

Race to connect Africa to South America starts up

CamTel is backing a new project to lay a submarine cable directly to Brazil, one of a number of moves to position Cameroon as a new hub in western Africa.



OPINION

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In October, Cameroon incumbent CamTel announced its intention to build a fibre-optic cable between Kribi, Cameroon, and Fortaleza, Brazil. CamTel CEO David Nkoto Emame, said: “Negotiations are advanced enough for Cameroon to be the first African country to have a submarine cable connection to the South American continent.”

Clearly this was a dig at the other African countries that have been working for years on creating this new route and signifies that there is now a race on to connect the two continents and their emerging economies.

The South Atlantic Express (SAEx) project was announced in 2011, to connect South Africa to Fortaleza. A second phase would connect South Africa to Asia. The project has been through many iterations but has so far been unable to convince investors that there is sufficient demand to provide a return.

Around the same time, a group of Angola telcos formed Angola Cables and announced their intention to build the South Atlantic Cable System (SACS) between Luanda, Angola and Fortaleza. In October 2014, the Angolan government approved a \$260 million bank guarantee for the project, which enabled the signing of a supply contract with NEC. According to Angola Cables, the contract with NEC will go into force in the first quarter of 2016.

The Cameroon-Brazil Cable System (CBCS) project uses a relatively short route and already has Telefonica as a solid landing party in Brazil. Moreover, it has the backing of Chinese money. TMT Finance has quoted the project cost at \$463 million. This is high compared with recent Pacific cable projects of a similar length and sea-bed topology

but possibly includes terrestrial network build as well. Huawei Marine has been awarded the supply contract.

There is a strong political overtone to SACS and CBCS. Angola Cables is pursuing a vision of Angola as one of Africa’s telecoms hubs, with the backing of an oil-rich government. SAT-3 and WACS already land in Angola and the ACE extension is planned to have a branch into the country.

Cameroon has also commissioned a cable to Nigeria. From nowhere, it is becoming a hub for submarine cables to western Africa. This unlikely development is driven by Chinese investment in Cameroonian infrastructure in return for raw materials. It is also a reflection of the Chinese government’s initiative to provide alternative westbound routes to the Gulf, Africa and South America.

Ultra-long-haul cables do not usually get built purely for political reasons and the commercial case for a cable simply connecting sub-Saharan Africa to South America is not strong. South American users are generally downloading content from North America. Something can be made of the Portuguese connection between Angola and Brazil but there are

also a lot of Brazilians in the US creating and hosting content for their motherland which will outweigh the furore created by revelations of US spying on President Dilma Rousseff.

As for providing more competitive connectivity for African users downloading from North America, the introduction of the WACS and ACE systems has had a significant impact on pricing of Africa-Europe bandwidth and, these days, you can get a personal home equity loan to pay for a 10G wave across the North Atlantic, so it seems unlikely that an Africa-Brazil-US link would have a cost advantage. The level of redundancy would also be inferior.

Establishing an entirely new route for submarine fibre-optic connectivity is never easy. First and foremost, there must be a viable business case, even if governments are involved. Persuading investors and funding institutions that the return outweighs the risk is a major challenge which has proven too much for a number of projects around the world that have sought to plough new furrows.

There is a common misconception that Chinese money is easy to access for those who are backed by the Chinese

government or that the oil and gas industry is a source of easy money.

There are a number of instances in the recent history of the submarine cable industry that prove this to be incorrect. Chinese bankers are just as concerned about making a return as anyone else and the oil companies see telecoms as a peripheral activity of little consequence.

The mesh of the global submarine cable network has a yawning gap in the South Atlantic. The question is whether political will alone is sufficient to fill it. ☐

