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Telehouse enters South African datacenter market in partnership with Teraco

Datacenters and Colocation

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KDDI's Telehouse Europe business unit has partnered with **Teraco Data Environments** to enter the South African datacenter market. Telehouse is leasing space in Teraco's datacenter in Cape Town and Telehouse will also lease space in Teraco's new Johannesburg datacenter that will open in early 2010. Under the partnership, Teraco will operate the leased space under the Telehouse brand and provide remote-hands services and customer-facing operations.

Teraco opened its first carrier-neutral datacenter in Cape Town, South Africa, in February 2009, with a first phase supporting 228 cabinets. T1R believes that Teraco has since expanded the facility. Teraco raised 50 million South African rand (approximately \$6m) in series B funding in July to fund the initial phase of the company's second datacenter in Johannesburg, South Africa.

Datacenters in South Africa

Carrier-neutral datacenters have become a possibility in South Africa only recently. For many years, South Africa had only one telecommunications provider, **Telkom SA**, which is partly government owned. This monopoly over fixed-line telecommunications and international access resulted in traditionally high costs for telecommunications in South Africa. Under pressure from business, South Africa started to open up this market in August 2006 with the establishment of a second national operator (SNO), **Neotel**, for fixed-line telecommunications services.

The entrance to the market of a second intercontinental submarine fiber provider in July was the latest in a series of developments that have started to open the telecommunications market in South Africa over the past five years. The new cable provider, **Seacom**, provides competition for Telkom, which previously operated the only submarine fiber to South Africa.

With the telecommunications markets in South Africa becoming competitive, the incumbent Telkom is also facing competition from Neotel on the datacenter front; it recently opened new datacenters in Cape Town and Johannesburg, and has the backing of **Tata Communications**, which became the controlling shareholder in Neotel in January with a 56% stake.

T1R take

The entrance of Telehouse into the South Africa market in its partnership with Teraco brings another experienced global datacenter operator to the country. T1R believes South Africa is underserved by multi-tenant datacenter providers, which has attracted both Tata and Telehouse to the country. T1R has also seen several new datacenters in South Africa over the past year and we expect to see more datacenter investment in the country over the next several years after the opening up of the telecommunications market after many years of a monopoly.

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