

Market analysis and competition assessment in electronic communications sector in Malawi

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Outline

- Malawi at a glance
- Background
- Approach
- Analysis results
- Implementation
- Challenges, lessons learnt and conclusions

Malawi at a glance – some numbers

INDICATOR	STATISTICS	YEAR
Population*	15.8 million	2014
Population density	139/Km ²	2014
Surface area	118, 484 Km ²	2008
GDP/Capita(\$)	380	2013
Urban/rural population	15.3:84.7	2008

Telecommunications sector

INDICATOR	STATISTICS	YEAR
Telephone Operators	5 (4 operational)	2014
Internet / Data Operators	46	2014
International Gateways	4	2014
Subscribers (Mobile / Fixed)	5,3 Million	2014
Teledensity (Telephone)	38.3 %	2014
Teledensity (Internet)	6.7 %	2014

Background

- No market study done before
- Study instituted in response to the increasing growth in the telecommunication and broadcasting industries that is raising fundamental challenges in market definition and market power determination
- MACRA's need for guidance in economic regulation with emphasis on interconnection, tariff regulation and consumer protection
- MACRA's 'request for Technical Assistance in Economic Regulation' to ITU/BDT – 4th July, 2014
- Under the guidance of the Regional Director of the ITU Regional Office for Africa, the Regulatory Market Environment Division (RME) and working in collaboration with the ITU Programme Officer; Harare Area Office
- Engaged Research ICT Solutions as Consultants
- Study conducted within a period of three months

Approach

Best practice factors that were considered in a dominance evaluation in Malawi

Factor	Description	Factors in Malawi
1	Market share analysis – subscribers, traffic & revenues	Definitely a co-dominant market. Discuss the tariff, subscriber and traffic trends. What impact would lower MTRs or an Off-Net price cap have?
2	Size of undertaking(s)	3 rd entrant into mobile market is at a distinct disadvantage
3	Control of main infrastructure not easily replicated	Two only main options for backbone
4	Technological advantages	GSM vs. CDMA
5	Marketing power, behavior & sales strategy	Airtel and TNM very dominant
6	Countervailing buying power on the demand side	What power have consumer associations, MISPA or Government?
7	Privileged access to capital markets	Are international firms better placed?
8	Economies of scale/scope	GSM vs. CDMA
9	Vertical integration	Separation of incumbent is a potential remedy
10	Barriers to expansion	Mobile entry

Analysis Results

Potential markets in Malawi

Category	Market	Comment
Voice Retail	Local fixed retail	Less than 2% penetration and <6% of market
	Mobile retail	High priced, co-dominant operators
Voice wholesale	Mobile termination	US\$ 0.04 - could go to \$0.01-0.02
	Fixed termination	US\$ 0.04 - no so important
Broadband retail	ADSL	Single market in urban centres - competitive
	Fixed wireless / WiMAX / 4G	
	Mobile broadband / 3G	Competitive with WiMAX in urban areas The only option in rural areas
	High quality fixed broadband for business (e.g., FTTx or guaranteed quality WiMAX)	Supplied competitively by MTL, Skyband, Burco, Globe
Broadband wholesale	Local access (unbundled loops)	Loops not in good condition ... could be opened to competition but questionable value & no strong interest from ISPs
	Bitstream services	Apart from ESCOM being present, these markets dominated by MTL. Competition exists but it is probably held back by MTL and ESCOM non-transparency.
	Bandwidth lease line / transmission capacity (e.g., price of E1's, 34, 100 Mbps), including tower access	
International	Gateway access	The best practice remedy would be to separate MTL's facilities business from its networks services (and ESCOM's telecom and power businesses), and publish wholesale prices
	International Internet leased lines	

Implementation

- MACRA to issue a consultative paper to the industry
- Industry to submit comments on the recommendations after 30 days
- MACRA to make final determination on
 - Regulatory measures
 - Monitoring requirements
 - Maintain database of information
- MACRA to implement second half of 2015

Challenges, lesson learnt and conclusions

- Limited budget
- Resistance from operators to submit RFIs
- Yet to engage the operators on recommendations after Board's approval-need of an effective implementation plan
- Possible to carry out a 'market analysis' with best practices

THANK YOU !!
ZIKOMO!!