

ITU Workshop - Geneva, 3-4 November 2022



Panel : « Economic and fiscal incentives to accelerate digital transformation of data and applications over telecommunication infrastructure »

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sonatel

Reminder of work within Study Group 3 in direct connection with the acceleration of digital transformation

- **ITU-T D.262** : Recommendation that provides a framework for collaboration between MNO and OTT.

<https://www.itu.int/ITU-T/recommendations/rec.aspx?rec=13595&lang=en>

- **ITU-T D6_R_OTT Bypass** : Draft Regional Recommendation (Africa) on National and Regional Collaboration between Member States and Operators against OTT BYPASS:

➤ <https://handle.itu.int/11.1002/1000/14772>

- **ITU-T D.1101** : Recommendation to strengthen business cooperation between OTT and Telecom Operators

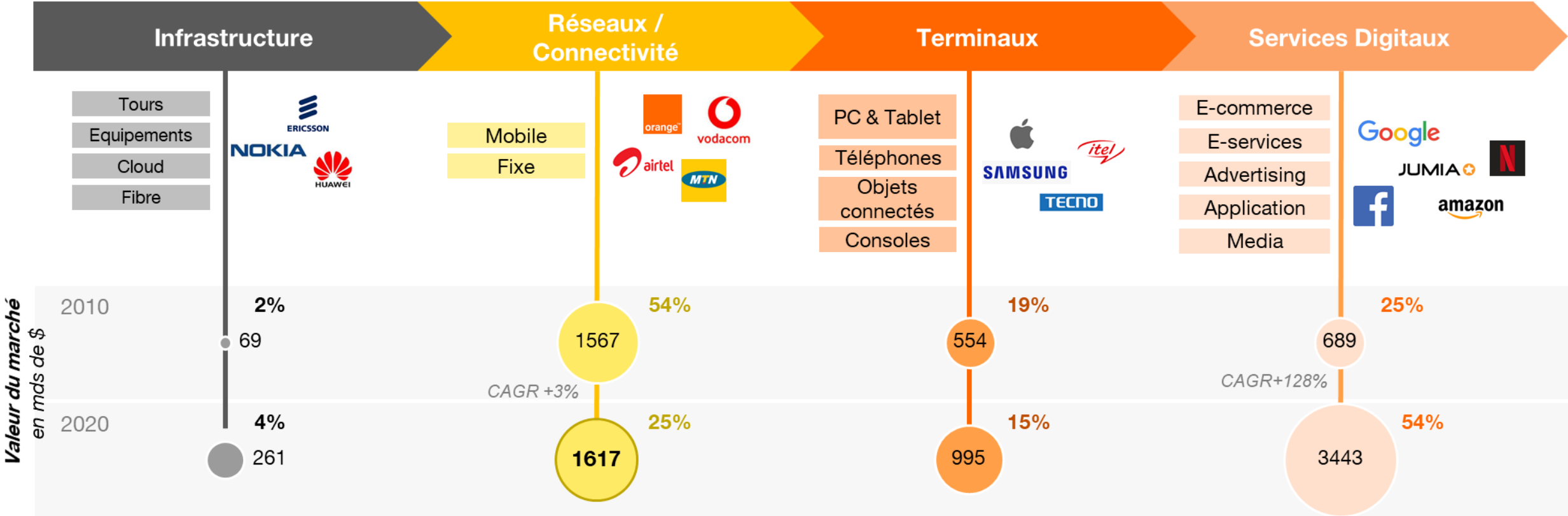
<https://handle.itu.int/11.1002/1000/14269>

