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NEWS

Vumatel to offer 100Mbit/s uncapped home fibre in townships for R89/month

By **DUNCAN MCLEOD** — 1 September 2017   26 Comments

Niel Schoeman

South African fibre-to-the-home operator Vumatel plans to offer uncapped 100Mbit/s fibre to the home in townships across South Africa — at just R89/month!

In the coming months — by October or November — Vumatel will begin a pilot project in Alexandra, the low-income, high-density township north of Johannesburg, offering uncapped fibre to every home, including informal dwellings, for a price equivalent to a few soft drinks.

By the end of the first quarter of 2018, it will have deployed fibre to 60 000 dwellings in the sprawling township, located east of the Sandton CBD. About 400 000 people live in Alexandra, according to the company's estimates.

CEO Niel Schoeman said in an exclusive interview with TechCentral on Friday that the company has done the business modelling, and believes it will be a commercial success.

If it is, Vumatel plans to roll out fibre to other townships in Gauteng and eventually those in Cape Town and Durban – Diepsloot is likely to follow Alexandra next year, with Soweto and Tembisa also high on the priority list.

What's the catch? There isn't one, Schoeman said.

> *In South Africa we have unique challenges and big inequalities. The telco industry is inadvertently exacerbating these inequalities*

Unlike in the suburbs, however, the fibre will be aerial (strung along poles) rather than trenched, and a contention ratio of 20:1 will apply. This means that if 20 consumers maximise use of their lines at the same time, consumers can expect a minimum speed of 5Mbit/s; in practice, however, it will be much higher than that, he said.

Vumatel, which first broke ground in the fibre-to-the-home (FTTH) broadband market three years ago in the leafy Johannesburg suburb of Parkhurst, has rapidly expanded to cover most of the city's northern suburbs, as well as parts of Cape Town and Durban.

'Fantastic result'

"Johannesburg is essentially done, and, when you include other fibre operators in to the mix, all the major metro areas will be done by the end of next year," Schoeman said.

He said it's a "fantastic result" that within a four-year period, almost all the suburbs in the big cities will have been connected to fibre.

Now the company is turning its attention to the millions of people who live in the townships

The Alexandra township in Johannesburg, as seen in Google Earth

In Alexandra, Vumatel has studied how much consumers spend on mobile data each month, and believes there will be a high take-up of uncapped fibre services, with consumers redirecting some of their mobile spend to fixed access, and leaving them with money to spare.

"Clearly, we have only solved part of the problem: building out the affluent suburbs. In South Africa we have unique challenges and big inequalities. The telco industry is inadvertently exacerbating these inequalities. It's important for people to realise their ambitions. That's why the 'data must fall' campaign is so emotive. It's really complicated to function in today's society without real access and an abundance of data."

> " *We are going to provide uncapped fibre to the home, with the equivalent user experience of what you'd get in the affluent suburbs, at a price of less than 500MB of prepaid mobile data. We think that's quite cool*

For the past six months, Vumatel has been working on a model of how to address the digital divide. "We have finally come to a point where I think we can. This will be transformative."

Vumatel has spent considerable time on the ground in Alexandra talking to residents to understand their needs and what they'd be prepared to pay. He said Vumatel's modelling suggests it has a plan that will not only address these needs, but one that also makes commercial sense.

He declined to go into detail about the mechanics of the roll-out, saying this is competitor-sensitive information, but confirmed the fibre will be strung from poles. Each house, including informal dwellings, will get an access box from which they can connect to fibre services.

"We are going to provide uncapped fibre to the home, with the equivalent user experience of what you'd get in the affluent suburbs, at a price of less than 500MB of prepaid mobile data. We think that's quite cool," Schoeman said.

He emphasised that the roll-out will not be in any way subsidised. "This is not corporate funding. This is a fundable model… Without giving away too much of our business model, we have a little bit of magic that will make the economics work."

'Same opportunity'

He estimated there are between 6m and 10m people living in areas adjacent to its existing FTTH footprint.

