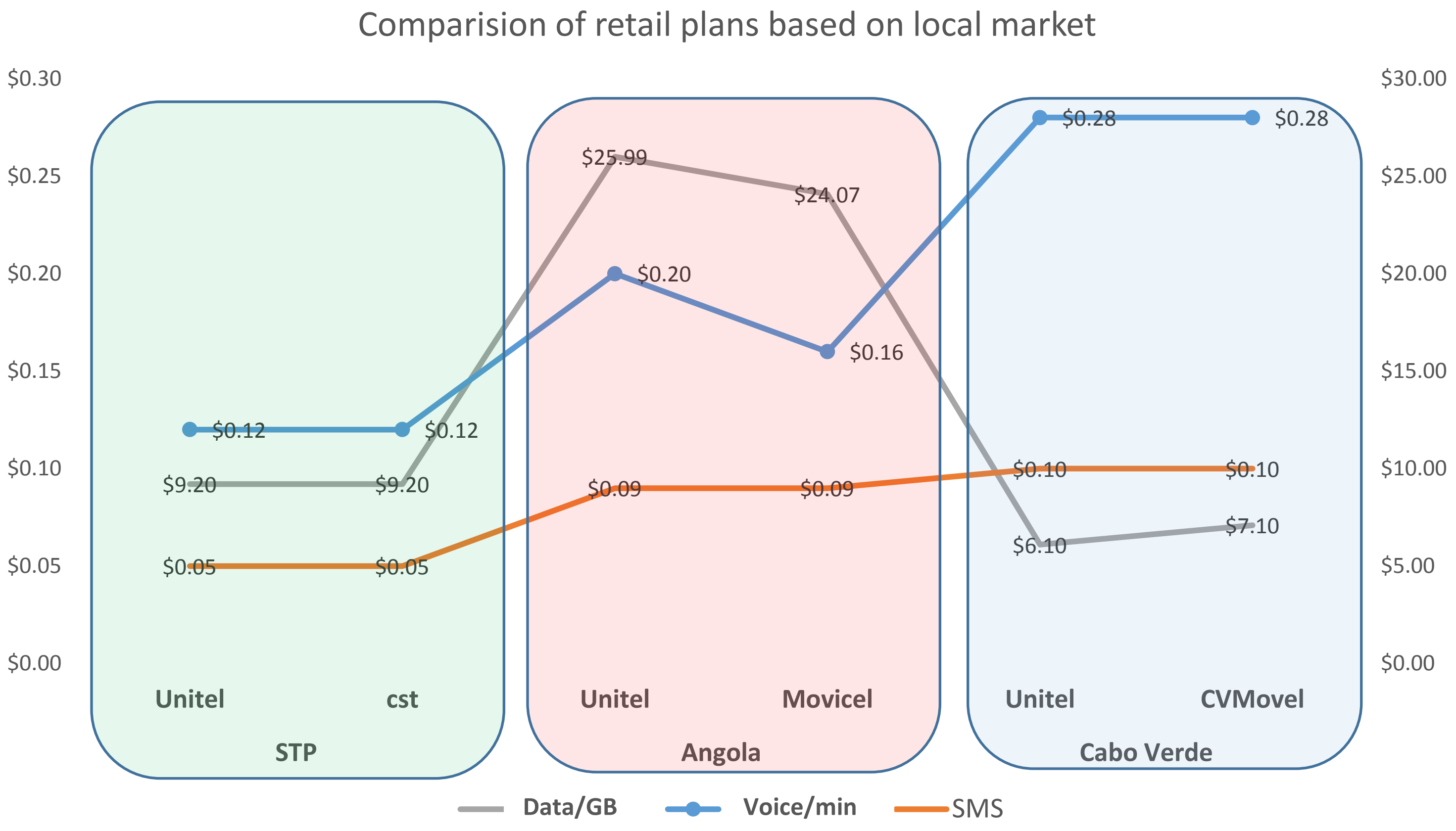
Generalized Technological Accession

- An addition to quick uptake of smart phones and tablets, low-priced handsets have emerged. These devices have had significant impact in the higher penetration of mobile devices worldwide (especially in developing countries).

Note: Prices shown refer to retail, no-contract prices

Source: PriceTRAX, Deloitte

Retail payment plans in regional markets where Unitel operates



Note: Rates applied in communications within each operator's network.

Values expressed in US Dollars (USD)

From the market analysis conducted in 3 countries, it was concluded that, concerning basic voice and SMS tariff, São Tomé and Príncipe offers the lowest rates.

GPRS services are cheaper in Cape Verde.

Per-minute voice rates between Operators:

STP

Unitel → CST: $0,12

CST → Unitel: $0,20

Cape Verde

Unitel → CVMovel: $0,47

CVMovel → Unitel: $0,37

Angola

Unitel → Movicel: $0,25

Movicel → Unitel: $0,21

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Regulation and Legislation of the sector in STP
Decree no. 23/2007

- In S. Tomé and Príncipe, AGER is responsible for regulating and overseeing telecommunication sectors and services.
- Telecom rates are integrated through definition of a base price, which must abide by an averaged price for the service or service package submitted for approval.
- Operators, submitting to rate integration present to AGER, per the rates indicated on article 4 of Decree no. 23/2007, a calculation to establish that their rates comply with the clauses in the article.
- Rate integration is decided by AGER to correct market failures, with the intent to:
  - Make up for absence or insufficiency in service competition.
  - Ensure that operators are treated equitably.
  - Protect the consumer.

In sum, Unitel rates in STP are defined based on the financial framework of Decree no. 23/2007.

THE END
Thank you