- **ITU Technical Report** : Economic impact of OTTs

<http://handle.itu.int/11.1002/pub/8106272c-en>

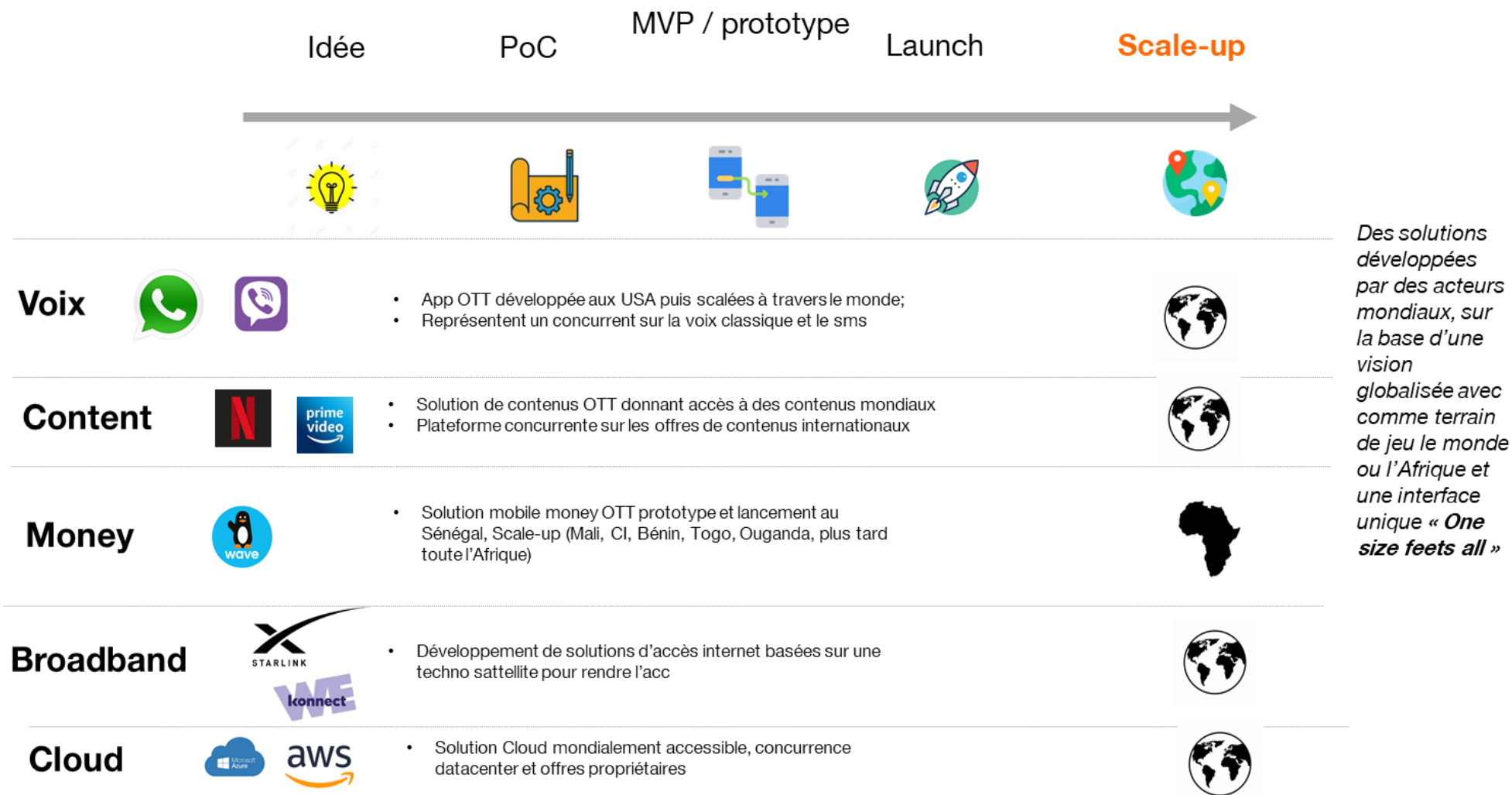
Global Trends: Transforming the Digital Value Chain

The value of the industry is shifting towards digital services and to the benefit of other players moving up the value chain, especially on infrastructure



