

# CONNECTED

July 2012

Tackling the issues that matter - brought to you by WIOCC

July Panellists:

**Martin Phelps**

AT&T

**Diarmid Massey**

Cable&Wireless Worldwide

**Russell Southwood**

Balancing Act

**Roz Roseboro**

Analysis Mason

**Andrew Croft**

African Review of Business  
and Technology

**James Wekesa**

WIOCC

The Economist recently ran a front-page story: 'Africa's hopeful economies: the sun shines bright - the continent's impressive growth looks likely to continue'. Many African countries and regions are experiencing strong growth - but not all.

**We ask our panel of experts what is the reality for organisations seeking to ride the wave of increasing prosperity in a continent powered by major improvements in high-capacity, international and terrestrial connectivity, and is there a good business case for telcos to be investing in the continent Q3/4 2012?**

**At AT&T we firmly view Africa as an excellent opportunity. Our opinion is not just based on the analytical data that is so often quoted to illustrate African growth – GDP, FDI and various 'ease-of-doing-business' and market openness metrics. The root of our optimism is based largely in the qualitative feedback from our ongoing dialogue with our large enterprise customers.**

Focusing AT&T's resources on a relatively small sub-set of the Enterprise market, enables us to understand those organisations in considerable detail. We know where their locations are, and we can spot trends in where new sites will open. Indeed, long before the 'trailing edge' quantitative indicators, like GDP growth, became clear, many of our customers were using the various customer advisory platforms that we have in place to tell us where they are investing, so that we can support their needs there. Increasingly, our customers are

establishing presence in countries throughout Africa.

#### **Hot Spots**

Clearly there is a link between the significant increase in international subsea cable capacity and the appetite for investment in Africa by companies that are dependent on ICT communications. Trade and investment both fuel the demand for, and are simultaneously facilitated by, improved connectivity and communication. The current economic hot-spots in Africa are increasingly accessible with reliable, high-speed communications infrastructure, and AT&T is utilising terrestrial broadband where it is available to offer more competitive, better performing services to our customers. As more countries deploy high capacity networks, this will help fuel their economic growth.

#### **Challenges**

Whilst our view of the opportunities in Africa is extremely positive, it's not entirely unqualified. Every

region presents certain challenges, whether that is Africa, Europe or the Americas. Investment will be dictated by demand density. Provision of on-site support services rely on having at least basic transport infrastructure, and the availability of a strong supply of local skills and resources. Stepping-up to the challenge of providing a seamless global service is harder in Africa than in Western Europe, given the more fragmented models of political and economic governance across the region.

#### **Exciting Trends**

However, what is also clear is that Africa is experiencing some very exciting trends in the areas of economics, politics and innovation – all of which is helping to harness the tremendous potential for the region. Those organisations which sensibly match their investment to the opportunity and have their eyes open to the realities will be able to reap the benefit of strong economic growth.



**Martin Phelps**

AT&T  
Director,  
Strategy & Market Development

**Cable&Wireless Worldwide has a long history of investing in opportunity markets. As a key consortium member of WACS, we believe that WACS will propel the growth potential of Africa by further stimulating new business initiatives.**

From laying the earliest cable in Hong Kong to building the first submarine system linking India with the UK, we continue to invest in markets where clear entrepreneurial spirit is prevalent. It is this same drive and appetite that has led Asia to become the global business hub it is today, a role

that we see Africa catching up with in the future.

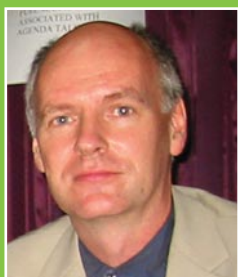
WACS' 17,200 km of submarine cable system unleashes a new wave of broadband capacity on the African continent, linking 14 countries – South Africa, Namibia, Angola, the Democratic Republic of Congo (DRC), the Republic of Congo, Cameroon, Nigeria, Togo, Ghana, Ivory Coast, Cape Verde, the Canary Islands, Portugal and the UK. All these countries will benefit from the ability of enterprises to better serve the domestic market, while some of the hubs, such as South Africa and Nigeria,

will be able to service their global customers better.

