

Capacity boost may spur cut in data prices

Mobile data prices could start to fall faster as operators invest in their networks, according to Robert Pasley, chief strategy officer at Cell C, which plans to invest R2.5bn a year in its business after being given a lifeline by new investors.



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The [#DataMustFall](#) campaign has prompted the government to investigate data prices and the expiry dates of data bundles, led by the Independent Communications Authority of SA and the Competition Commission.

"At least in the [Cell C](#) network, we've seen our sites improve in terms of throughput by between 70% and 100% on a compound annual basis over the past few years," Pasley said in an interview on Friday.



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6 Nov 2017



"So we're close to doubling the amount of capacity that we're able to provide to customers every year - and that's even with the capex constraints that we've had over the past 12 months."

Pasley said that with customers' data usage rising 70% a year, data revenue growth was "in the order of 30% per annum", and this was higher than that of Cell C's competitors.

"When you've got usage increases at that level and revenue increases at a significantly lower level, you are going to see unitary price reductions in per megabyte costs. And if you carry on increasing network capacity at the kind of magnitude we're seeing at the moment, then you can see pricing coming down very significantly further," he said.



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Historically, capacity expansions had given rise to price reductions, he said.

Imtiaz Suliman, portfolio manager at Sentio Capital, was sceptical about data rates "plummeting anytime soon".

He said: "I think out-of-bundle rates will come down, but in-bundle rates are probably not going to fall much.

"If you look at it from the network operator side, the big overriding factor is the constraint in terms of spectrum, which means they have to spend a lot on capex - [MTN](#) and [Vodacom](#) are spending between R8bn and R11bn each."

Cell C had spent very little on capital expenditure over the past 12 months, during which Blue Label acquired a 45% stake in the company, with Net1 taking 15%.



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This was partly because equipment vendors were unwilling to supply equipment for the network until the company's future was more certain. Pasley said Cell C's plans to spend R2.5bn a year on capex in the future were based on current projections, and the figure could be increased if partnerships were forged with Blue Label and Net 1 that resulted in more subscribers.

While the company would spend less than larger rivals MTN and Vodacom, capex "is very much focused in our core coverage areas, which is a relatively smaller geographic area, and outside those areas, we use the Vodacom network for roaming".

Suliman said Cell C's share of industry revenue, currently at 12%, had room to grow.

"I think they want to get to around 16%-17% revenue market share over the next three to four years.

"It will take hard work, but given the increased capex and marketing spend and content that they are pushing out, that should help. It won't be easy, but it's possible."

Source: Business Day