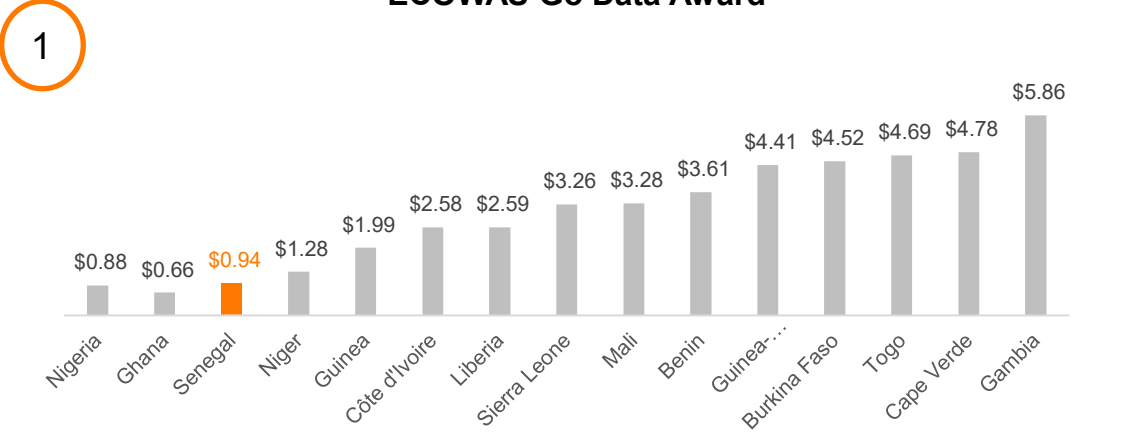
In 10 years, the total value of the digital industry has grown from \$2800 billion to \$6300 billion.
 More than **80%** of growth captured by digital services
 Less than **2%** of growth is driven by connectivity revenues.

In a globalized world, these players are positioning themselves in the telecom operators's traditionnal fields of activity and target customers



An explosion of internet traffic that requires more and more investment from telecom operators

