Praise for probe into cellphone industry

By Thabiso Mochiko

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Analysts have welcomed the Competition Commission's call for a wider investigation into competition in the cellphone data and voice market, saying this could further stimulate competition and level the playing field for small operators.



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The commission's comments come after it decided not to proceed with a complaint, filed by Cell C against MTN and Vodacom, that the price differentials applied by Vodacom and MTN for calls made to the same network compared with those to different networks prevented competition.

The cellphone services industry is dominated by MTN and Vodacom and there has been speculation of possible collusion in pricing practices.

"As the companies are now competing for subscribers based on the services they offer, there have been instances where strategies adopted have been similar to price wars, which have negative knock-on effects for smaller, more agile and innovative players in the market, thereby limiting their growth trajectories," said Anesu Charamba, programme manager of digital transformation practice at Frost & Sullivan.

Charamba said that in the long run, "the risk of an oligopoly determining the trajectory of the sector will need to be addressed, to which this investigation could be relevant".

BMI-TechKnowledge MD Denis Smit said a proper study into the competitiveness of the cellphone industry would be valuable for all the interested parties in the industry as well as the consumer.

Recently, the biggest complaints from cellphone subscribers have been about higher data prices.

The Independent Communications Authority of SA is conducting a study into internet data services and pricing, which when completed will guide it on how it should proceed in regulating the market.

Smit said that although Cell C's complaint was dismissed, the fact that the commission recommended a study into the competitiveness of the sector, showed that the application was worth pursuing further.

"In a way, this is a Pyrrhic victory for Cell C," he said.

Source: Business Day

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