



## REVIEW OF OPERATIONS VODACOM TANZANIA

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### Overview

Vodacom Group (Proprietary) Limited owns a 65% interest in Vodacom Tanzania Limited; two local shareholders, Planetel Communications Limited and Caspian Construction Limited hold the remaining 16% and 19% respectively. Vodacom Tanzania was issued its licence in December 1999 and commenced operations in August 2000. Vodacom Tanzania became the largest mobile operator in the country within one year of launching and remains the largest mobile communications network operator in Tanzania.

The company has performed well in a challenging year that saw retail and wholesale tariffs cut substantially as a result of competitive pressure and regulatory actions.

### Infrastructure

Vodacom Tanzania continued its roll-out of network coverage in areas that offer opportunities for growth in its customer base and which deliver acceptable levels of revenue. The core network and switching capacity has been upgraded to accommodate the rapid customer growth experienced during the year and to maintain the quality of service. The availability of reliable and cost-effective transmission continues to be the main challenge for the company going forward, and with the deregulation of the telecommunications market in February 2005, it is anticipated that the company can take advantage of alternative transmission opportunities.

Vodacom Tanzania's cumulative capital expenditure as at March 31, 2005 was R1.4 billion or TSH240.1 billion (2004: R1.1 billion or TSH201.0 billion).

### Products and Services

The current package offerings are Vodago (prepaid), Vodachoice (contract) and Vodatariffa, an SMS-based information service. The people's phone, "Adondo", continues to form an integral part of the company's public phone offering and strategy.

On April 1, 2004 Vodacom Tanzania converted to Tanzanian Shilling billing from US Dollars. This action, together with tariff reductions, and the introduction of innovative product offerings, has stimulated growth, and enhanced the customer value proposition. These include Moja Moja, a five times TSH1,000 recharge voucher, Buddy Recharge, a product allowing over-the-air value transfer between customers, Please Call Me messaging and a five free SMS product.

The growth in customers has placed significant pressure on the customer call centre capacities, which has prompted the replacement of our customer administration system that will further enhance our service levels going forward.

### Customers

The Vodacom Tanzania market profile is currently 99.3% (2004: 98.9%) prepaid, 0.4% (2004: 0.7%) postpaid and 0.2% (2004: 0.4%) public phones. The total customer base at

## Key indicators

	Year ended March 31,			% change	
	2003	2004	2005	04/03	05/04
<b>Customers ('000)<sup>1</sup></b>	<b>447</b>	<b>684</b>	<b>1,201</b>	<b>53.0</b>	<b>75.6</b>
Contract	5	5	5	–	–
Prepaid	440	676	1,193	53.6	76.5
Community services	2	3	3	50.0	–
<b>Gross connections ('000)</b>	<b>262</b>	<b>404</b>	<b>746</b>	<b>54.2</b>	<b>84.7</b>
<b>Churn (%)</b>	<b>13.3</b>	<b>30.0</b>	<b>29.6</b>	<b>16.7</b>	<b>(0.4)</b>
<b>ARPU (Rand)<sup>2</sup></b>	<b>217</b>	<b>128</b>	<b>81</b>	<b>(41.0)</b>	<b>(36.7)</b>
<b>Cumulative capex (Rand millions)</b>	<b>1,058</b>	<b>1,146</b>	<b>1,359</b>	<b>8.3</b>	<b>18.6</b>
<b>Number of employees</b>	<b>224</b>	<b>316</b>	<b>340</b>	<b>41.1</b>	<b>7.6</b>
<b>Customers per employee</b>	<b>1,996</b>	<b>2,165</b>	<b>3,532</b>	<b>8.5</b>	<b>63.2</b>
<b>Mobile penetration (%)<sup>3</sup></b>	<b>2.2</b>	<b>3.3</b>	<b>5.1</b>	<b>1.1</b>	<b>1.8</b>
<b>Mobile market share (%)<sup>3</sup></b>	<b>53</b>	<b>57</b>	<b>59</b>	<b>4.0</b>	<b>2.0</b>

1 Customer totals are based on the total number of customers registered on Vodacom's network which have not been disconnected, including inactive customers, as of end of the period indicated.

2 ARPU is calculated by dividing the average monthly revenue during the period by the average monthly total reported customer base during the period. ARPU excludes revenue from equipment sales, other sales and services and revenue from national and international users roaming on Vodacom's networks.

3 Penetration and market share are calculated based on Vodacom estimates.

March 31, 2005 was 1,201,000 (2004: 684,000), a substantial increase of 75.6%. This growth has primarily been achieved by an increase in the prepaid customer base of 76.5% to 1,193,000 (2004: 676,000). The prepaid gross connections of 746,000 (2004: 404,000) were offset by a total churn rate of 29.6% (2004: 30.0%) due to high levels of competition in Tanzania. The introduction of a more effective countrywide distribution channel, super dealer remuneration structures and network roll-out have supported these results.

Per-second billing has proved highly successful, and at year-end, approximately 980,000 of our customers (2004: 400,000) were utilising this service.

## Competition

There are three other mobile operators licensed in Tanzania: Zantel, which operates almost exclusively in Zanzibar and Mobitel and Celtel, the mobile arm of the parastatal mainland fixed-line operator, Tanzanian Telecommunications Company

Limited (TTCL). TTCL is the sole fixed-line operator licensed to provide basic telecommunications services in mainland Tanzania. Dutch-based Celtel International B.V. (formerly MSI Cellular Investments Holdings B.V.) owns 35% of TTCL and has management control of the company. In Zanzibar, Zantel is the sole operator granted a fixed-line licence, with international gateway rights for traffic originating on its own network.

The year was once again marked by significant price competition. Vodacom Tanzania moved to Tanzanian Shilling tariffs on April 1, 2004, reduced its prepaid tariffs in July 2004 by as much as 33% on per-second billing terminating on other networks and, at the same time, removed the differential off-net pricing resulting in a 20% tariff decrease. Further reductions in tariffs on both postpaid and public phones have also been made during the period. Despite increased competition, these actions have assisted customer growth and increased market share to 59% (2004: 57%). The competitors' market shares are estimated to be 26% for Celtel (2004: 25%), 11% for Mobitel (2004: 14%) and 4% for Zantel (4%).