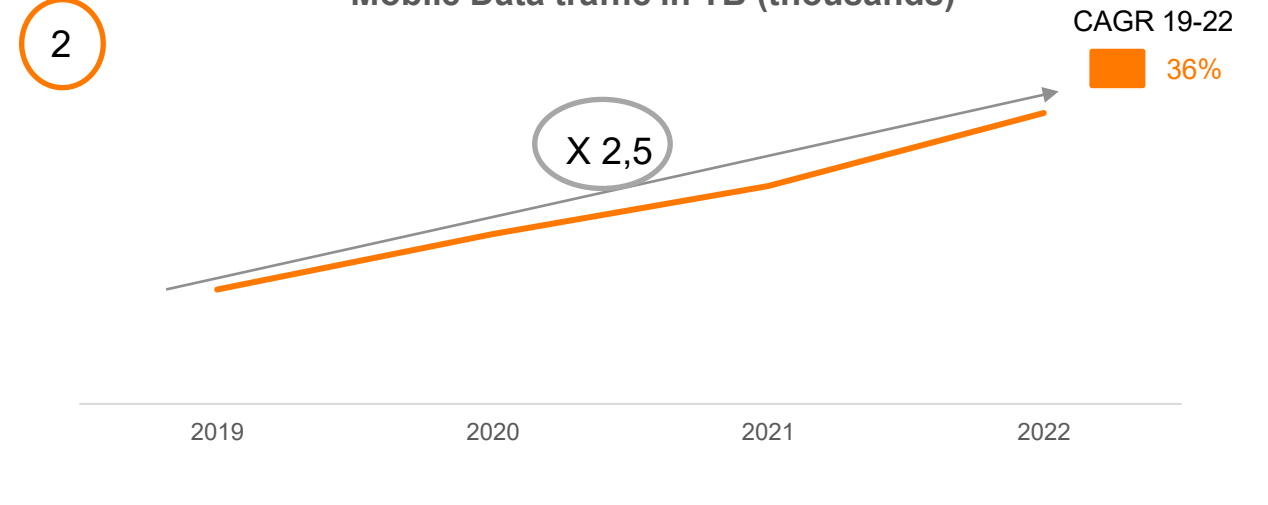
ECOWAS Go Data Award



Source: cableco.uk

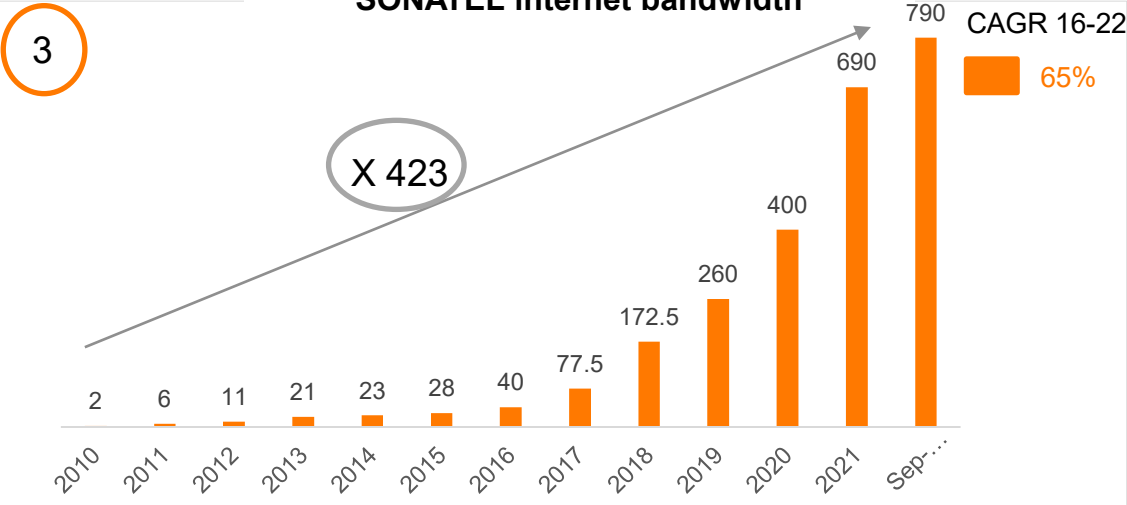
With a GB price of \$0.94, Senegal has relatively low rates on mobile internet, compared to other countries in the SSA zone.

Mobile Data traffic in TB (thousands)



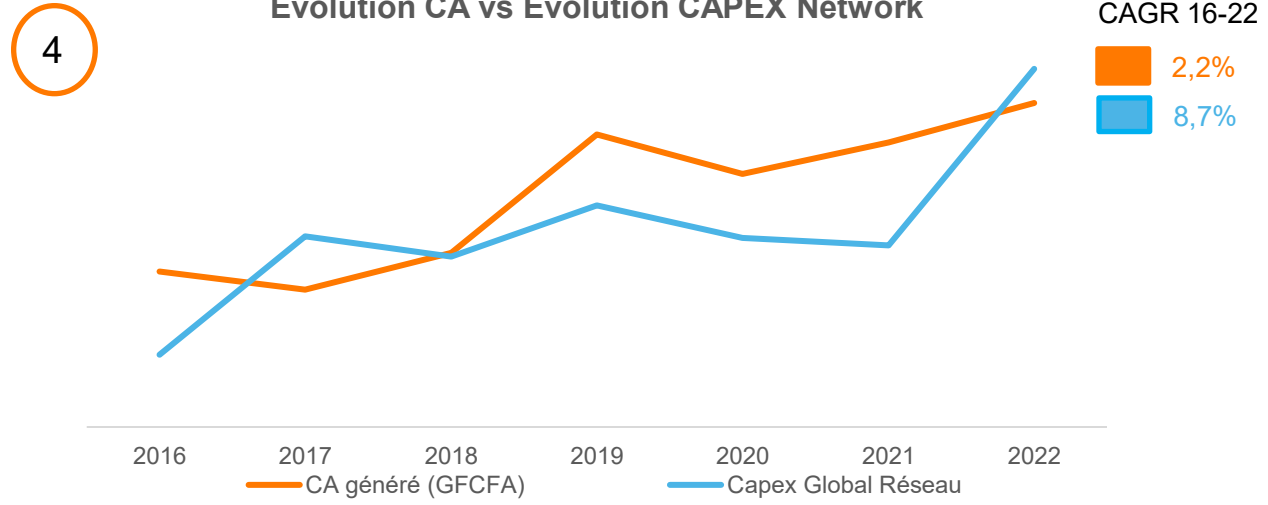
Mobile data traffic that increases sharply with the explosion of uses (content, social networks, etc.)

