

New MTN-Neotel network's dramatic impact



Bylssa Sikiti da Silva

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Once completed and operational, the multibillion rand and 5000km telecommunication network by MTN and Neotel will have a dramatic impact on end users, pricing, supply of capacity, the industry as a whole and Telkom's own priorities, industry watchers and experts told Bizcommunity.com yesterday, Monday, 19 January 2009. MTN SA and Neotel last week signed a historic agreement to build a long-distance fibre optic network, a move that will free MTN from the chains of Telkom's third party transmission provisioning.

"The network's impact will be largely felt in areas where supply of capacity has been constrained by availability, cost and Telkom's own priorities," Arthur Goldstuck, MD of World Wide Worx, said.

"Reduce dependence on Telkom"

"The key effect will be to reduce dependence on Telkom. This in turn will free up capacity and lower costs, since one entity will no longer be able to dictate costs to the entire market," Goldstuck added.

"It should allow for greater redundancy in MTN's national network, making it more reliable. It will also have a significant effect on the supply of high-speed bandwidth to MTN's data customers, eventually making it more reliable as well as cost-effective."

The national network will connect the country's major centres and its first route will extend from Gauteng to Kwazulu-Natal, incorporating Pietermaritzburg and Durban.

Construction work of this complex and expensive project's first leg is due to start in the first week of March 2009, with a completion date scheduled before the 2010 FIFA World Cup.

Ant Brooks, GM of the Internet Service Providers' Association (ISPA), said, "The new network should improve MTN's reliability and service delivery and would subsequently place pressure on Telkom to improve its carrier service delivery."

"There should eventually be more options for consumers and business customers, via the new carrier network. However, this might not be immediate since the initial focus might be dealing with any existing Telkom capacity bottlenecks rather than undertaking a price war. This is what the ISPA presumes will be the case."

Increased competition

Furthermore, Brooks said that increased competition in the telecommunication market will naturally be followed by more competitive pricing in terms of product and service offerings across the networks.

“Consumers will probably not see a decrease in the cost of telecommunication services in SA as quickly as possible as some people would like,” Brooks cautioned.

“The major operators will not want to reduce their revenues and are likely to offer more for the same price. Therefore consumers can anticipate higher quality and speedier services accompanied by slight price decreases. This should be followed by steady reductions in prices over time.”

MTN said that the initial route will play a significant role in both companies' goals to take Africa to the world and bring the world to Africa, by linking up with the undersea cables such as EASSY and SEACOM currently under construction along the eastern coast of Africa.

Possible stumbling block

However, when the agreement was announced, some sceptical observers feared that the project might hit a stumbling block in terms of funding as the global financial meltdown reaches its climax. But Goldstuck rubbished these fears, saying, “It shouldn't affect the project. MTN, which is a highly profitable organisation, is funding the project out of its own cash and Neotel has had the capital funding available for some time.”

All these years, MTN has been paying Telkom at least R1 billion per year to use its transmission provisioning system, but has struggled to get enough links and provisioning capacity.

For more information, go to www.ispa.org.za and www.worldwideworx.com.

ABOUT ISSA SIKITI DA SILVA

Issa Sikiti da Silva is a winner of the 2010 SADC Media Awards (print category). He freelances for various media outlets, local and foreign, and has travelled extensively across Africa. His work has been published both in French and English. He used to contribute to Bizcommunity.com as a senior news writer.

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