

OPA slams Telkom cost structure

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The Online Publishers Association (OPA), representing South Africa's top 16 online publishers and jointly accounting for about three million readers, wishes to express its concern over the continued high pricing of local calls and Internet services by South Africa's national operator, Telkom.

In an open letter to: Mandla Langa, Chairperson ICASA; Phumelele Ntombela-Nzimande, Acting Director General, DOC; Radhakrishna Roy Padayachie, Deputy Minister of Communications; and Dr Ivy Matsepe Casaburri, Minister of Communications, the OPA states that the high costs of calls is inhibiting business development and the growth of the Internet in this country.

"South Africa has consistently slipped in the rankings of the most connected countries in the world - from being in the top 20 to slipping to 34th position by January 2003 (World Wide Worx report: Arthur Goldstuck)," the OPA letter states.

"South African businesses are increasingly relying on the Internet for conducting their daily business affairs. But this reliance on the Internet is now becoming a burgeoning cost to organisations. Telkom's monopoly of the telecommunications sector has seen prices rise far beyond global trends in the western world. These rising costs make it extremely expensive for companies to do business - negatively affecting business growth and the growth of the information and communications technology (ICT) industry in this country."

To illustrate the OPA's point, it quotes from a case study from one of its members, CareerJunction: "CareerJunction provides a service to a very significant part of the South African community and has seen exponential acceptance of its service to both Job Seekers and Job Advertisers from both the Employer and Staffing company communities. CareerJunction has been using MTN Network Solutions as their preferred Internet Service Provider (ISP) for some time. The service that has been commissioned is one of Web Hosting and a fee for bandwidth used. The largest cost factor is bandwidth charges, which are effectively controlled by Telkom SA."

Last year (2003), CareerJunction was fortunate to conclude an overseas contract and provide a software technology solution to a UK company. This technology requires the application to be hosted at an ISP in the UK. To compare like-with-like, CareerJunction has concluded a significant price differential between a UK ISP and our own SA ISP, which is only price competitive in the SA market. A straightforward comparison of the two ISPs operating prices for comparable services is described below:

1. UK - 500GB traffic bandwidth availability: R2 875 per month using an exchange rate of R11.50 to the Pound.
2. SA - 200GB traffic bandwidth: approximately R40 000 per month (more traffic - bandwidth increases costs).

The OPA continues: "Thus South Africans are forced to pay around 13 times as much for a service of inferior quality to the one available in the UK. Such prohibitive cost structures affect all companies that rely on the Internet for business transactions. These include (but are not limited to) banking, retail, eBusiness, tourism, the travel industry and auctions.

"South Africa's call and Internet charges are clearly out of line with global trends. Failure to speedily address this problem will undoubtedly force many companies (particularly entrepreneurial ventures) to move their business interests overseas. This will have a significant impact on the economy.

"While it is the ISPs that provide us with this service, it is Telkom SA that controls the pricing tariffs for bandwidth -- and it is in these exorbitant pricing tariffs where the real cost issues lie."

The OPA has urgently requested that a representative of government revert back on this urgent issue, in order to assist in exploring ways to reduce these operating costs as soon as possible.

Editorial contact

Online Publishers Association

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