



SADC BUSINESS CASE STUDIES

Various surveys and indices have identified major business constraints in SADC. These include independent assessments of the regional business climate plus studies that specifically reflect the views of the private sector. These assessments have been undertaken over a number of years but there has been little follow up by policy makers or attempts to address the identified constraints. To assist in this regard, the SADC Secretariat in collaboration with Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) has initiated a research and dialogue project that aims at identifying the most important business constraints for the SADC region and making them more tangible by conducting firm level case studies on the identified constraints. This is one of the collection of case studies.



On behalf of
Federal Republic of Germany
The Federal Government

A CASE STUDY ON VODACOM

MARCH 2012

FIRM OVERVIEW

Name	Vodacom SA
Nationality	South Africa
Sector	Telecommunications
SADC countries where doing business	All SADC countries, in some they have physical presence, in others only as service provider.

BACKGROUND

Vodacom provides telecommunications services to mobile telephone users.

BARRIERS ENCOUNTERED

There are two levels to Vodacom's operations. Providing communication network usage and putting in the capital infrastructure necessary to connect to the network. The two levels have vastly different experiences. At the communication level, the industry is heavily regulated. At the capital level Vodacom experiences similar barriers to most other companies. First amongst these is national customs and tariff legislation that can change overnight by government decree. In addition the level of taxation on mobile services is excessively high throughout the region. Time constraints in clearing customs means delays in providing services. Corruption is another significant problem and the free movement of labour. In addition, currency fluctuations, exchange control limitations as well as the repatriation of profits were mentioned as burdensome in Southern Africa. Language barriers are also encountered.

IMPACT OF BARRIERS

The heavy regulation that the sector deals with means that there is broad interaction and engagement at various levels. Internationally, the International Telecommunications Union (ITU) develops recommendations, which are further elaborated by regional organisations. In Southern Africa this body is Communication Regulators' Association of Southern Africa (CRASA), which operates alongside SADC. Finally, regional recommendations have to be implemented at the national level through national laws. The interaction with the region through CRASA is largely deemed positive and important for regional integration. To some extent the regular contact that Vodacom has through these processes with government officials at the highest level allows them relationships with Ministers and Presidents that other smaller actors cannot achieve on their own. But it does signal that regular contact and participation in forums can smooth the ease of doing business in a sector.

The interview also touched on the issue of government ownership in the telecommunications sector. Whereas there was a broad movement away from government involvement during the 1990's there is a slow reoccurrence of investment in the sector by governments throughout Southern Africa. In some instances ownership of communications activities is limited through licenses that have a local ownership requirement or in the case of South Africa through broad-based black economic empowerment regulations. Communications is increasingly seen as an essential service that government should have a functional role in controlling and finally it is also seen as a high revenue industry that governments could take advantage of. It does raise concerns regarding the line between government acting as the regulator versus government being an operator. The example of the EASY cable vs. the Seacom cable was mentioned, illuminating governments' in Southern Africa (through NEPAD) inability to move as fast as private operators resulting in the Seacom cable being in place long before EASY. Tanzania has a positive public-private partnership in communications, which is juxtaposed against Sentec and Infraco in South Africa, which are highly inefficient whilst being completely government owned.

FIRM RESPONSE TO BARRIERS, INCLUDING INTERACTION WITH POLICYMAKERS

In order to deal with the heavy regulatory burden and interaction that comes with that, Vodacom has employed appropriate people with expertise in the fields required. This they can do due to the size of their operation. They can also assess the impact regulations can have on their operations and the access it can give them to new markets in Southern Africa that currently do not allow foreign investments in communications.

In terms of delays at borders Vodacom follows a similar route as most other operators and moves as best possible within the given constraints. The taxation burden they address through regular contact with government and initiating research on the negative impact of too high a tax level on one industry. They interact regularly with the South African Department of Trade and Industry as well as Ministries of Finance in a number of countries. They sometimes employ lobbyists to engage on their behalf on the taxation issues but have not had much success. Keeping in mind that mobile telecommunications can deliver on numerous government services and has deep rural reach, keeping the cost of these services down should be in the interest of all Southern African governments.

Dealing with the movement of people Vodacom also has to operate within the given constraints and do face costs once employees are deported or turned around at the borders due to restrictive immigration and labour movement laws.

Vodacom has a very strict anti-corruption culture that is enforced throughout its operation and even

its service providers. They abide by all anti-corruption laws and fully support initiatives to turn the tide against corruption. This is done internally through various training exercises. They are hopeful that this will eventually send significant signals to the region that corruption is not in anyone's interest and that business in Africa can be done without bribery.

Vodacom engages actively at all levels of national government, regional bodies and international organisations with relevance to the communications sector. Their critique against SADC is that Communication is lumped with Transport in the Communications and Transport Protocol and they would wish to see a stand-alone Communications Protocol. The reasons are that the challenges faced by the two sectors are vastly different and they can move at various speeds towards regional integration. At the SADC level they also deal with issues of standards within the industry and are working with CRASA on digital migration. They find their interactions largely positive and see movements in the sector at an arguably much faster pace than other sectors. The opinion was expressed that if things are done in the right way, with the correct amount of interaction and consultation the process in and of itself strengthens the SADC body as well as the region. They do, therefore, invest a significant amount of staff time in these processes.

On issues of custom delays, immigration laws, repatriation of profit and currency controls, no interaction was mentioned and no successes monitored.

The outcome of very active and committed interaction at the international, regional and national level is that Vodacom has been highly successful in penetrating the Southern African market. It has a very close relationship with governments and it seems as if they are consulted well on issues affecting the sector as well as the economy. The successes here might encourage further active engagement on issues of corruption, border controls both on customs and immigration, language barriers and currency related issues.

ADDITIONAL COMMENTS AND SUGGESTIONS

The recommendations for policymakers on the way forward were:

1. A multiple-entry SADC Business Visa.
2. Doing a through analysis of the ports in Southern Africa to do a logistical map and identify steps in the clearance process that could be removed in order to speed up the process.