

2014 lays the groundwork for major change in the local telecoms space



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There has been much investment in the South African telecoms market over the past few years, particularly with regard to undersea and terrestrial fibre backbone networks, as well as wireless mobile coverage.



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The market has also seen investment from international carriers and content providers into additional Points of Presence (PoPs), while local mergers and acquisitions gain momentum. These factors combine to indicate that the local telecoms market is on the brink of change, with the most anticipated factor being increased competition and reduced cost of calls and connectivity. While we may not see much of this in 2014, the groundwork is being laid for new services, new solutions and more pervasive communications to connect more users than ever before.

Africa is seen as a market that offers substantial opportunity for growth, which has resulted in significant investment. In the past few years, many undersea cables have landed on South African shores, including Seacom, EASSY and WACS, linking the country to the world and helping to bring the cost of broadband down.

The launch of the Fibreco network late in 2013 - a 2,000km fibre-optic network interconnecting Joburg, Bloemfontein, East London and Cape Town - further opened up the telecoms landscape. Fibreco is essentially a privately owned, independent, open-access terrestrial backhaul fibre network that offers businesses greater choice with regard to broadband fibre delivery. It also provides multiple drop-off points along its route, connecting smaller cities and towns to national broadband infrastructure. Even satellite operators have seen opportunity in the market, offering new and more affordable services to remote customers.

New solutions and reductions in pricing

The upshot of this has been greater access to services, more pervasive Internet access, enhanced access to point-to-point communications links, and a greater ability to interconnect between different operators and service providers. In essence, many new service providers have emerged, offering new solutions and bringing about reductions in pricing.

On the mobile and wireless side, there is currently much investment being made into rolling out 4G or LTE mobile coverage, as well as wireless local loop access and other mobile broadband infrastructure. This will give service providers the ability to reach customers at the last mile, offering broadband speed connectivity at economical rates without the need to wait for the local fibre loop to be unbundled.

In addition to greater availability and higher quality of bandwidth, the telecoms market has also seen a slowdown in growth and an increase in subscriber churn. Mobile voice has effectively reached maximum penetration, resulting in users constantly seeking better value from their subscriptions. The recent reduction of the interconnect rate will help to drive traffic volumes and decrease costs for the users, but will further squeeze the margins of service providers.

This along with factors such as the high cost of building new infrastructure, the commoditisation of voice and data services, and limited available spectrum, is driving market consolidation both in the mobile and fixed-line space. Large and smaller players are now looking to work together to share infrastructure and provide services to a broader audience. The true impact of these proposed mergers is unknown at this stage, as the terms of the consolidation have not been finalised and there are potential upsides and downsides for consumers and other service providers. The foundations for change have, however, been laid and 2015 will see the effects of this consolidation take effect.

The need to reduce the cost to communicate

While the impact of these changes will not be felt for the next year or so, one factor remains constant: the need to reduce the cost to communicate and bring communication services to the entire population.

This is vital for the growth of the economy as there is a direct correlation between data penetration, Internet access and the economy. In fact, studies estimate that every 10% penetration achieved with regard to Internet access results in a 1.8% growth in the economy. In a local economy that has been fairly stagnant over the past few years, this is essential. Data remains expensive because of low penetration and, outside of the major metropolitan hubs, connectivity is sparse.

Service providers need to be incentivised to take solutions to rural users and need to share infrastructure to reduce the cost involved with reaching this important volume market. Creating competition is another vital aspect of change, as this is the foundation of a dynamic, innovative market. In a competitive environment, service providers are forced to differentiate with new services, solutions and packages, driving them to meet the needs of customers better in order to remain in business.

Interest from the international market and the establishment of additional PoPs and transport routes will aid in reducing costs, as shorter routing means lowered costs. However, the biggest benefit of this investment is the ability to deliver additional redundancy and resiliency on transport routes, which ensures more reliable data services. For cloud-based and hosted solutions, reliable connectivity and optimised transport routes are critical to performance, so this move will also enable a greater variety of cloud services to be offered.

The South African telecoms market is poised for change, with all of the pieces moving into place to enable further cost reductions, better, faster broadband connectivity and greater choice of providers and solutions. The ability to introduce new services will also revolutionise the market, as cloud technologies such as video on demand, Internet-based videoconferencing and more become increasingly viable. The year 2014 sees the consolidation, planning and laying of groundwork to deliver exciting change in the near future - and the recent drop in the interconnect rates is the first step on this journey. Service providers need to stay on the forefront of technology and offer innovative services and solutions rather than hardware and products, if they are to remain relevant in this shifting landscape.

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