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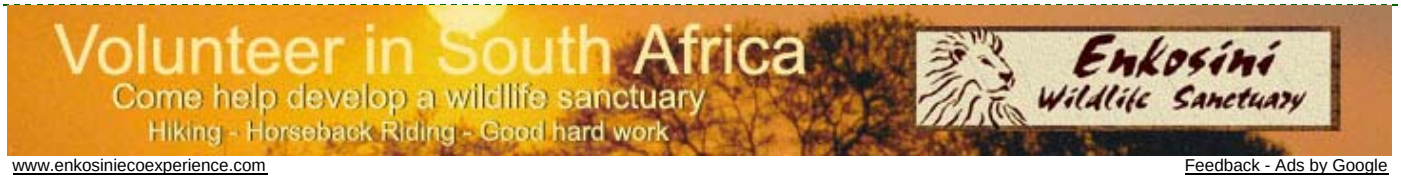

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Telecom Liberalization: The Gains by *Afrikanus Kofi Akosah Adusei*
2007-06-07 12:00:00 | viewed **456** times

I distinctly remember traveling in the 1980's with my mother all the way to the capital city, a distance of 240 km, before we could make bookings and wait, only God knows how long, for our turn to make IDD phone calls. Those were the dark old days of the Ghana Post and Telecommunications monopoly.

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In 1995 Ghanaians had to scrape together more than US$1000 to buy their first connected mobile phones with very limited coverage since the country had few traditional telephone lines. A few years later the GSM system introduced a chip that was going for around $200 - a very rare commodity.

When the state-owned Ghana Telecom ventured into mobile phone service, their One Touch Network chip was a real luxury. It cost as much as the start-up capital for a business.

With liberalization came intense competition as each operator struggled to gain a bigger market share. Prices have fallen drastically since, with some networks offering starter packs with very wide coverage for as low as 15,000 Ghanaian Cedis (less than $2). Junior Secondary School graduates can now access their high school placement on their mobile phones.

Now in the comfort of our homes, offices and even on the streets, Ghanaians can communicate with their loved ones and business associates at far cheaper rates. I don't think the social engineers are seeing this, just as it eluded me until recently.

Speed and efficiency

Some networks are offering IDD calls for local call charges. Who would have thought that Ghana Telecom would one day offer free subscription to landlines when it used to take them more than six months to fix a subscribed line?

In the pipeline is a portable switch system that would enable customers to switch from one network to another whenever they are dissatisfied with the services of a network. This surely makes the consumer a king.

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A few months ago it was astounding to see the smallest network among the four players in the market being rated as the finest service provider. The largest network was ranked last and slapped with a C2.6 billion penalty by the National Communication Authority (NCA). Indeed, we are witnessing a revolution that attests to the moral superiority of the market.

In their desire to eke out a living for themselves and to improve upon their lives, Ghanaians started providing telephone services with mobile phones to the public along roadsides and street corners without the government telling them to do so. Telecom Companies responded with alacrity and supplied servers with suitable telephone handsets and packages.

This has created a lot of jobs across the country especially for our copious unemployed youth. Although high barriers to business restrict these small businesses in moving from the informal to the formal sector, they are still finding ways to access credit and to expand their investments.

Recently I asked one of these roadside telephone joint owners why he hasn't registered his business. "The money for registration can buy three more cell phones that would enable me to serve more customers at the same time", he answered dryly.

New ideas

Innovation in the telecom industry is at its best. Businesses are cashing in to offer efficient and stress-free services to the public. banks are offering cash transfer services through mobile phones in order to avoid queues.

One network offers an amazing product which is like having the internet in your pocket. It is a wireless internet service that comes in a memory stick. When slotted into a laptop or desktop, there is network coverage anywhere. Now I have no worries about spending a weekend at my farm without access to the net.

I wonder how monopolistic Ghana Telecom alone could have been able to offer Ghanaians all these exciting services. They surely had their chance to do so over the years, but failed.

Let us imagine a mobile phone industry managed by the government as they run the Postal Service. Mobile phones would get expensive day-in-day-out just as postal service charges are increased every year.

The pressure of competition ensures efficiency and cheaper prices, allowing consumers to save and invest elsewhere in the economy. Wherever there is perfect competition, service providers offer their consumers the best of services to prevent them from losing market share and going out of business. The consumer is always the winner in a competitive market.

To borrow an analogy from Dr. Daniel J. Mitchell: There was a town with only one gas station. It offered shoddy services; it maintained inconvenient hours. Residents have to accept it because that was the only gas station in town. One day residents woke-up to see that three more gas stations had sprung up. All of a sudden the consumer becomes an idol to be worshiped.

Government interference

Anytime our ever expanding government tries to interfere in the sector, the results have been terrible. But that is what happens when you live in a country where politicians believe that government interference in the economy is the key to economic growth.

The tragedy is that the "good intentions" of the Ghana government views economic intervention as a means of protecting Ghanaians, as stated in the Ghana Poverty Reduction Strategy Paper (GPRSP). Well, good intensions are not enough.

In 1999, Parliament was bent on arbitrarily reducing mobile phone

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charges without considering the cost of production. This could have scared off some investors from investing in the sector, and we would not have been reaping all these benefits today.

We could have avoided the extravagant waste of the millions of dollars of taxpayers' money that was used to pay-off Telecom Malaysia after their management contract was terminated by the government. The whole process was handled in such a way that it sent the wrong signal to the very investors we are trying to attract to Ghana.

The role of the state as a referee and, simultaneously, as a player is filled with conflict. In addition to the economic burden this poses for consumers and competitors in the industry, it does not make for an even playing field. The government typically favors itself.

Similarly, government participation in the market is responsible for the squabbling about interconnectivity between the state-owned Ghana Telecom and the other players. This has caused a lot of fuss; sometimes leading networks to refuse connections to the outgoing calls of other servers. Of course consumers are the losers in such scenarios.

Monopolies merely result in mediocre services and beggar consumers. Manned by corrupt and inefficient bureaucrats with strong political connections, the missing link here is the profit motive which encourages thrift, hard work and prudent decision making. When companies act from self-interest, spurred on by the profit motive, then society as a whole prospers.

The absolute tragedy is that most monopolistic enterprises in Africa are sustained by tax payers' money. It is like paying for failure. Von Hayek was damn right; such policies only pave the way to serfdom.

**This article won the first prize of the Mont Pelerin Essay Competition for Africans under 30 years and was sourced from GhanaWeb.com*

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