"If we prove this model in Alex, and we have other players starting to do this, then all 35m people living in metro areas are reachable by fibre. A child in Greenside and a child in Alex will have the same essential opportunity for access to information."

Vumatel also intends to erect free public Wi-Fi hotspots in the townships, offering basic Internet services in public areas, with corporate social investment funding from Investec. As in the suburbs, it will offer free 1Gbit/s Internet to schools in the townships, in return for those schools hosting its networking gear.

If it gets the model right, it will present a major threat to the mobile operators, which have exclusively served the township markets – fixed lines are all but non-existent in those areas.

Schoeman said the mobile operators' prepaid average revenue per user, or Arpu, is typically between R60 and R90/month. Per household, it's probably in the R400 range, he said. "Now suddenly you can get away with just buying a R12 WhatsApp data bundle and consuming your data at home."

> " *A child in Greenside and a child in Alex will have the same essential opportunity for access to information*

In building fibre in the suburbs, Vumatel typically waits for sufficient interest from residents before deploying infrastructure. It will not do that in the township markets, where it believes take-up will be sufficiently high to justify the roll-out. "We don't think we need that in this case – we will go in and build it."

In these new markets, consumers will connect primarily through smartphones, Schoeman said. However, the access to fibre may spur the sales of tablets, computers and other electronic devices.

Niel Schoeman

Unlike in the suburbs, where it works through a network of third-party Internet service providers, Vumatel will provide Internet access itself, at least at first.

"Some ISPs will help us in providing those services, but at the moment we are seeing if we can make it stack and work", hence the decision to offer Internet access directly itself for now. "We expect uptake to be high. We think it will easily pass what we need it to pass. It is so compelling compared prepaid mobile data."

Completely uncapped

For R89/month, consumers will get a completely uncapped 100Mbit/s down, 10Mbit/s up connection at a maximum 20x contention ratio. There will be no setup cost, though the Wi-Fi device will not be included. Vumatel wants to encourage router manufacturers to serve the market directly. "There will be a wall box, into which consumers will plug in their router."

Alexandra will be completed by March. If successful, Vumatel wants to reach 10m more residents in other townships and underserviced areas in the metros 24 months after that.

Consumers in townships have, until now, not experienced uncapped Internet. Schoeman believes it will transform these economies. It will support education, help grow businesses and spur e-commerce, he said. "Maybe spaza shops will offer Amazon-type drop-off lockers. There is so much more that will be able to happen there."

He admitted that Vumatel's management is a "little apprehensive because it's new territory" for the company, but "at a fundamental level in South Africa, we all have these challenges to address".

> *Can we move society forward? Ultimately, we hope competitors will join us in this market*

"Our success is not just measured in our financial success. Can we move society forward? Ultimately, we hope competitors will join us in this market."

Vumatel is still working out the billing and subscription mechanisms for the service, but it is likely to be prepaid. "There will be different methods for access," he said.

The company will continue to deploy fibre in the suburbs, where there is still much work to be done, especially in Durban and Cape Town. He said Vumatel has the capacity to be able to focus on both. — © 2017 NewsCentral Media

NIEL SCHOEMAN   TOP   VUMATEL

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24 COMMENTS

HOLGER MEIER on 1 September 2017 3:06 pm

If I had completely uncapped fibre I would share it with the public... Would that not be a potential problem for the business model?

GREG MAHLKNECHT on 1 September 2017 3:22 pm

This is an awesome initiative. I hope it works out – if it does, it'll almost make up to decades of government dithering and fudging the country's comms sector. Studies have shown that access to decent internet does amazing things for the country's citizens, and this gets them from 3rd world access to 1st world access in 1 quick step.

BAASTED_123 on 1 September 2017 3:43 pm

Probably more seen as a social development program than a business model. Even if they do contend it 200:1 (and I am not saying they do... just an example), It is still better than nothing nothing.

They getting good publicity coming from it.
I think it's awesome. win win

PREGAN PILLAY on 1 September 2017 4:36 pm

Lenasia South?

