

Telkom is losing race for data customers

TELKOM released its interim results to September yesterday. Just last week Vodacom released its interims for the same period. Compare and contrast: Telkom reported that ADSL subscribers increased 5.8% and revenue was more or less static at R5.2bn. Total customers were 841,831.

Meanwhile, Vodacom reported that its data service, now about 18% of its business, increased 13.5% to R4.2bn. Data traffic grew 42.5%. And — here is the incredible part — active data customers increased 26.8% to 13.3-million.

These are key figures for both companies, since their traditional voice services are more or less static, which means that growth will come from data. In the past, for customers looking for high-speed internet, the key choice was fixed-line ADSL.

That locked customers into dealing with Telkom, the effective monopoly provider.

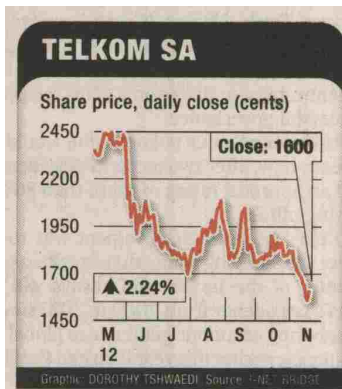
This has been gradually changing, and the pace of that change is picking up. But in a single, six-month period, suddenly it's all very visible. Vodacom has 13 times the number of active users and its revenue from data is increasing rapidly.

Behind this comparison is a simple thing: smartphones. Increasingly, data is moving mobile, and this is the most crucial challenge Telkom faces. It recognises this deficiency and is desperately trying to meet the challenge by expanding its own mobile offerings. But it's a bit like taking a knife to a gunfight.

Telkom may have problems at board level, with management leaving and with its stakeholder relations. But these are minor compared with a much larger problem: it's losing the data race.

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ARCELORMITTAL, the world's biggest steel maker, is selling its 50% stake in



Kalagadi Manganese for not less than R3.9bn. This will go to Kalahari Resources, which owns 40% of the project, ending a bitter battle for control of the mine and sinter plant in the Northern Cape.

ArcelorMittal is the Luxembourg-based parent of ArcelorMittal SA. It is in hot water with our government because it never did a black empowerment deal and it sold steel at what the market would bear, not at "developmental" prices. One proposed empowerment deal involved rich friends of President Jacob Zuma's family, but it went sour. And that did not stop the departments of trade and industry, economic development and mineral resources from taking ArcelorMittal SA to court over its one-time mineral rights to Kumba Iron Ore's Sishen mine.

The interesting thing about Mittal exiting the manganese deal is the effect on a proposed R4.2bn high-carbon ferromanganese smelter at Coega. Soon the Kalagadi Manganese project will be producing lots of manganese ore. But the Coega Development Corporation says no ground has been broken for the smelter, which is scheduled for completion in 2016, and that financial closure has not yet been achieved.

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