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SA mobile rate cuts 'need broader consideration'
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South Africa's cellphone charges may not be as expensive as people think, and while prices could be reduced further, this needs to be done carefully, according to a report by telecoms investment and advisory organisation, Delta Partners.

The report, South African Telecoms in 2010, also found it is not always relevant to make direct per minute price comparisons with countries such as India and Singapore.

The report noted that prices could be reduced further, but the issue warrants broader consideration, beyond price-per-minute, which is too one-dimensional.

"From a consumer perspective, the comparative effective rate per-minute supports the commonly-held view that prices remain relatively high and there is room for further price reductions," said Andrew Snead, Senior Partner for sub-Saharan Africa at Delta Partners.

Snead agreed that while this was true, there are other factors to consider such as the cost of entry to mobile services, which in South Africa is comparatively low.

Mobile operators offer very low-cost SIM starter packs that are often pre-loaded with additional benefits, while also offering highly subsidised handsets, even in the prepaid space, which is a rare practice worldwide.

In addition, when viewed in a global context, South Africa is not a particularly densely populated country - it has a medium degree of urbanisation and has high energy prices, with unreliable sources that call for costly back-up alternatives such as generators - all of which contribute to the cost per minute.

This is why a direct per minute price comparison with countries such as India and Singapore should be avoided.

Moreover, there is a significant degree of investment taking place that should, if executed properly, deliver highly reliable, fast and innovative mobile services to the South African market. Markets with the lowest price-per-minute are often characterised by low levels of investment, innovation and quality.

Delta Partners warned that authorities should be careful about asking for overly aggressive reductions, which might impede the long-term objectives of price competitiveness, quality and innovation.

South Africa is still in a stage of relatively high capital investment in terms of telecommunications infrastructure, which adds additional challenges to the network operators' cash flow generation.

Snead said operators need to move from rhetoric to reality regarding infrastructure sharing and optimised sourcing.

"Tower sharing has been popular and a well-understood topic of debate for some time but the market is yet to fully exploit the opportunities, despite recent announcements that MTN and Telkom, as well as Cell C, are involved in various deals," he said.

Snead pointed out that not enough is being done at a time when the savings potential is at its greatest.

With a very significant unbanked community, South Africa also offers a material opportunity within the mobile-payment (m-payment) and money-transfer/remittance space.

Though operators have attempted m-payments in one form or another, the sector remains relatively emerging and fragmented.

However, this will change in 2010 as both banks and operators address the key issues such as ease of use, reliability and access, the report said.

With fixed minutes in decline and very low Internet and broadband penetration rates, it is clear the next area of growth will be mobile data. Broadband subscribers are expected to reach over nine million by 2013, representing an annual growth of over 20 percent for the next four years.

"2010 is likely to be a very eventful year with the arrival of high-speed HSPA infrastructure that will undoubtedly play a key role in shaping the battle for broadband and service superiority," Delta Partners concluded.