

## Broadband price reduction on the cards, but...

The executive chairman of managed telecommunications provider Huge Group said on Wednesday, 17 June, that broadband price decreases were still at least 12-18 months away and would not be truly meaningful.

Anton Potgieter, chairman of the AltX-listed company, said that the arrival of sub-sea cables including Seacom, and any other new cable (EASSY or WACS) would want to make as healthy a margin as possible in order to start realising some return on their substantial investment.

"Of course they will have to carefully weigh up the cost versus volume equation, but it is unlikely that the cost mark will fall to the levels being punted.

"Once EASSY and WACS have been properly established we may well see some price wars erupt as competition intensifies, but since the other cables are only set to land next year, this is still some time away," he said.

"By Seacom's own admission any price adjustments for the consumer will, 'depend on how fast the carriers who have bought from Seacom release their product.'

### How quickly will companies move to lower prices?

"It will be interesting to see which companies move first in this space and how quickly they move," Potgieter said, adding that whether existing customers were offered migration plans on to new prices and packages would be an indication of whether cheaper broadband was going to be just another sales tool, or whether companies genuinely wanted to lower the cost of local bandwidth.

"Large ISPs have, however, already pointed out that they aren't in a position to switch all their traffic to Seacom come July 1 as they have existing contracts in place which will first need to lapse, delaying the benefit to the consumer even longer," Potgieter pointed out.

"Yes, Seacom (and others) will eventually lead to cheaper international broadband; that much is true, but it won't necessarily have a knock-on effect in terms of local bandwidth in SA.

"While it will offer international bandwidth at reduced prices, Seacom unfortunately has no impact on the cost of connecting offices in Johannesburg, Cape Town and Durban.

"This is a local issue, and though the marketplace has legally been liberalised, in practice this is a very different story," he continued.

"While the developments in the sector are positive and bode well for future growth, we must ensure we take a realistic view of the situation and not allow ourselves to be sucked in to all the hype, as happened in 2005 with VoIP," Potgieter concluded.

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