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Econet owed $85 mln in interconnect fees; Telecel aiming for 85% network coverage

Econet is now owed $85 mln in interconnect fees from TelOne and NetOne from $70 mln at its February year end.

CE Doug Mboweni told the parliamentary committee on Media, Information and ICT development that the company has been trying to get the fees owed to them for a long time and would continue to hold discussions to have the money paid out. He however noted that this was affecting the group as it the interconnect fees were taxed on uncollected revenue.

Teledensity was at 78% meaning that 8 out of 10 people have phones. The rate is expected to reach 100% in 2014. Mboweni said that an increase of 10 mobile phones per 100 people boosts GDP growth by 1.25% in developing countries.

Internet usage in Zimbabwe was at 30% against Africa’s average of 17% and slight below the rest of the world on 32%.

Mboweni defended the tariffs saying Zimbabwe’s were cheap when compared to other countries in the region particularly South African. “The tariffs are a product of costs that the company incurs from supporting the network.”

He reiterated that power outages continued to be major drag on operations but the group had 72% of the network under back up power in the form of generators at a cost of $15 mln a year.

Mboweni said there was need for policy alignment especially on network development adding that the operators should be the drivers of this policy. He said this with regards the USF fund of which the network operators have to pay a levy of 2% of revenue per year.

Mboweni said there was no accountability of the USF and all the money that the operators had paid prior to dollarization had gone into the pockets and was eventually swallowed up by hyperinflation. “Even post dollarization there has been no meaningful investments from the site save for the 10 sites that are currently under construction,” adding that USF was no longer as relevant as it was in the past.

Mboweni also said that getting approvals for a site was long taking upwards of 12 months for a site to be approved thus affecting network grade of service and customer experience.

On network sharing, Mboweni the group currently had 300 shared sites with Telecel, Telone, NRZ and Local authorities. Only NetOne did not want to share. He noted that in fact before the expansion, Econet had approached NetOne for infrastructure sharing but they had refused. “And now because Econet has grown big after the expansion, the same network is crying foul that we do not want to share.”

Mboweni said that it costs between $80 000 to $250 000 to construct a base station.

Mboweni said that most of the dropped calls and non-delivered messages were mainly caused by power outages and that the calls have to pass through various stages in the network.

When asked about the littering of the environment by recharge cards, Mboweni said the group was moving towards the elimination of paper cards through the use of e-wallets, available on the Ecocash platform.

“We are encouraging our vendors to migrate to the electronic recharge cards.”

Mboweni said the country was now covered under the network save for the national parks with the subscriber base at 6.4 mln.

Telecel Zimbabwe CE Francis Mawindi said that the 2G network currently had 320 sites and expects to have added 284 sites by the end of the year to give a coverage of 85%. Of those sites, 120 were in Harare.

In terms of 3G, the group had 137 sites under coverage and will add 151 sites by year end lifting the coverage to 32% from the current 25%.

Mawindi said the sites increase the capacity while additional sites address densification. He went on to explain the difference between coverage and capacity saying that networks might have the same coverage but one might have more base stations. Capacity has to do with the amount of bandwith within a service area.

Telecel was looking at measures to address congestion with Mawindi adding that the group would swap 70 sites, changing them to a higher capacity.

The group agreed with Econet saying erratic power supply had a huge bearing on operational costs.

“Power outages continue to be an issue and using generators comes at a cost to the business.” Marketing manager Obert Mandimika said that there were 40 sites, which were on generators as they were not covered by the national electricity grid.

Mawindi said the group now had a new billing system to provide more flexibility and is in the process of installing a call centre system.

The subscriber base was at 2 mln as at end of June with Mawindi saying this measured only active subscribers in the last 90 days. He said the market share was at 26.5% as at June 30 from 23% in January.

The group said that the group would take part in the USF project by improvising the equipment. Potraz will soon add 40 sites using the USF.

When asked about their plans to list on the ZSE, Mawindi said the matter was being handled at a shareholder level and so were matters concerning indigenisation.

Telecel is 60% owned by Orascom Egypt and 40% by the Empowerment Corporation.

Mawindi said Telecel operated a universal procurement process, which takes advantage of the principal company Orascam, which has bigger bargaining power.

The group said they had no objections with shared sites as this is often done on a one-on-one return arrangement.
