



PRESS RELEASE

Tellumat Telecoms

February, 2010

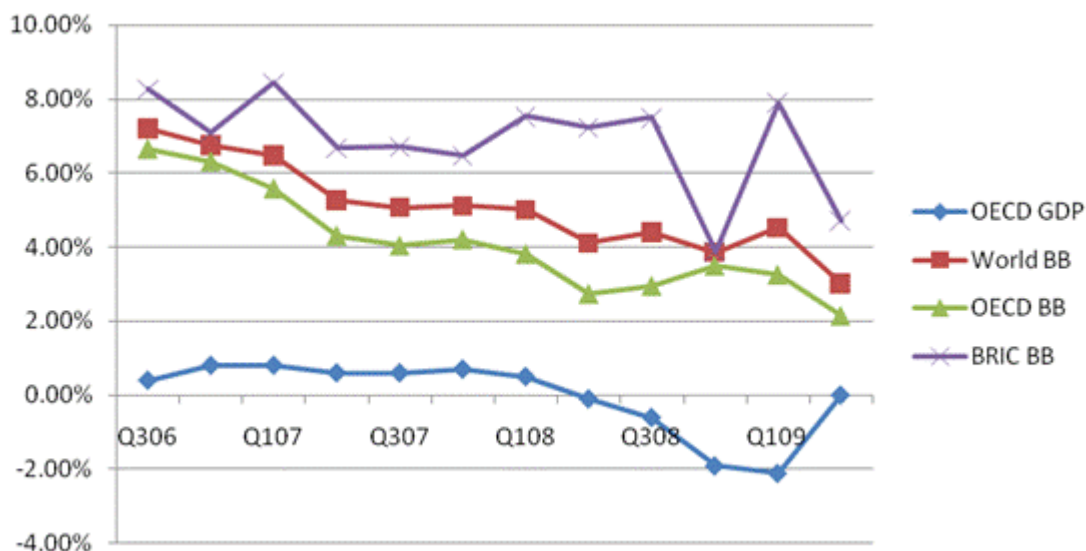
Page 1 of 3

Tellumat urges more government aid to stimulate broadband rollout
Creating better conditions for mass adoption will spur economic growth

The direct correlation between mass broadband rollout and economic growth is universally recognised today. While estimates differ and exceptions exist, the principle is borne out by market experience, says Bennie Langenhoven, managing executive for Tellumat's Telecoms and Technology Group business units.

Several authorities support Langenhoven's contention:

- The International Telecommunications User Group states that 'true' broadband (symmetric* bandwidth of 100Mbps or more) could add as much as 2% to gross domestic product (GDP) in the EU over ten years.
- Research group Gartner has estimated that the State of California could increase its GDP by \$376 billion within seven years, by implementing the 'One Gigabit or Bust' broadband initiative.
- Point Topic reveals a (mostly) direct relationship between annual GDP and broadband growth, as can be seen below. A temporary deviation occurred in the third quarter of 2008 between GDP growth in OECD (Organisation for Economic Co-operation and Development) countries and growth in broadband rollout. However, this is the exception, and it can be explained by the worldwide recession at the end of 2008.



Source: www.ispreview.co.uk

Direct and indirect benefits

While the positive economic impact of faster, more ubiquitous broadband can be measured directly in some ways (for instance in an increase in online spend or adoption of e-services), it also benefits the economy in less direct or easily measurable ways.



PRESS RELEASE

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Page 2 of 3

For example, more pervasive broadband lends itself to the use of smarter online applications that enhance the user experience. When led by compelling advertising to a product that closely matches his or her needs, the shopper is more likely to arrive at a buying decision than if he or she has had to struggle. The same goes for comparative shopping tools and other applications enabled by a proliferation in broadband.

Add to this the disruptive effect of the use of social media in the business environment, giving even SME's a very powerful platform to rapidly grow their business, and the demand for broadband will increase even further.

State of play

So how far have we come in deploying true broadband in South Africa? One part of this question is purely concerned with raw infrastructural capacity.

The only current technology that supports symmetric 100Mbps speeds is fibre. But given South Africa's economic realities, the business case for fibre to the kerb is questionable outside densely populated industrial and affluent residential urban areas.

In peri-urban, rural and lower-tier industrial areas, a combination of DSL and, increasingly, wireless technologies is leading industry's charge to meet the need for ubiquitous broadband (albeit broadband of a lower grade than the above-mentioned 'true' variety).

Indeed, most of South Africa's efforts to connect the unconnected have come from mobile and wireless quarters. A combination of 3G (7.2Mbps HSDPA), WiMAX and other wireless technologies are answering the nation's call for broadband to an extent that fixed-line ADSL has not, and probably cannot.

In other infrastructural developments, international bandwidth is currently enjoying welcome attention, with Seacom already operational on the East Coast, and several other efforts under way along the East and West African Coasts.

More is needed

Notwithstanding these efforts from industry, South Africa still finds itself at a crossroads. If we are to harness the full potential of broadband as an economic resource, it is critical that the government creates an environment that is more conducive to the rapid evolution of access, content and applications.

What forms can its contribution take? For one thing, the continuing liberalisation of the telecoms industry, however gradual, will create further competition. It is not immediately obvious how sustainable current cut-throat pricing trends are, but welcome signs are appearing of truly competitive offerings that will make high-speed access a greater reality for more South Africans.

But more is needed, if we are to overcome skewed income distribution in the country - varying from subsidies to operators in under-serviced areas to public-private partnerships focused on unique models of infrastructure and content delivery.

It's an inconvenient truth, but South Africa's single biggest development obstacle is the long-term issue of education. It will only be through relevant content delivery and appropriate, sustainable infrastructure



PRESS RELEASE

Tellumat Telecoms

February, 2010

Page 3 of 3

models that broadband can contribute meaningfully to uplifting the large economically-inactive sectors of society.

The way forward

Whatever the combination of tactics government adopts in partnership with industry and communities, it is obvious that cutting-edge broadband access, content and applications are a vital resource that will enhance South Africa's competitiveness.

Sufficient international bandwidth is already becoming available, which is certain to generate massive savings that will further democratise this resource. Credible alternative technologies exist to enable quick, cost-effective roll out of high-speed access. The only thing still needed is the political energy to set the scene for these developments to really take root, ultimately unlocking the country's true economic potential.

* Equal up- and down-link speeds

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, Eence 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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