

Broadband development crucial to SA's ability to compete in knowledge economy

It is widely accepted that knowledge, innovation and technological advancement have replaced physical resources and labour capacity as the key drivers of economic growth across the world. However, for any economy to fully achieve, and benefit from this shift to knowledge-based growth, a number of cornerstones need to be in place - most notably the capacity to quickly and efficiently share and transfer data.

According to Philip Short, investment analyst at Old Mutual Investment Group, this is a cornerstone that, while receiving attention, is still more than a little shaky in the South African context.

Need for greater access to competitive broadband offerings



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"While the knowledge economy is not solely about information technology," Short explains, "for South Africa to successfully transition from its still high levels of resource dependency to a state of knowledge-driven economic development requires robust, fast and affordable broadband capabilities."

According to Short, while key stakeholders in South Africa are now paying more attention to the urgent need for the country to achieve access to competitive broadband offerings, and some progress has been made recently, the need for greater, more urgent action is clear.

His argument certainly appears to be supported by research. In 2012, the Boston Consulting Group's Connected World series of reports indicated that the so-called internet economy comprised over 4% of GDP across the G20 economies and predicted that it would reach a value of \$4.2 trillion in those G20 economies alone by 2016. In fact, in some economies, the contention was that the internet is already contributing close to 8% of GDP, powering significant economic growth and, importantly, creating employment opportunities.

SA broadband not making significant contribution to economic development

"The broadband picture in South Africa is markedly different," Short points out, "with the internet economy in this country delivering around 2% of GDP and not currently making a particularly significant contribution to overall economic development or job creation."

Short blames this on the historical lag in South Africa's ability to deliver fast and cost-efficient broadband for all. He contends that this has been a consequence of a number of factors, most notably a lack of real competition, until recently, combined with a lingering misperception that broadband is less an economic necessity and more a luxury to be enjoyed only by the wealthy or elite few.

"Both of these factors have been addressed in recent years," Short says, "as evidenced by the development of government's Broadband Policy with its stated objective of making broadband access for all a reality in SA by 2020."

Greater involvement from private sector needed

However, he cautions that the development of policy is only one step in the right direction and, in order for SA to gain real momentum in terms of an economy-enabling broadband rollout, a collaborative effort is needed.

"The steadily growing involvement in broadband delivery by private sector stakeholders, particularly cellular providers,

augurs well for the future," he says, "and already we are starting to see the benefits of broader sector participation realised through faster, more affordable data transfer technologies becoming available."

However, while a modicum of industry has been instilled through the finalisation of the broadband policy, far greater involvement and investment by the private sector is urgently needed, and that, according to Short, requires incentivisation - particularly given government's clear leaning towards giving preference to Telkom.

"The Minister of Post and Telecommunications, Siyabonga Cwele, has hinted at national government's intention to work closely with the private sector to roll out broadband," he argues, "but to truly encourage public private partnership in the broadband arena, the scope of this collaboration needs to be made clear, along with compelling reasons why private investors and companies should be investing their resources and money."

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