10 years after: Promised reform in South African telecommunications fails

The end of apartheid in South Africa in 1994 brought the African National Congress to political power along with a mandate for reform of nearly all the nation's institutions, including the telecommunications sector. But "the reform of telecommunications has largely failed," according to an analysis by Robert Horwitz, professor of communication at the University of California, San Diego, just published in the journal Telecommunications Policy.

In 1996 the South African Parliament passed comprehensive legislation to restructure the sector, roll out telephone service to the previously disadvantaged and establish an independent regulator to oversee the reform. Instead, Telkom, the government-owned national telecommunications monopoly, was able to thwart competition, realize high profits and preside over large increases in the cost of using the national communications network. Over the ten years of reform, Telkom barely increased the number of new telephone lines and imposed high prices for installation and per call charges.

In reviewing the ten-year history, Horwitz and his co-author Willie Currie, former Special Adviser to the South African Minister of Posts, Telecommunications and Broadcasting, outline three main causes for the failure to make telecommunications more responsive to public needs.

-- Instead of liberalizing telecommunications—that is, progressively opening the sector to competitive entry— the government privatized Telkom, effectively turning it over to companies from the United States and Malaysia. (The American company, SBC, was subsequently bought out by the U.S. giant AT&T; the Malaysian entity was Telekom Malaysia.)

-- ANC political culture and central government control of the new independent telecommunications regulator undermined attempts to force Telkom to widen access and lower telecommunications costs in the 44-million person nation. (The impressive growth of mobile telephony in South Africa was due to market-led forces and not the result of mandates from legislation or regulation.)

-- Privatization in South Africa took place in an environment designed to empower a new black middle-class but ended up enriching a very few, without benefiting the masses.

In assessing the impact on society of Telkom's monopoly power over the past 10 years without effective regulation, Horwitz and Currie write, "(Telkom's) profitability meant the transfer of huge resources from the broader economy to shareholders. High telecommunications prices and limited service offerings created a drag on general economic growth." And contrary to its central mandate, Telkom failed to increase access to telephone service to the majority.

Expressing further concern, the authors conclude, "South Africa, as the most powerful country in Africa, is seen as a model, both economically and politically." Thus the "privatization trumps liberalization" model is likely to become accepted throughout the region and "it remains to be investigated to what extent the problems that plague South Africa's telecommunications sector have effectively been exported to the rest of Africa."

Source: University of California - San Diego