

Botswana telecommunications limp a decade after policy changes

- Botswana's mobile operators have become comfortable in their respective market segments at the cost of competition.
- At 59% internet penetration, Botswana's people do not access the internet as much as regional counterparts due to high mobile broadband costs – ranked 11 out of 15 SADC countries.
- The national ICT policies focussed on supply side issues in the wholesale market to little avail.
- There needs to be a comprehensive ICT sector review undertaken to assess the performance of market actors.
- A national broadband policy is further required to enhance the sectoral benefits and knock-ons effects of trends in the ICT sector and their adoption by end-users.

Introduction

The Botswana telecommunications market is composed of four main operators. Three of these operators, BTC, Mascom, and Orange, operate with PTO licences. The fourth entrant, BoFiNet, provides wholesale services. While the PTO licence allows the three operators to provide converged services¹, Mascom and Orange continue to offer mobile telephony services, which include mobile internet and value-added services.

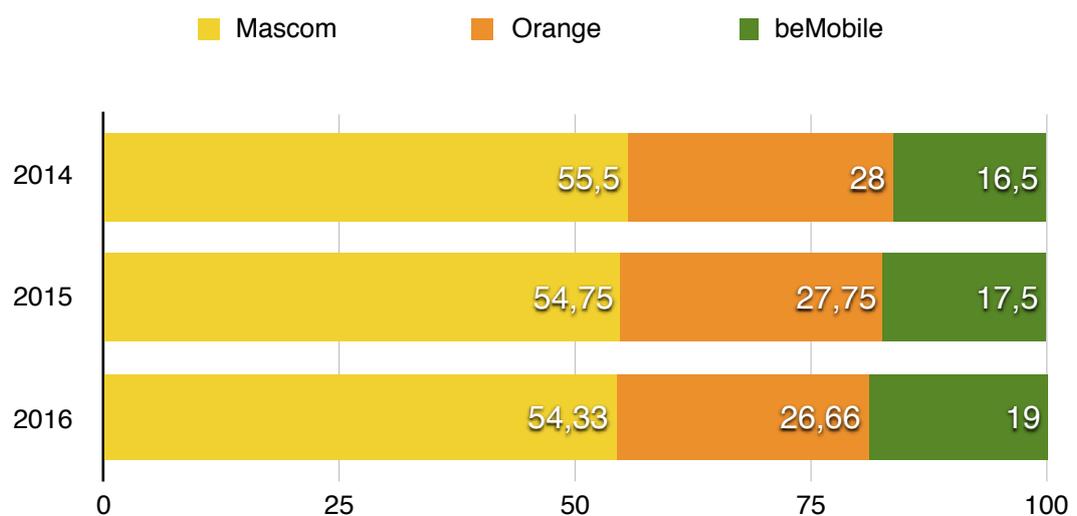


Figure 1: Mobile operators' stagnant market shares; Source: author's calculations based on public information

¹ The service neutral licensing regime allows operators to provide fixed and mobile telephony services.

BTC provides fixed telephony services and offers mobile services through its sister company “beMobile”. Even though the market continues to develop innovative broadband, competition in the market has remained dull. Competitors do not aggressively seek to increase their market shares and revenue, hence, first-mover Mascom, continues to dominate the market. Between 2014 and 2016, Mascom owned close to 55% of the market, while Orange owned around 28% and beMOBILE 17% on average.

Botswana’s policy changes in the last ten years

The first National Policy for ICT Development was adopted in 2007 (Maitlamo National Policy for ICT Development, 2007). The main objective of this policy is to transform Botswana from a ‘factor endowments’ economy to an efficient and innovation-driven economy². In a bid to fulfill her desire of becoming an ICT hub, and of improving reliability as well as the speed of the national network, and thus ensuring better international connectivity, Botswana invested in fibre-optic backhaul networks connecting to the Western African Cable System (WACS) and the East African Submarine Cable System (EASSy), which are widely used by internet service providers. The National Backbone was installed in 2008 and funded by Botswana Telecommunication Corporation (BTC) with the cross-border fibre-optic cable connecting Botswana to South Africa, Zambia and Zimbabwe (IST-Africa, undated).

