

John Finney

Chief Commercial Officer,
O3b Networks

FIBER IS NOT THE END OF SATELLITE BACKHAUL IN AFRICA

Africa is finally getting connected to the rest of the world and the majority of the credit seems to be going to the different submarine cables that have landed on the coastline of Africa and will land there over the next few years. Some believe this also indicates the end of satellite connectivity within the continent as cable operators boast about the multiple terabits of capacity they will deliver, which currently outstrips demand well into the future. However, a closer look will reveal this is not the case. There is still the important requirement to distribute this capacity further inland, to rural areas and landlocked countries. From a product perspective, this distribution is going to happen in the form of mobile broadband services. And how large is this opportunity for mobile operators? According to a 2009 study by Delta Partners, Africa's largest markets - South Africa, Nigeria and Egypt are leading the way, but none of these countries are remotely close to 10% mobile broadband penetration.

Rapid penetration into rural areas where the majority of this growth will come from cannot occur without satellite technology. While the strategy for most mobile operators remains to connect their rural sites via a microwave backbone, it still makes sense for these sites to be aggregated to a central location where they all pool capacity from. In most cases, these central locations are still out of the reach of the domestic fiber networks in most African countries and further away from the submarine cable networks. As mobile operators continue expanding into rural areas, Satellite Service Providers will have the opportunity to meet this demand for mobile backhaul which other technology options are unable to address.

CONTENT DEMAND LEADS TO SATELLITE MOBILE BACKHAUL DEMAND

There is no question that the mobile operators are going to be the Internet Service Providers of the future in Africa. The majority are blazing the trail, with MTN Nigeria having the largest number of broadband users in the country, despite Nigeria having over 130 licensed ISPs.

Mobile operators are well positioned because they already have the infrastructure they built for their voice networks, which can serve the data market as well. Mobile operators

also realize that as voice services become commoditized, there will be a significant shift from voice to data, in terms of their traffic mix. Traditional ISPs are also less interested in serving users in remote areas meaning for most Africans their first opportunity to access the internet will be on a mobile phone or PC connected to the internet via a mobile broadband device. This is good news for Satellite Service Providers as it will have a direct impact on the growth of satellite based mobile backhaul services well into the future.

BUILDING SATELLITES FOR MOBILE BACKHAUL CUSTOMERS IS NOT RISKY

All market indicators point to the fact that there will remain a demand for satellite services well into the future. The African market continues to experience exponential growth especially within the mobile telecommunications sector. In spite of competition in key markets, mobile subscription growth remains solid and mobile broadband penetration remains less than 5% across the entire continent. Africa as a continent will certainly adopt the mobile device as their primary means of accessing the Internet and the devices to deliver this content are rapidly becoming more affordable.

The world will see sub \$50 smart phones, capable of connecting you to Facebook, Twitter and Youtube within the next five years, and these devices are targeted for emerging markets such as Africa. There remains a strong investment demand in the African mobile communications sector for all these reasons mentioned above, indicating that these trends are expected to continue. For satellite operators building satellites for the next 20 years, the mobile backhaul product will remain a cash cow that de-risks the size of investment required to launch satellites into orbit for data connectivity in Africa. **AT**

“
Mobile operators are well positioned because they already have the infrastructure they built for their voice networks, which can serve the data market as well.

