

LCR sector benefits from cell price war

A fierce price war among South Africa's mobile operators is giving least-cost routing (LCR) a new lease on life by offering businesses of all sizes a range of opportunities to slice national and international call costs.

That's according to Mark Taylor, CEO of Nashua Mobile, who says that the rumours of LCR's demise as result of voice-over-IP adoption and lower mobile termination rates (MTRs) have turned out to be exaggerated. LCR still has a place in the market, thanks to high outbound call costs from the fixed-line incumbent as well as falling cellular tariffs.

Says Taylor: "Just a few years ago, we were told that Icasa's decision to force MTRs downwards over a three-year glide path would spell the end for the LCR industry. But LCR has proven to be reasonably resilient, although the opportunity for LCR users and service providers has changed a great deal in the past two years."

Lower rates than Telkom's

Taylor says that the price war among South African cellular operators - particularly Vodacom and Cell C - is helping to give new impetus to the LCR sector. With the most recent round of price cuts, cellular subscribers can enjoy per-second billing rates on national and international calls that are 25% or lower than Telkom's rates.

With national calls from as low 60 cents and international calls at 85 cents to selected destinations, and true per-second billing, many organisations can enjoy substantial cost-savings through prudent use of LCR. For example, short national calls and calls to selected international destinations will be cheaper routed through the MTN, Vodacom or Cell C networks than through the Telkom network, says Taylor. What's more, offerings such as Cell C's LCR option for small businesses offering mobile calls as low as 99c a minute are also shaking up the market.

Interesting opportunities

Taylor recommends that businesses work closely with their service providers to understand their call costs and spot opportunities to lower these by routing different classes of mobile, local and international calls to the lowest cost provider. "With interconnect tariffs where they are today, there are some interesting opportunities for businesses of all sizes to adopt LCR selectively to reduce their costs," says Taylor.

"And we anticipate that this will be the case, even as interconnect fees drift downwards to 40 cents per minute next year in line with Icasa's glide path. Don't believe the hype - LCR may well still have an important role to play in your business."