To keep with international standards and trends in the ICT sector, in 2006, the Botswana Communication Regulatory Authority (BOCRA, then the Botswana Telecommunication Authority) granted all the public telecommunications operators (PTOs) a horizontal license that is service- and technology-neutral (BTA, 2007). The move towards next-generation networks (NGNs) allowed PTOs to provide converged services and compete in both fixed and mobile telephony markets. Subsequently, to level the playing field, the regulator allowed all service providers to develop their own network infrastructure. Furthermore, the regulator, in collaboration with the Department of Environmental Affairs, developed the guidelines to facilitate the sharing of communication infrastructure among players in the market (BOCRA, 2009). These changes brought to an end the BTC monopoly in the wholesale market and promised upstream competition for the first time – competition that has yet to benefit consumers.

In another move to open up the market, the Government of Botswana decided to privatise the incumbent operator, the BTC, in 2010. The privatisation process was completed in 2016 after the transfer of network assets and the management of BTC’s involvement in two key submarine cables to the newly created wholesale operator, Botswana Fibre Networks (BoFiNet). As part of the privatisation process, the Government publicly listed 44% of BTC on the Botswana Stock Exchange in 2016 and retained 51% (Ainews, 2016). Despite these efforts, the operator’s pricing strategies have changed little with slow ICT uptake as a result.

² This policy builds into the diversification policy of Botswana. The policy aims at diversifying Botswana’s economy from heavy dependence on mining to other sectors.

Slow pricing reaction

Research ICT Africa (RIA) measures the cost of communication by mapping African mobile prepaid pricing trends with a Voice and SMS basket, the RIA 1GB data basket and the Bundled Value for Money Index. Both the Voice/SMS basket and the 1GB basket methodologies calculate the minimal price for consumers.

Methodology:

Voice/SMS basket (OECD basket): 30 voice calls for a total of 50 minutes and 100 SMSs per basket per month.

1 GB basket: monthly cost of 1GB data based on prepaid data top-ups or bundled top-ups. Both baskets are converted to USD for comparison across African markets.

Using the OECD basket prices (USD) constructed by RIA for the lowest voice/SMS prices, RIA claims that Botswana ranks 21 out of 49 countries in Africa with a price of USD6.10 (BWP 64.01) in Q3 2016. Compared with countries in its regional block, Botswana is ranked 7 out of 15 SADC countries. Compared with Lesotho, which has similar characteristics in terms of population and social homogeneity, Botswana offers better prices, which are USD1.86 less than Lesotho's USD7.95 offerings in Q4 2016.

