Monopolistic principles and poor service stifle players

Biggest hurdle is the price of bandwidth which costs more in SA than overseas, writes JENNIGAY COETZER

FRUSTRATION abounds in the local telecommunications market over the lack of progress with bandwidth availability and costs. Service fees are perceived as inflated and the stability of the infrastructure is questionable.

The situation is expected to improve as more competitive entities build infrastructure in competition with the incumbents, but the consensus is the market still has far to go.

"At the moment options are limited, so monopolistic principles prevail, with poor service and high prices the order of the day," says Hannes van der Merwe, product manager for Mitel solutions at Itec Distribution.

He says telecommunications infrastructure providers such as Telkom and Neotel do not have the resilient telecommunication connectivity infrastructure required to support corporate PBX systems and are the weak link in the supply chain. While it take two to three weeks to order and install a PBX system it takes Telkom two to three months to install the lines.

Enterprise PBX systems are available that can deliver a unified communications platform that enables mobile users to be contactable at any time and any place and can be managed from anywhere in the world, says Van der Merwe.

"But of course you can only take advantage of all this functionality if the connectivity infrastructure is in place and performing at optimal levels."

He says the government needs to give the regulator the resources it requires to keep the incumbent telecommunication players in check.

It should also reconsider its own investments in the telecommunications market, especially Telkom, since these represent a conflict of interest.

The incumbent operators also need to be more open to partnering with third-party service providers to plug the gaps in their own resources.

Van der Merwe says Icasa needs to ensure that its regulations are legally watertight to prevent incumbents from delaying changes in the market by litigating against them.

Jonathan Maliepaard ... an issue is copper-wire monopoly over last mile.

Jonathan Maliepaard, MD of eNetworks, says the biggest hurdle to progress is the cost of bandwidth from the likes of Telkom and Neotel, which is disproportionately high.

"Local bandwidth now costs more than international bandwidth," he comments.

He says when the 5,6 gigabit West African Cable System (WACS) undersea cable lands in SA in 2012 the biggest problem will be affordable local bandwidth to access it. "The cost of deploying long-haul fibre is expensive, so the same old big companies are installing it and keeping prices high."

He says another issue is Telkom's monopoly over the last mile, or local-loop copper-wire telephone lines that support ADSL. Either the regulator Icasa needs to introduce local-loop unbundling, which would allow other service providers to share this infrastructure, or Telkom needs to provide ISPs with fast, scalable, affordable access to its ADSL network, he says.

Gregory Massel, MD of Switch Telecom, says while local ISPs have reduced ADSL costs significantly, Telkom's access charges for this service are still higher than in many comparable countries. "More significantly, users are still forced to pay R174 a month for the rental of a Telkom phone line before obtaining the ADSL access."

Another issue is that the local ADSL speeds are limited to a maximum of 4 megabits per second (Mbps) compared with up to 24Mbps available in most other countries, says Massel.

He says due to the lack of fast affordable fixed-line access, 50% of broadband connections in this country are wireless compared with most other parts of the world, where more than 90% are fixed. Fixed broadband is generally much better suited to the delivery of VoIP-based telephony services, video conferencing and other high-end multimedia services, as the bandwidth is more consistent.

Another hindrance in the local market is the lack of consumer awareness of the alternatives that are available, says Massel.

"Most consumers still do not realise that there are much better, cheaper options for their internet, telephone and switchboard services than Telkom's services."

He says Telkom still has more than 98% of the non-mobile voice market, despite the alternative services offered by the likes of Switch Telecom, Vox Telecom, ECN and Neotel.

Reshaad Sha, director of strategy for internet business solutions at Cisco, says the landing of the Seacom undersea cable and upgrades to the existing SAT-3 undersea cable have had a positive impact on the price of international bandwidth.

"To some extent a component of the larger problem was solved."

But the challenge for local telecommunication operators is building fibre infrastructure to provide users throughout the country with access to all this international bandwidth.

He says the demand for services and applications to be delivered over the internet is expected to reach 150 petabytes a month by 2014 in SA.

"The pace of the build-out of access networks to cater for this demand does not seem to be sufficiently hasty to meet this projected demand," says Sha.

Martin Lotz, CEO of Jasco Electronics Holdings, says the huge quantities of broadband capacity that will be provided through the new undersea cables will support data and video services, but to access these cables will require terrestrial fibre networks to be expanded and more mobile base stations to be erected.

"To do this we will have to overcome the challenges posed by environmental regulations and council approvals."

These constraints will lead to sharing current and new infrastructure by multiple operators. The regulator can assist progress through further liberalisation, such as number portability and setting reasonable cost structures, as with interconnect fees.

But the best driver for better services and lower cost will be competition, says Lotz.

HANDS-ON USAGE: Telkom needs to provide ISPs with fast, scalable and affordable access to its ADSL network.