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Press Release

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Heading: Minister's approach receives Huge welcome

Huge Group has welcomed Communications Minister Siphwe Nyanda's approach to bringing down the cost of telecommunications in South Africa, calling the Minister's firm stance on the matter "refreshing and long-awaited".

South Africans have historically been saddled with some of the highest relative telecommunications costs in the world, and thus far all attempts to change this have failed. "We have recently seen the introduction of a second fixed-line operator (Neotel), and the beginnings of facilitation of more competition within the industry, yet the cost of communications remains as high as ever in real terms," says Anton Potgieter, chairman of Huge Group, which owns Huge Telecom.

Potgieter says that Huge welcomes the minister's commitment to price reduction and increased competition in the marketplace. "Last year's 'Altech' court ruling opened the door for the conversion of existing licences and created the opportunity for more players to self-provision networks, but this opportunity has so far failed to create much of a change in the industry," he says. He sees this largely as a result of the high cost of building a network, and the fact that new operators are currently cross-subsidising the pricing of their offerings at the expense of the calling party, which in fact has the opposite effect to what is intended by the regulator.

With the new Seacom undersea cable going live in the next few weeks, the possibility of reduced bandwidth costs is tantalising but Potgieter and others have also cautioned against over-optimism. "I don't think we will see a remarkable drop in bandwidth prices over the next few months. Tangible price decreases are still at least 12-18 months away," says Potgieter.

Seacom, and any other new cable, will want to make as healthy a margin as possible in order to start realizing some return on their substantial investment. "Of course they will have to carefully weigh up the cost versus volume equation, but it is unlikely that the cost mark will fall to the levels being punted. Once the EASSY and WACS cables have been properly established we may well see some price wars erupt as true competition intensifies, but since these cables are only set to land next year, this is still some time away," he adds. A further hindrance to price reduction will be that incumbent operators will try to maintain their current revenue levels, and so instead of dropping the price of their current offerings, they are more likely to rather offer existing customers more for the same price. "So we will see more value for the same money, but not necessarily the same value for less money" concludes Potgieter.



Increased competition will also as a matter of course lead to increased complexities in the telecoms market. Potgieter elaborates, "As lower bandwidth transit costs translate to lower call costs over time, it will mean that companies will have to deal with a significant increase in the number of carrier and call routing options available to them, which means it will become a lot more complex to determine the most cost-effective option for their organisation. As the playing field becomes more complex, we foresee organisations relying more heavily on outsourced managed telecommunications to ensure that they run their total telecoms spend in the most efficient way possible."

"The fact that the Minister of Communication is taking a strong stand on bringing down the cost of communications is not only refreshing, but will go a long way towards improving South Africa's global competitiveness," says Potgieter. "We certainly also hope to see further increases in competition in the industry which will allow us to provide our customers with more choice. And the best spin-off of all is that more South Africans will be able to join the global internet economy," he concludes.

About Huge Group Ltd:

Huge Group is an investment holding company, which listed on the AltX exchange of the JSE Limited on 8th August 2007. Huge Group Ltd includes:

- Wholly owned subsidiary Huge Telecom – a company that delivers fully managed telecommunications services to corporate clients;
- Associate company TelePassport Communications – a corporate managed telecommunications service provider in Namibia;
- Subsidiary company Eyeballs Mobile Advertising – a rich media based mobile advertising company.

Huge Group trades under the share code HUG – more information can be found at www.hugegroup.com.

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