SONATEL internet bandwidth



Sonatel's internet bandwidth has grown very quickly in recent years. Growth means a growing need for connectivity

Evolution CA vs Evolution CAPEX Network

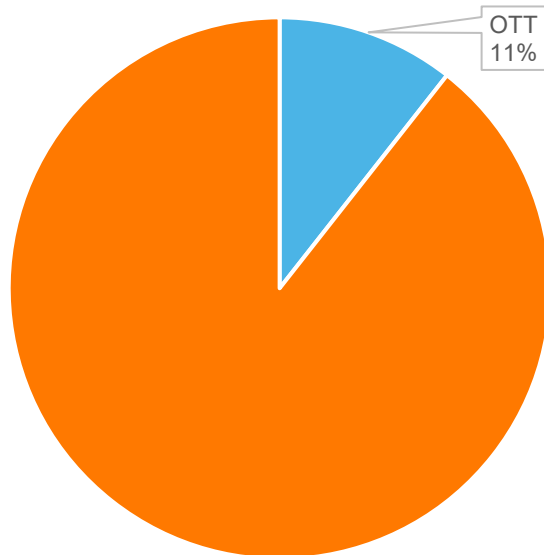


Revenue growth that slows down vs. investments that grow much faster to absorb the explosion of traffic. The capex/turnover ratio increased from 13% in 2016 to 19% in 2022

The usage of OTT solutions strongly contributes to the increase of data traffic



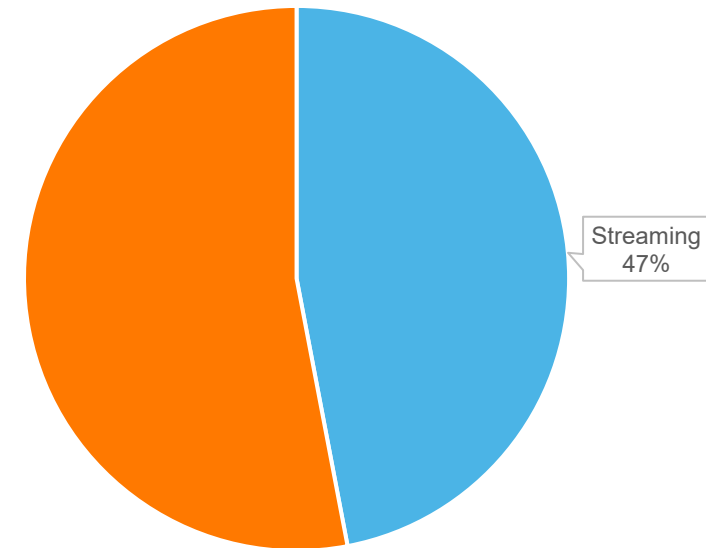
Share of VOIP traffic in total outbound traffic



As of September 2022, VOIP traffic was estimated at 816 TB, representing 10.6% of total outbound traffic.



