

# Data services offer ACL opportunity to grow

 By Gregory Gondwe: @Kalipochi

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Almost all telecommunication service providers in Malawi are selling internet devices called 'dongles' which use a telephone or mobile phone connectivity to provide internet services especially when stuck to a PC or laptop. There is now a debate within the media fraternity on performance of dongles sold by Airtel Malawi Limited, Telecoms Networks Malawi (TNM) Limited, Malawi Telecommunication Limited (MTL) and Access Communications Limited (ACL).

"The best dongle now is that of Access Communications Limited," declares Frank Jomo, Malawi's Bloomberg correspondent, debatably so. "A video clip that used to take 20 minutes when using other services to send to news companies these days takes less than five minutes with Access."

ACL chief executive officer, Faizal Okhai says they want to embrace the data aspect of telecommunication business and open new investment avenues on this side.

"Of course any new product, whether it is a service product like internet or whether it is a product like sugar or a new brand of soap or whatever, there is a push from the company to push the product into the market and there is a pull from the consumers because they want that product," he says.

"I think that there is still a lot of opportunity in data," declares Okhai.

He however feels that the dongle route which all telecommunication service providers in Malawi have taken is probably not a long term solution because it demands that the user be able to afford a laptop or a PC to be able use it.

"What we are trying to focus on now is WIFI hot spot or smartphones," says Okhai. "We have launched a couple of Androids - Google operating system best devices - they have done extremely well, much better than we thought."

He says the prices are roughly between 40 000-50 000 kwacha for the current model and there has been a rush on the market in Malawi because these smart phones allow consumers to do everything that they can do on their computers.

"You can also use these smartphones as hotspot; if you have a laptop you can use the phones as your personal hotspot as well. So I think that is the way that the future will go," he insists.

Okhai says looking at more developed telecommunication economies like in Kenya, Androids smartphones have done extremely well and that people rely on them as their data portal.

"Because to buy a laptop, to look after a laptop, to get a suitable electricity supply to charge a laptop, that all cost money, it takes time; it's inconvenient," he says.

"I think it's not only in Africa, I think the whole world is moving that way if you look at sales of Android tablets, IOS tablets, they are in effect subsisting the traditional PC," he adds.

He says for journalists, maybe they cannot substitute their laptops with smartphones, but for casual users, who are the major consumers for telecommunication service providers, they are checking email, they browse to check information, they look at facebook, they tweet, and they get to Google if they want to look for something.

"I think smart phone or a tablet is perfectly adequate and that's the way the industry is moving. And we are looking at focusing more on that," he says. Okhai says they have tried to keep their rates more competitive.

"We have a pay-as-you use rate. We have other people in the market who are offering unlimited rate; unlimited usage offering. But we find that it is very difficult to manage quality of service that way. Rather, if you know that you are paying per megabyte or per gigabyte then you guarantee the good service because you are paying for it," argued Okhai.

He even went further to compare it with a scenario at fuel pump station.

"If whether one has a 10 litre tank and a 500 litre tank but everyone turns up and say it is unlimited, you just pay K20 000 and you get unlimited fuel, then they will be chaos, filling stations would not be able to supply," he says.

He explained that what usually happens with unlimited services is that they look great on paper and they also look great to the consumer but at the end of the day if it is for the internet consumers they do not get the speed or the quality that they want.

ACL started in 2008 when their licence as Malawi's second fixed telephone service provider was awarded.

"We rolled out and made our first test call in September 2009 and then we had a commercial launch in September 2010," he explains.

"Obviously micro-economic conditions in Malawi although [they] have recently improved, were very difficult over the last three years. And especially in 2011 things started getting unbearable in terms of lack of forex and lack of basic commodities such as fuel and people were really suffering because although the official rate of inflation was not that high, the real cost of living was very high," explains Okhai.

He says when a person had to make a decision whether to buy salt, soap and sugar or air time, they were supposed to be spending all that out of the very same pocket, and in this case airtime was not amongst the top priorities and for telecommunication firms like ACL 'it has really been difficult along the way.'

When ACL applied for its operating licence, it had proposed to roll out 80 000 telephone lines to subscribers in five years.

When the awarding of licence to ACL was announced government was clear on its intentions as it hoped that the new company would bring competition against the then sole fixed-line provider, MTL, which had been around for over 50 years.

The Malawi government believed that with a competitor around it would enhance quality services to the telecommunication industry.

At that time ACL had said it will invest over US\$56 million in implementing their operations and the company was expected to start its activities in three months' time upon getting the licence.

Malawi Communications Regulatory Authority (MACRA) had also indicated at the time that ACL would provide 20 000 lines

in the first year of its operations and expand as time goes.

Four Malawian companies have stakes in ACL and these include Gestetner with 23.03% shares, Dynamic Communications holding 25.97%, Fags Investments Limited 27% and VoiceCom Investments 24%.

Okhai says In 2009 ACL had probably about 200 to 300 lines.

"Since then we have deployed 35 000 devices into the market. Out of these about 5 500 are data devices and 28 000 roughly are telephone some of which are smart phones. The majority, 80 or 90% are voices and SMS for the basic phones," explains Okhai.

The coming in of the smartphones in the services of what was a fixed telephone service provider followed MACRA's decision to award dual operating licenses to telecommunication players following proposals that those operating mobile phone services will be allowed to operate fixed telephone services, and vice versa in October 2010.

With the amendment of the individual licenses Airtel Malawi and Telekom networks Malawi Limited (TNM) which at the time were operating mobile phone services were now given a leeway to operate both fixed voice and mobile telephony services.

The same for MTL and ACL that were at the time operating fixed voice telephones services.

Now with such changes, ACL says it expanded its customer's base.

"Roughly, active subscribers are about just under 30 000 and our network capacity as of today is 100 000 subscribers, so we are well below capacity. I think we can grow the business, but the main impediment is the cost of the handset," says Okhai.

He says to date the investment including shareholder funds, supplier or vendor financing, bank financing etcetera has been in the region of US\$15.5 million to US\$16 million.

"We are looking at expansion plan for this year which we are hoping to finalize within the next four to six weeks as we are about to bring about 16 regions into coverage areas which is roughly going to be in the excess of US\$3m to US\$4m the team is still on the ground doing surveys and other things," he explained.

"We will also obviously be expanding by also filling coverage gaps. It is an evolutionary process rather than revolutionary process. But it's something we focus on based on feedback from customers," he added.

Okhai says with more coverage, it will be easy to reach more consumers with internet data services, there by exploiting the market to their advantage.

## ABOUT GREGORY GONDWE: @KALIPOCHI

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