

Pre-publication data - work in progress

TOWARDS AN AFRICAN E-INDEX: Telecommunications Sector Performance

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Sector Performance Review

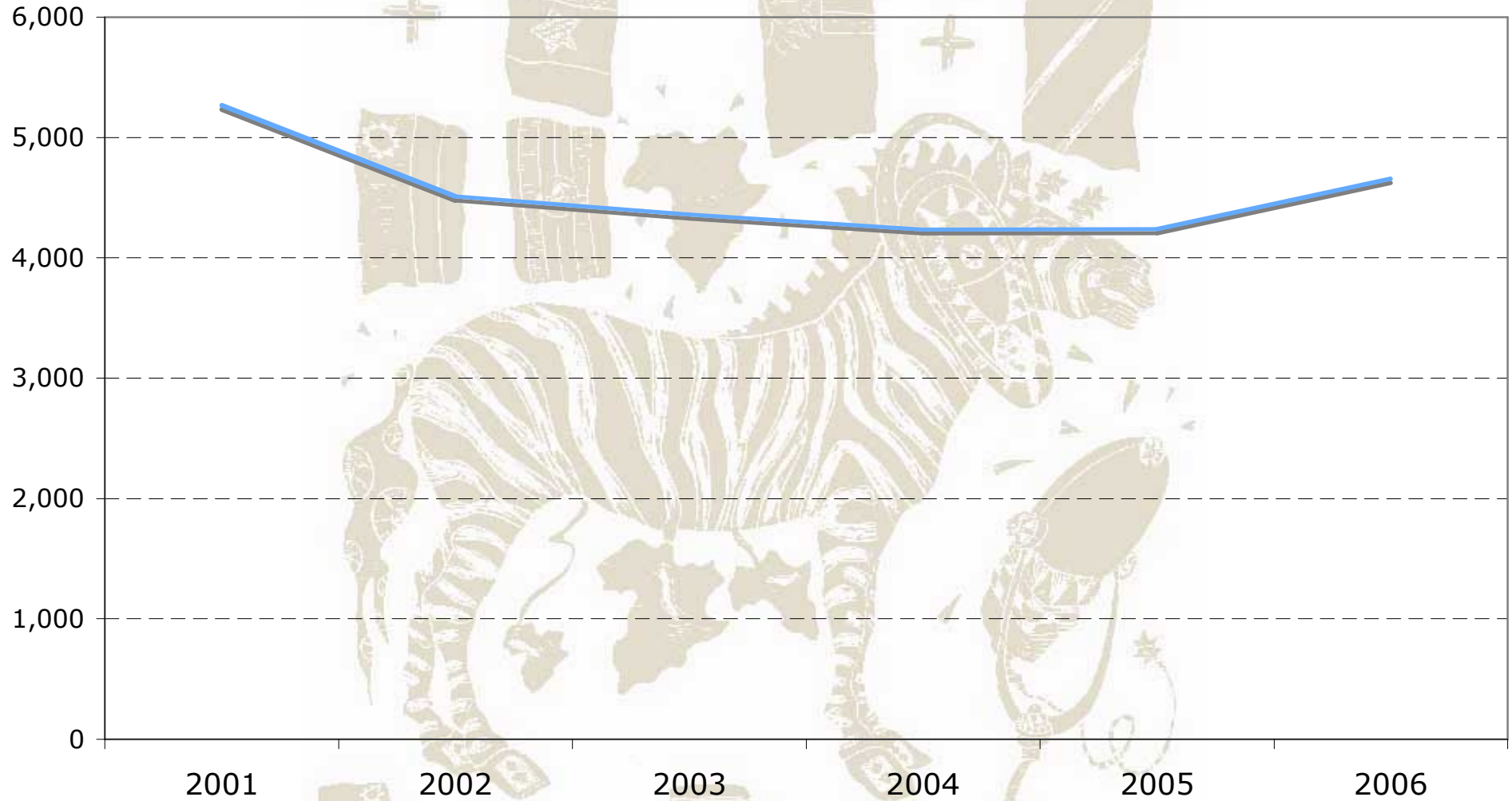
Purpose: To evaluate public policy against actual outcomes and developments in the telecom sector

- How has the sector progressed against policy objectives in comparison to previous years?
 - accessibility and affordability?
 - competition - input prices and range of services
 - investment and innovation
 - bring sector in line with technological, regulatory and industry developments locally and internationally
 - regulation in the public interest (to achieve the above)

Market conduct performance

- Despite unique political economies of countries impacting on reform, there are established relationships between market, conduct and performance
- Market mechanism best able to efficiently allocated resources ultimately with associated benefits for users and consumers
- Poorly structure markets, create distortions and produce high prices, collusion, facilities control. Markets designed around dominant, vertically integrated incumbents create anti-competitive incentives as new entrants come into market
- Resource and skill-intensive access regulation to constantly adjust the behaviour of incumbent
- NRA deal with market failure/not policy failure
- Behaviour in market impact on investment risk

Herfindahl-Hirschman Index (using customer market share)



Review of telecom sector performance

- Across the continent development within sector continues to reflect highly vertically integrated market structure where incumbents tend to dominate their market segments.
- Telecom sector continues to be hampered by relatively high prices across services and limited access (other than voice and basic data mobile services)
- While international trends are towards reduced state intervention at the operational level, in some countries such as SA this is increasing
- Investment uneven and associated with market entry opportunity and lower risk regulatory environment e.g. Nigeria
- Negative impact on internet penetration - voice divide addressed through mobile, lack of investment in backbone and high prices increasing IP/data divide.
- Relative GDP per capita does not appear to explain low uptake of services particularly, broadband services in comparison to similar countries e.g.
- 2006 Morocco GDP p/c - 330 000 ADSL \$1575 vs. SA \$3885 -140 000
- Input costs remain relatively high, particularly wholesale services - leased lines and international bandwidth, inhibiting investment and innovation

Review of ICT sector performance (2)

- Take up of services hampered by high prices associated with bottleneck facilities at international cable and local loop level
- International bandwidth: monopoly on undersea cable reflected in high prices SAT 3 US\$11,000 down to US\$8250 in August 06 compared to Senegal cheapest on route at US\$1316 (Balancing Act).
- Interconnection continues to be an issue, especially for services providers under new conditions (voice provision) but challenges of interconnection new technologies and services.
- Sector institutions undermined by perceived capacity limitations and institutional arrangement that undermined its ability to act with the necessary autonomy to make the system work.
- Changing positions among African countries but bigger gap than ever between Africa and rest of world.



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