Share of streaming on data traffic



OTT usage is driven by streaming, which represents 47% of data traffic in September 2022

One of OTT service is specially a growing social network in Africa

- 50% of data customers use this social network
- Traffic on this social network represents 19% of global data traffic in September

Constellations: the future is unfolding, with the ambition to move up the value chain (infra brick & connectivity) and offer THD access at a lower cost, especially for rural areas

				
<p>MEO Latency ~150ms</p> <p>11 satellites</p> <p>2B\$</p> <p>1st launch at the end of 2021</p> <p>Full constellation mid-2022</p>	<p>LEO Latency ~20ms</p> <p>Step 1: 4.425 sat. Step 3: 42.000 sat.</p> <p>30B\$?</p> <p>1.844 sat. launched</p> <p>100.000 customers</p> <p>Full Constellation 2028</p>	<p>LEO</p> <p>Step 1: 578 sat. Step 5: 3.236+ sat.</p> <p>10B\$?</p> <p>1st launch at the end of 2022</p> <p>Full constellation mid-2029?</p>	<p>LEO</p> <p>Step 1: 300 sat. Step 2: 1.671 sat.</p> <p>5B\$</p> <p>2nd launch 2022</p> <p>Full constellation 2025?</p>	<p>LEO</p> <p>Step 1: 648 sat. Step 3 : ~8.000 sat.</p> <p>8B\$</p> <p>322 sat. launched</p> <p>Step 1 : 2022</p>

In Africa, an example of solutions already available on the fixed



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Connectez-vous à l'Internet haut débit fixe où que vous soyez en Côte d'Ivoire

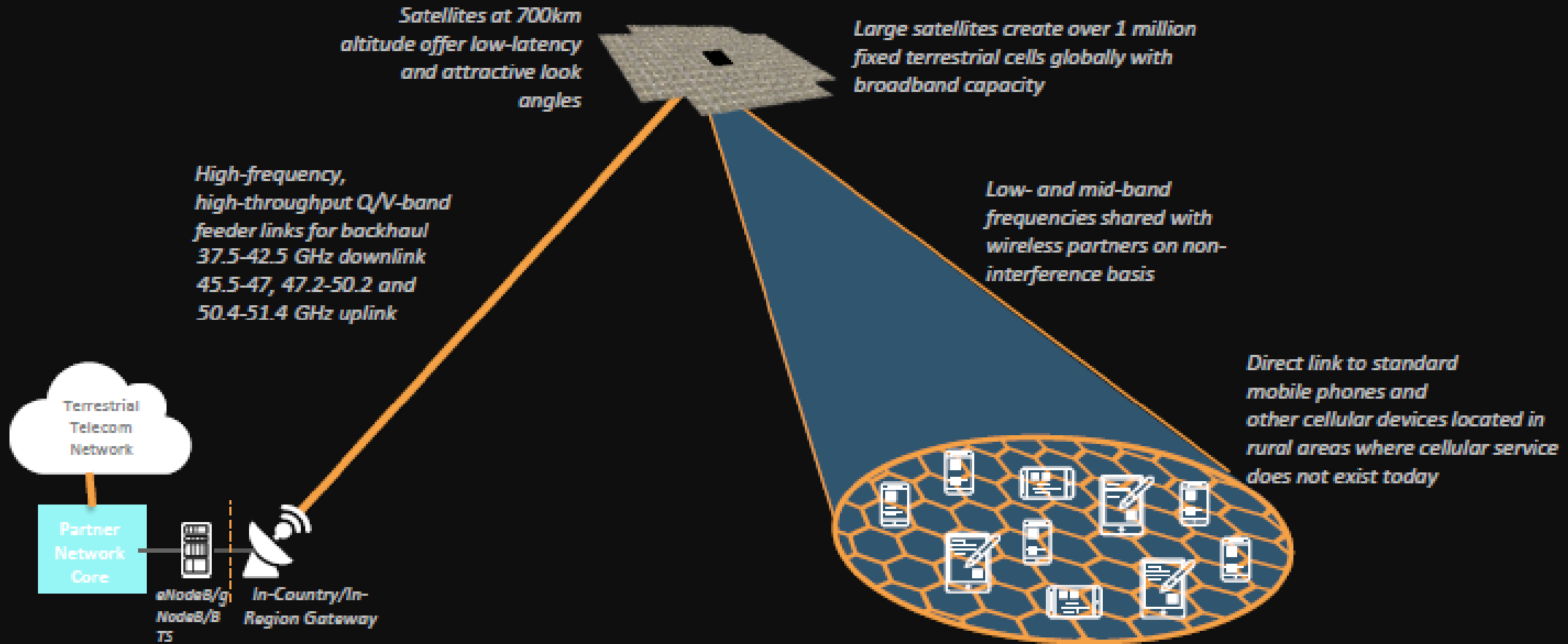


Promo kit satellite

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In the mobile side.....?