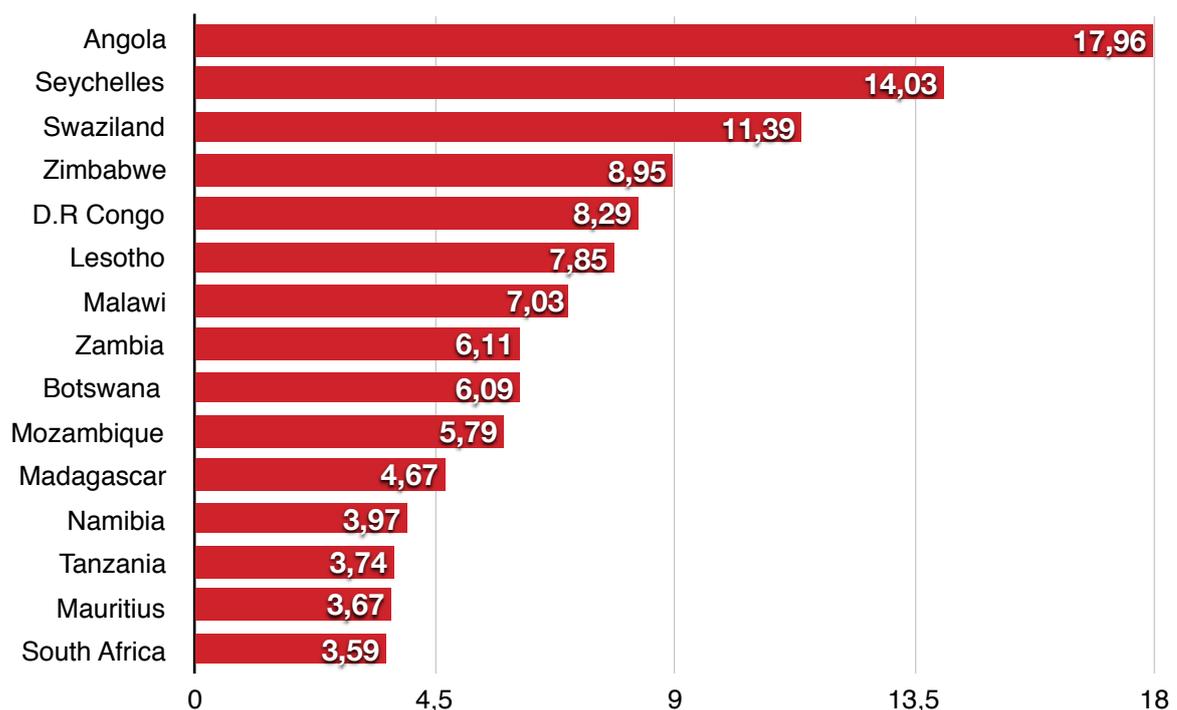


Figure 2: Cheapest OECD basket price among SADC countries (USD) for 2016Q4;
Source: RIA African Mobile Pricing (RAMP) Index 2016

Price reaction among 1GB bundles

The competitive dynamics are tough to notice in the 1GB data pricing strategies of operators in Botswana.

Price competition is only observed between beMobile and Orange, with the latter offering the cheaper product. It was undercut by beMobile by more than 50% with a 1GB bundle price of BWP275 between Q1 and Q3 of 2015. Orange responded to this by reducing its price from the high amount of BWP600 to BWP300 in Q3 2015. While Orange maintained its price, BTC prices rose immediately back to its initial price of BWP500, making it the most expensive operator by Q2 2016. The high rates observed in Botswana, could be a result of high capital expenditures, which are due to the fact that mobile operators have recently been given a license to develop their own infrastructure.

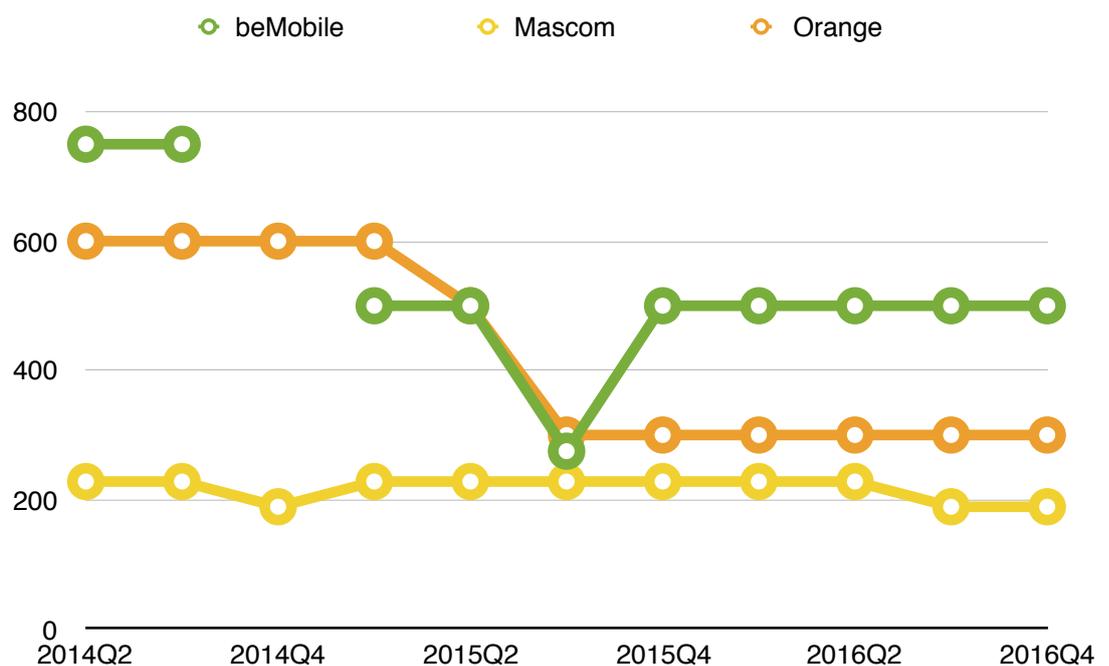


Figure 3: Cheapest 1GB bundle price trends in Botswana (BWP)³ for 2014Q2-2016Q4; Source: RIA African Mobile Pricing (RAMP) Index

The lack of competitive pricing in this market could be due to market segmentation. Operators might be targeting different segments of subscribers, which means operators have gained significant market power in each respective segment over the last year due to a lack of competition therein. This regulatory concern could justify the need to investigate.

