

BTA Seminar

The benefits and costs of liberalisation : how to go about liberalisation in Africa

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Themes

- Benefits of liberalisation:
 - Prices, market share, customer service;
- Costs of liberalisation:
 - Investment duplication;
 - Infrastructure versus service competition;
- Impact on the economy
- Impact of additional mobile operators and/or virtual mobile operators
- Lessons from experience relevant to liberalisation in Africa and Botswana

Benefits of liberalisation

- Improved efficiency: low cost production; commercial pricing
- Downward pressure on prices: better value for money
- Faster innovation: new and better services
- Responsiveness to customers: availability of services
- Market growth: lower unit costs
- An efficient and prosperous sector contributing strongly to the economy

Costs of liberalisation

- Investment duplication:
 - Two networks more expensive than one
 - Costs can be minimised, and benefits maximised, by allowing full range of technologies on any network
 - Investors will be cautious, if allowed to be
- Infrastructure versus service competition:
 - “Build or buy” option should be kept neutral
 - So competitors can build if existing networks fail to perform

Impact on the economy

- Growth of the telecommunications sector
- Fiscal benefits of prosperous companies
- Economic welfare benefits of cost oriented pricing: usage no longer distorted
- Expanded usage of communications across the economy
- Availability of ICTS for other sectors: eg Botswana cattle farmers; high class tourist operators; craft industries; support sectors

More mobile operators?

- The wrong question: mobile capability one aspect of convergence of services on high speed packet switched IP networks
- Cost profile of radio based services allows proliferation on more limited core networks
- Cost savings through facilities sharing
- Competition possible at service level only
- Three players looks sustainable in most environments: demand is clear

Lessons of experience

- Strong independent regulation essential
- Openness and transparency indispensable
- Regulatory independence not absolute: manage relationship of confidence and trust with Ministry; no surprises
- Government's policy role central to success: informed and realistic
- Set practicable goals that will allow investors to create a prosperous sector

How to go about it in Africa

- Develop clear policy aims that relate to actual costs and benefits of current technology
- If in doubt, opt for competition
- Allow competing network operators to provide services using wire line or radio: Seychelles, South Africa and Uganda are showing the way
- Move to full services competition as soon as possible: due in South Africa tomorrow
- Ensure that the regulator has the powers, resources and government support to do the job effectively with minimum political intervention