Regional Gateways are possible
eNodeBs must be collocated with gateway
eNodeBs connected to EPC (Evolved Packet Core) with 3GPP S1 interface
EPC can be located up to ~750Km from gateway (must be tested)

MNO decides which cells (hexagons) are active and which cells are turned off

In addition to the high licensing costs, local charges and risks are also supported by traditional telecom operators

- DIRECT TAXES AND DUTIES
- Corporate tax IS tax levied on the taxable profit of companies and other legal entities 30%
- Tax on income from wages and salaries: Tax withheld at source on wages and salaries, pensions and life annuities
- Contribution payable by employers: Tax deducted at source on wages, salaries, allowances and emoluments 3% on taxable income
- Land tax for non-built properties: CFPNB The tax is based on the market value of registered or unregistered land and land where buildings are built that are not attached to the ground. 5% of the market value
- Local Economic Contribution Rental value : based on the rental value of premises serving the exercise of taxable professions 15% for premises rented or occupied free of charge 20% for premises, land and facilities listed as assets of the balance sheet
- Local Economic Contribution Added Value For telecommunications network operators: based on turnover 0.30%
- Securities income tax: Dividends, interest, arrears, income and all other proceeds from shares of any kind and from the shares of founders of companies, companies and undertakings whatsoever, whether financial, industrial, commercial or civil
- Tax on income from receivables, deposits and guarantees Withholding on fixed income investment products 16%.
- Non-commercial profits: Annual schedular tax levied on profits from a liberal profession or a non-commercial activity.

Withholding tax on sums paid to local service providers Services of any kind provided or used. 20% subject to tax treaties

In addition to the high licensing costs, local charges and risks are also supported by traditional telecom operators

INDIRECT TAX AND DUTIES

Value Added Tax (VAT): Any natural or legal person who carries out a taxable transaction

VAT on foreign suppliers: All services provided by a service provider who does not have a permanent establishment in the country are subject to local VAT when the service is used or operated locally or when the beneficiary of the service or the supplier order is established locally

Tax on financial activities: Tax applied to all remuneration received on financial transactions carried out locally, in particular commissions and interest received on credits, loans, advances, commitments by signature and transfers of money made from the country excluding money order. the TAF rate is 17%

REGISTRATION AND STAMP FEES: Registration fee/leases/TODP Leases, sub-leases and conventional or legal extensions of leases of buildings, businesses and other movable property are recorded (2%) when the duration is limited.

STAMP OF RECEIPTS 1% on sums

OTHER TAXES AND TAXES

Special contribution from the telecommunications sector: tax payable by any telecommunications operator

Fee for the use of the public telecommunications (RUTEL): Any natural or legal person who accesses or uses the public telecommunications network of an operator approved by the State is liable to this fee.

Royalties for occupying the public domain: paid to municipalities for installations in the public domain

Tax on classified establishments: Tax based on occupied and unoccupied areas

SOCIAL CONTRIBUTIONS IPRES-CSS-IPM

IPRES Retirement Provident Institute contributions Contribution calculated on the gross salary capped monthly at: 14% for the general scheme; 6% for the framework scheme

Contributions Social security fund for accidents at work and family allowance Contributions calculated on the gross monthly salary

Health Insurance Institute contributions

- Some partnerships are initiated to accelerate digital penetration in Africa

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- Submarine cable projects
- Data Center
- Security and QoS enhancement
- BIG DATA



But the challenges below cannot be overshadowed for a sustained acceleration of Digital in Africa

- Taxation
- Customer identification
- Security
- Network overload caused by OTTs
- QoS impact that can generate fines
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THANK YOU