Despite the policy changes in Botswana's telecommunications sector, the country's telecommunications network competitiveness seems to be slipping. The cost of internet connection is high relative to other African countries and, as such, seems to be a constraint to the majority. After approximating the potential for mobile broadband with mobile subscriptions, it is evident that the majority do not have access to internet services. According to the Botswana Communication Regulatory Authority (BOCRA), as of March 2015 there were 3.4 million mobile subscribers. This represents a mobi-density of about 168%, however, mobile broadband

³ Note: BTC price for Q4 2016 was based on previous quarter prices.

penetration internet stood at 67.3% in 2015 (ITU, 2016)⁴. Hence, there are many more people who have SIM cards but cannot/do not access the internet, and this challenges Botswana's socio-economy.

There is also evidence that Botswana's regional competitiveness in ICT is slipping. Using the cheapest 1GB data prices, RIA's RAMP Index shows Botswana standing at 43 out of 48 countries in Q4 2016 – an indication that data prices are less affordable for Botswana users. While in Tanzania, the cheapest 1GB data was offered at USD2.99, the cheapest 1GB bundle of data in Botswana was sold at USD18.02: a staggering difference of USD15.03. Out of 15 SADC countries, Botswana is ranked 10th, above the DRC, Swaziland, Seychelles and Zimbabwe.

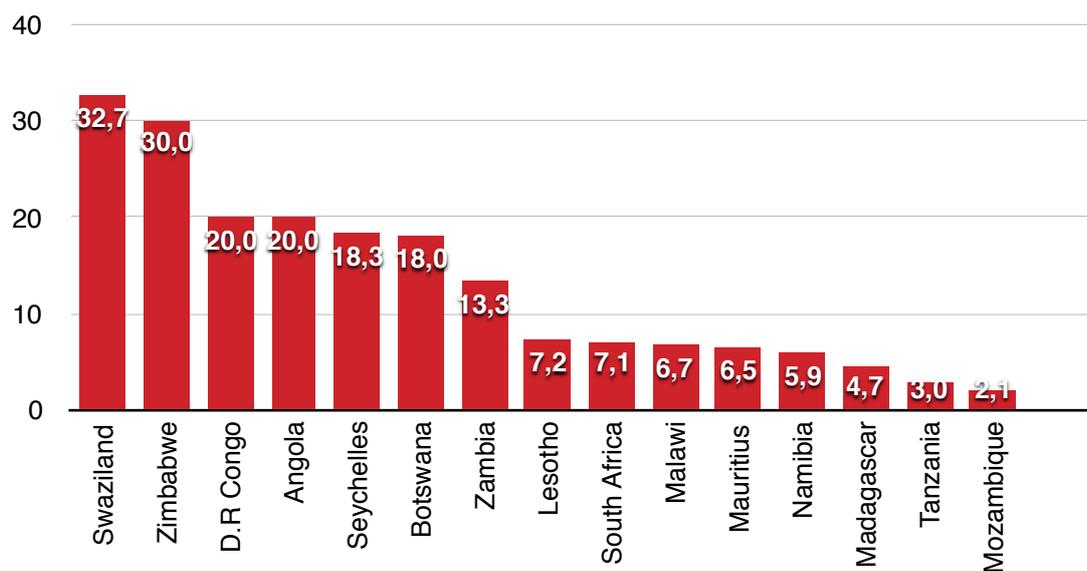


Figure 4: Cheapest 1GB price comparison among SADC countries (USD); Source: RIA African Mobile Pricing (RAMP) Index 2016

Bundled Value for Money Index

RIA created the Bundled Value Money Index (VMI) to capture the value of combined data, SMS and voice packages.⁵ Given the complexity and high number of products on the market, only bundles offering data, or application specific data, combined with voice and/or application data, combined with voice and/or SMS are captured. This index provides a measure for utility derived from the purchase, efficiency and effectiveness of the service.