V_3 on 1 September 2017 4:38 pm

If they are covering their costs in their existing areas, then Alex becomes almost pure profit; though the aerial cable could be a risk (even tho its not copper, there will still be vandals and natural elements)

LEN WEINCIER on 1 September 2017 5:41 pm

Nice initiative !
Add in some open wifi hotspots for each installation and you have a winner !

OFENTSE LETSHOLO on 1 September 2017 6:16 pm

That's why they said they will also do Free public WiFi so I guess it won't matter that much.

JASWEB on 1 September 2017 6:19 pm

I think the community will sort out itself (especially if there is no value in damaging, stealing the fibre).

Wifi routers does need power, so that might become "issue".

But great initiative

/me puts up a huge tower next to the closest access point – "wireless" fibre to my home..

OFENTSE LETSHOLO on 1 September 2017 6:20 pm

This is freaking amazing I'm lost for words... We need more ompanies like Vumatel, we need such CEO.

I wish Mabopane, Pretoria could be included... I'm craving fibre like there's no tomorrow. Big ups Vumatel.

O NKETSANG on 1 September 2017 8:40 pm

I'm averse to thinking. I'm just going to demand blacks get 89% shares in this company.

MASTER4REAL on 1 September 2017 9:17 pm

Impressive project. Im sure you will bring it to Atteridgeville soon. I spend almost R500 for 30gb LTE data per month. LTE is very congested during peak hours. I wish you great success.

MARIANSHINN on 2 September 2017 8:57 am

Fantastic trailblazing project. May the force be with Vumatel to ensure success.

MUZI MAKHAYE on 2 September 2017 12:40 pm

Simply awesome.

ALAN_CAMERON on 2 September 2017 3:19 pm

Sounds like a fantastic initiative. Looking forward to seeing it succeed!

SPEAKINGTRUTH on 4 September 2017 3:30 pm

R89 per month uncapped? If I was a customer of yours paying the going rate in the non-township scenario, you would be losing a customer. You would be charging me a minimum of R445 for the same service. Why should the non-township user be subsidising the others?

SPEAKINGTRUTH on 4 September 2017 4:26 pm

I see that comments that dont support this promotion are deleted.

For the townships this might be great to the other customers I would not be happy to be subsidising this and paying at least R445 a month for a similar individual rate. Time to move to the township as they seem to expect and mostly get everything for free

COUCHPOTATO on 4 September 2017 6:22 pm

Amazing! As a matter of principle, if my current fibre ISP (*cough *telkom) doesn't respond with a similar initiative in the next 3 months then im switching to Vumatel

NICK JACKSON on 5 September 2017 4:28 pm

So they can read your delightful comments?

KABELO MAFIRI on 6 September 2017 8:46 am

Is the proposed speed sufficient to do things like stream youtube videos?

MICHAEL JOHN BODY on 8 September 2017 11:43 am

I feel the same,if they can make it profitable in townships at R89 then why not in other areas,clearly it's being subsidised by the higher paying customers.

VERONIQUEPALMER on 26 September 2017 10:37 am

Uhu, just wait. Their service is Shocking and their lines completely unstable. My fibre has been down 13 days already – at R1100 a month for the same service they are offering here.

VERONIQUEPALMER on 26 September 2017 10:39 am

Which only further proves that we are consumers are being ripped off in every direction! The established suburbs have to pay R1100 for this service – yet they can do it at R89? Price fixing going on. I wonder what the Competition Commission thinks of this. Same thing with Vodacom data – in your personal capacity, it's R1000 per GB but if you sign up as a business, the same data costs you R89 a GB. It's total BS!

VERONIQUEPALMER on 26 September 2017 10:41 am

You don't need fibre to stream videos. I've got a 2MB dongle that works just fine.

OFENTSE LETSHOLO on 27 September 2017 10:52 am

Yeah I've seen complaints on their Facebook page, but hey I guess I'm just looking at the bigger picture of using fibre at home. They must be like MTN.