Third mobile entrant in Mozambique faces monopoly

Growth partnership company Frost & Sullivan, said on Thursday, 8 April 2010, that Mozambique's third mobile operator would have to be aggressive in order to break the monopoly held by the country's telecoms group, TDM.

The Mozambican government announced on last Monday that it has launched an international tender to license a third mobile operator in the country.

It expects to have the license awarded before the end of this year.

The winner of the tender is to be charged a US$25 million license fee, US$10 million more than Vodacom paid to become Mozambique's second operator in 2003.

"It's also interesting that the regulator, INCM (Instituto Nacional das Comunicacoes de Mocambique), will require the new operator to share infrastructure with mCel and Vodacom," said Frost & Sullivan ICT analyst Silvia Hirano Venter.

"This is good for the environment and reduces the new entrant's capital expenditure.

"This will also translate into something of a competitive advantage, as the winning bidder will be able to focus on services provision instead of infrastructure investments."

However, Venter warned that due to the small size of the market, the current operators could decide to overcharge the new entrant for the use of their infrastructure as a way to maintain their market share.

F&S said that the winning bidder would have to take an aggressive approach in the country.

The monopoly on infrastructure held by the country's telecoms group, TDM, makes it difficult to compete fairly, as shown by the way Vodacom has struggled in this market since its launch in 2004, it said.

"Besides TDM's strength, there are other serious challenges the third operator will face," Venter said.

"Mozambique has extreme levels of poverty, with 80% of the population living on under US$1 per day.

"Only 50% of Mozambicans are literate and this is also an enormous country, 3,000 km long, with almost non-existent basic infrastructure in the remote areas."

The analyst did however; highlight the country's appeal with almost six million mobile subscribers, a penetration rate of below 30%, and a broadband penetration of only around 0.5%.

"These are considered very low, as most countries in sub-Saharan Africa have at least 40% mobile penetration rates," Venter said.

"Catering services to the majority of the population with low disposable incomes will be the key to being successful in this market."

F&S also pointed out that SEACOM, EASSy and TEAMs fibre-optic cables would encourage reductions in prices and increase competition.

"However, TDM's share participation in these consortia is likely to benefit the group at the expense of its competitors," it said.

Frost & Sullivan believes that the main potential candidates for the new license were Portugal Telecom (PT), MTN and Bharti Airtel, which may leverage its recent acquisition of Zain's African assets.

"PT has the advantage of already being registered in the country, which is one of INCM's requirements," Venter said.

"Zain did not have a tradition of not focusing on SADC markets, but Bharti could change this strategy.

"Indian companies are more aggressive in terms of expansion and there are not many African countries left to explore in the telecoms sector.

"There may even be other surprise bids from players such as Angola's Unitel, certain Brazilian operators, or even operators from places such as Lybia and New Zealand," Venter concluded.