Using information on the VMI Index scores, Botswana ranks 20 out of 25 African countries. This suggests that mobile subscribers in Botswana pay more for less value. A result that coincides with the Facebook complaints by subscribers who claims that mobile operators price high but offer low-quality services.

⁴ These estimates are calculated based on active SIM cards and therefore do not reflect the true penetration rates due to the use of multiple SIM card.

⁵ Refer to RIA website for methodology: http://www.researchictafrica.net/fair_mobile.php

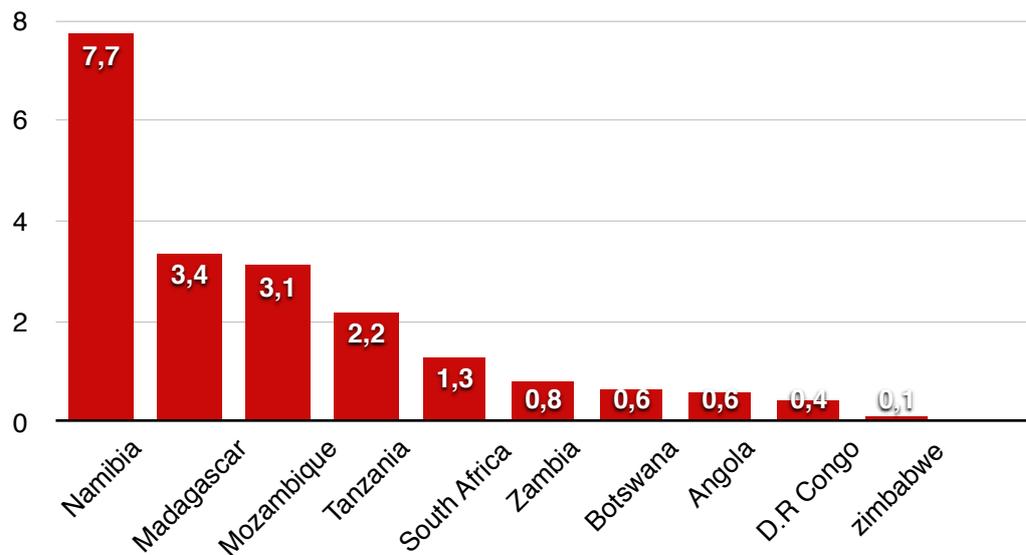


Figure 5: Bundled Value for Money Index (USD); Source: RIA African Mobile Pricing (RAMP) Index

Compared with Morocco, the country that has the greatest VMI at 10.49, Botswana VMI score is at a low of 0.60. Among nine SADC countries Botswana ranks 7th ahead of Angola, DRC and Zimbabwe. Innovation in the Botswana market is dull, with only one operator (Orange) providing value added services. Among the four Ola prepaid packages Ola prepaid packages, Ola! Ultimate offers the best value for money.

Conclusion

The telecommunication market in Botswana has experienced significant policy and regulatory changes over the last decade, which have not led to mobile market price reductions as expected. While the country seems to not have benefitted from the heavy fibre optic cables investments yet. Hence the objective of becoming an ICT hub has not yet been reached and, despite the country's high subscription rate (around 95%), the digital divide in Botswana remains a concern as the majority of people still do not have access to broadband services.

Furthermore, the results from the VMI show how low the value is for consumers who use bundled services. These results have many policy implications. Firstly, it implies that even though the telecommunications policies in Botswana has evolved over time to achieve competitiveness, the policies have failed to improve the market's ability to supply better and more affordable services to the public. Secondly, although investment in fibre optic cables has increased broadband subscriptions, high prices keep the majority of individuals out of the internet space.

Given these obstacles, there is a need to carry out a telecommunication market review which will inform policy makers of the competition, pricing, and telecommunications use dynamics in Botswana. BOCRA also needs to carry out an impact analysis with regard to the different policies implemented in an effort to continue the successes that have been achieved and change the direction of unsuccessful policies. There is also a need for Botswana to develop a clear broadband policy which will guide operators on the implementation of over-the-top services (OTT).

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