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Consumer benefits squeezed out of limited sector reform: Namibia 1992-2019

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ABSTRACT

Competition theory indicates that telecommunications markets can realise consumer benefits if they are competitive. Regulatory interventions are required to implement some of the elements of competition to realise such benefits for consumers. The analysis demonstrated that the Namibia telecommunications market went through numerous transitions in terms of market structure and ownership, and a few regulatory interventions were made. Identifying the phases of the transition, as well as which benefits were attained and the conditions under which such consumer benefits were realised, would offer great insight to guide future thinking on competition regulation. The regulator and the regulated entities need to understand the effects of market transitions arising from sector reform to plot future arrangements and interventions. The study uses a case study methodology. The research found that, with the changes of transfer of control of MTC to a private shareholder and the licensing of 100% privately owned Powercom (t/a Leo), the mobile sector in Namibia was sustainably competitive in Phase I. The consumer benefits claimed from the market were in the form of reduced prices.

In Phase II, consumers and operators suffered the adverse effects of anti-competitive pricing by MTC. The acquisition of Leo by Telecom Namibia resulted in the mobile market reversing to a public monopoly. The reversal was caused by a lack of timely regulatory interventions to address anti-competitive behaviour, interconnection pricing, and a price cap on leased lines. Phase II yielded limited consumer benefits under monopolistic conditions requiring regulatory intervention.

The market structure changed again in Phase III, with the sale of the MTC shares to NPTH, which amounted to de-privatisation of the mobile market and translated the market into a public monopoly. The research found that monopolies do produce consumer benefits, as was the case during Phases II and III, but competition and regulatory intervention produce more significant benefits. The fixed market was a monopoly throughout all three phases of sector reform. The growth of the mobile market and the absence of a price cap on wholesale prices contributed to the lack of growth in the fixed sector.