Many of our peers are already investing in Africa and we are seeing greater consolidation between domestic and international players, helping to open up the market. Telcos can expect improved regulatory structures with time, which may work in favour of smaller niche and specialist players. Africa's technology will likely advance faster due to its lack of legacy systems or equipment, and both consumer and business applications will be a key driver of growth in a region eager to catch up.



**Diarmid Massey**  
Cable&Wireless Worldwide  
Managing Director  
Wholesale & Carrier business



**Russell Southwood**  
Balancing Act  
Chief Executive

**There are about a dozen or so countries in Sub-Saharan African which might be called 'fast-track' countries, where a combination of good market conditions and reasonable regulation offer significant opportunities.**

New oil finds in a number of countries will accelerate an already excellent level of economic growth.

There are far fewer mobile

opportunities than there used to be but nonetheless licenses are still becoming available. Recently Cameroon announced a third operator licence and there is considerable excitement about the possibility of a third licence in Angola.

However, the nature of the market has shifted with a growing emphasis on content, services and applications.

There have been a number of investors buying into new content plays, most notable Tiger Global purchasing the Nollywood VOD site of Iroko Partners.

But opportunities exist at all levels and both regional and international companies are finding many interesting opportunities, both within the 'fast-track' countries and elsewhere on the continent.

**Analysys Mason has identified a number of key trends in the telecoms market in the Sub-Saharan Africa region, which highlight the challenges facing operators in an environment of slowing growth.**

**Mobile penetration in SSA is approaching saturation.** The recent price wars between operators attempting to attract new subscribers has helped to raise subscriber numbers, but has had a negative impact on operators' bottom lines. This situation is further exacerbated by the slowing growth in mobile penetration – particularly in urban areas – and by the low usage levels of consumers with multiple SIMs. Analysys Mason also believes that serving less-populated areas will not yield sufficient revenue to offset acquisition costs, because

consumers in those regions tend to be more price sensitive and are mostly net receivers of calls.

**The SSA region has the lowest penetration of broadband in the world.**

Fixed infrastructure for broadband services is limited outside urban areas, so mobile broadband will continue to account for the majority of broadband connections. Analysys Mason estimated that there were only 18.3 million broadband connections in SSA at the end of 2011, and that the total will reach 50.2 million by 2016. The increasing availability of 3G networks will make mobile broadband more accessible, but cost continues to be an obstacle to more-widespread take-up.

**Increased international connectivity from new**

**submarine cables should help to reduce broadband pricing.**

The activation of new submarine cables, such as ACE and WACS, in 2012 should help to reduce operators' costs and increase capacity, which should ultimately translate into lower end-user prices for broadband services. However, this effect may take more than 1–2 years, as indicated by the lack of much movement in broadband pricing since the launch of multiple submarine cables in recent years.

Growth in the Sub-Saharan Africa region will continue to outpace that in other parts of the world. However, the need to expand networks to less-populated areas, the price sensitivity of new end users and mobile market saturation in urban areas will pose threats to operators' profitability.



**Roz Roseboro**  
Analysys Mason  
Lead Analyst, Middle East and  
Africa research programme





**Andrew Croft**

*African Review of  
Business and Technology  
Managing Editor*

**Consider Africa as a connected continent. Contemplate Africa as a continent of increasing prosperity. Ponder, then, how connectivity and prosperity are associated in Africa.**

You may be mulling over the majority, the excluded Africans. These are individuals who own no mobile device or computer, who benefit not from access to formal financial services, who survive on low incomes. And you may be contemplating the majority of Africans from one of two positions: the Africa of today, and the Africa of tomorrow.

**Tomorrow's Africa**

It is true that today's Africa is largely unconnected, and mostly without socio-economic structures to develop apace. It is, however, true, that investment is increasingly geared towards improving national and regional states, and creating conditions for relative affluence across tomorrow's Africa.

