



PRESS RELEASE
Tellumat Telecoms
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Encouraging signs of competition in telecoms **But look beyond the obvious**

By Bennie Langenhoven, Managing Executive, Tellumat Telecoms

South Africa's second-tier telecoms players were recently given every reason to believe they may now compete with the country's licensed operators: a court case on that very issue was decided in their favour. There are other signs, too, that we may soon pay less for telecoms thanks to competition, including an increase in submarine fibre and lots of investment in the last mile connectivity.

But as always it is best not to get too carried away by these developments until we consider their implications and pitfalls, says Bennie Langenhoven, Managing Executive, Tellumat Telecoms.

The Altech Autopage court case

This case, in which Altech won the right for non-telcos to 'self-provision' (own telecoms networks without going through an operator) is understandably being hailed as a break-through. It has opened the door for new market entrants and prices are naturally expected to drop significantly as a result.

"But consider the realities," Langenhoven notes. "Telecoms networks are enormously expensive, which precludes the smaller players from entering the fray." He says there might be a better business case for the Altechs and MWEBs to lease networks to smaller companies – whose choice of networks to piggyback off is now at least bigger. Only a handful of serious new entrants will contest the market, so the incumbents won't yet be forced to cut prices drastically. In another twist, the Communications Ministry or regulator may yet decide to appeal the outcome of the case.

Plenty of investments

The scarcity of true competition may soon be alleviated somewhat, as many (licensed) telecoms players are investing in new communications infrastructure. Neotel and MTN are jointly laying 5 000km of fibre across South Africa. Last-mile wireless connectivity is going up quickly (Telkom with WiMAX and WCDMA, Neotel with WiMAX and CDMA-2000, iBurst with its own wireless technology and WiMAX, and Vodacom Business with fibre, HSPA and WiMAX). Metro networks will become a reality in the next year or two, and with all this new choice, the end user will have better choice and pricing.

However, Langenhoven says, new operators need to recover their capital outlay, which takes time. Competition is a good thing until there's too much of it, and some competitors collapse. Also, no matter how many competitors there are, there is not yet enough bandwidth to go around for the next generation of converged communications services, namely IPTV, online gaming, Web 2.0 applications and so forth, some of which need bandwidth of the order of 2Mbps.

Undersea activity

This predicament looks like it might be solved in a number of ways – by the Seacom cable and the envisaged end of Telkom's monopoly ownership of the SAT-3 cable. Both cables have the potential to dramatically improve the availability and drive down the cost of bandwidth. After initial delays, Seacom is showing particular promise.



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VOIP

VOIP was a "bandwagon of note" some time ago, but the business case for it is now more established. Many providers offered it as a cheap or free service, but clearly the commercial wisdom of such a value proposition was highly questionable, Langenhoven notes. Going forward, VOIP will not be offered as a cheap call medium; it will be a toll-quality service offered at commercial rates. The service will save its users money in wholly different ways, namely because of the process and resource efficiencies of converged communications.

These developments all have exciting potential for South Africa's telecoms, but take them at more than just their face value.

Ends.

About Tellumat

Tellumat is an innovative, black empowered, South African technology company that has achieved a BBBEE Status Level 4 rating, defined as "Superior Contributor to BEE" in terms of the DTI's Codes of Good Practice. It consists of three major trading divisions; Communications, Defence and Contract Manufacturing, and three partly owned companies; Sia Solutions (Pty) Ltd, Encee Engineering (Pty) Ltd and SIMpill (Pty) Ltd. Tellumat services three primary market areas, namely wireless voice and data communications, defence communication systems and high precision electronic and mechanical manufacturing. Tellumat is a world-class business focused on innovation, offering our customers dynamic and competitive technology products and services. We focus on understanding our customers' needs and forming long-term strategic alliances with likeminded enterprises worldwide.

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