Tariffs and customs issues continue to hamper trade

between businesses of different nations, if less so than in decades past. The transportation links that would serve as critical economic components for the 40 per cent of African nations that are landlocked or surrounded by sea are, in many cases, actually not present or are not serving nations effectively, still – but road and rail connections are being built, as are linkages by sea and air to other continents and to countries within the continent. It is not difficult to obtain research that indicates both a poverty of transportation dedicated to African trade, and investment in the improvement of such infrastructure, to serve entrepreneurial imperatives.

**Connected Continent**

And, furthermore, tomorrow's Africa is a connected continent, one across which trade may be facilitated by increasingly advanced deployment and operation of information and communications technology (ICT). Considering the ability to link abstract knowledge and commercial application, evident in numerous African

businesses and business persons, it seems rational to expect the continent's more vibrant communities to form a trade and innovation hub for the 21st century. Internet connectivity is deploying rapidly, and is set to play a central role in transformation of social, cultural, economic and political environments. The potential of high-capacity connectivity to serve such transformation is clear, as is the determination of public and private sector stakeholders to exploit the consequences of technological deployment - the terabits of data and teraflops of computing power that will empower Africans to connect and compete with each and with their counterparts beyond the continent. What the Apollo Cable System carries today between Europe and America, WIOCC must carry tomorrow between Africa and the world beyond it. It is my view that telecommunications enterprises would be wise to invest now to serve the burgeoning African business of the near future.

**We highlighted the recent Economist story for this issue of Connected, as a decade ago it ran a similar article on the economic outlook of the continent entitled 'Africa, the hopeless economy'. The latest feature doesn't deny there are still challenges, and neither do our panellists – but is there a business case for investing now?**

Before committing investment, any organisation will review the available analytical data. However, reports from people 'on the ground' are also key. As Martin Phelps of AT&T points out, GDP and FDI have their place, but qualitative feedback from large enterprises is the clincher for his company. That is why for this issue we approached experts with considerable experience of both the telecoms industry and doing business in Africa.

The increase in subsea cable systems has, as Diarmid Massey of Cable & Wireless Worldwide explains, "unleashed a new wave of broadband capacity on the African continent". He also confirms that they have seen

many of their peers in the telco community investing in Africa.

Having been in at the ground floor of this revolution – WIOCC is five years' old this month and the EASSy network became operational two years ago – we are well-positioned to gauge sentiment and reality for international carriers and businesses in Africa.

Mid-way through 2012, we are seeing a swell in demand for capacity and increased activity. International carriers are investing to support enterprise customers in Africa - purchasing domestic and international capacity, setting up local operations and extending and improving their services. African carriers are boosting their international capacity and connectivity to meet ever-growing demand, particularly for high-quality internet-based services.

Understandably, carriers are looking to minimise barriers to entry and reduce risk. WIOCC's offer of long-term strategic partnership, technical and commercial flexibility, seamless service, and local knowledge and

influence is therefore a compelling one. We are actively assisting both African and international carriers to implement business cases for increased investment in Africa over the next few months.

Our panellists share our very positive view of African markets – highlighting in particular that improved regulatory structures, rapid technology advances and uptake of consumer and business applications will be a key driver of growth. And this is in a region that is growing faster than other parts of the world.

Yes, Africa has its challenges, but the opportunity is also evident. Andrew Croft of *African Review of Business and Technology* believes telcos "would be wise to invest now to serve the burgeoning African business of the near future"; whilst Martin Phelps concludes, "those organisations which sensibly match their investment to the opportunity and have their eyes open to the realities will be able to reap the benefits of strong economic growth".



**James Wekesa**

*WIOCC  
Chief Commercial Officer*

WIOCC provides connectivity to 400+ locations across 30 African countries, with international network reach to 100 cities in 29 countries in Europe and 700+ cities in 70 countries globally.