

GLOBAL INFORMATION SOCIETY WATCH 2008

Focus on access to infrastructure



Global Information Society Watch

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Introduction

The telecom sector is a flagship of the Egyptian economy, and the government sees it as an important factor in enhancing the country's competitiveness regionally and globally. Therefore the telecom sector's infrastructure has been upgraded extensively over the last decade. To further its effectiveness, the government has been deregulating the sector in decisive steps: it is one of the most liberalised in Egypt.

Mobile communications, in particular, has been one of the sub-sectors in the telecom field to enjoy the greatest amount of liberalisation. Global system for mobile (GSM) services were first offered in late 1996 by the public company Arento (Arab Republic of Egypt Telecommunication). It was privatised and taken over by Mobinil¹ in May 1998. In November 1998, Click GSM, another private operator, was added to the sector, ending Mobinil's short monopoly. Click GSM then became Vodafone Egypt.² From 1998 until early 2007, when the third operator Etisalat³ began operating, Mobinil and Vodafone had a duopoly of the mobile market in Egypt. The licensing of a third operator in 2006 was a move to increase competition and service coverage. The tendering process was a much-heralded event in Egypt and symbolised the government's earnest intent to pursue its liberalisation and privatisation plans for the telecom sector.

Mobile access has accelerated quickly in Egypt, with a population of close to 80 million (by end 2008), and one that has been underserved for decades when it comes to fixed lines. Mobile access now has the highest diffusion of all telecom services in Egypt. About one fourth of Egypt's population has mobile access, and about 40% of the adult population has a cell phone. Users surged from 200,000 in early 1999 to 3.4 million in 2001; and from 5.8 million at end 2003 to 7.7 million at end 2004, 12 million in 2005, and 17 million in 2007, according to the Egyptian Ministry of Communications and Information Technology (MCIT).⁴ Other numbers quoted by the Egyptian government and the telecom industry put users at over 25 million for 2007.

The competition between mobile communication providers offered more services and incentives for users, which further spurred access. For example, Etisalat was the first operator to introduce third generation (3G) services in Egypt, followed closely by Vodafone. Etisalat claims that it had close to one million subscribers to its 3G network in less than two months (Yuan, 2008).

Egypt has two main customer bases for mobile access: while the majority of users use prepaid and rely on text messaging, there is a limited, though important, high-end sector for local businesses and foreign investors. To serve the latter, mobile operators now offer the highest available 3G services – at present Etisalat offers up to 3.75G.

Part of the reason for the rapid increase in mobile diffusion has been the slow and limited capacity of Telecom Egypt,⁵ the fixed-line incumbent, to expand its fixed services. Fixed telephone lines only increased from 7.5 million in 2000 to 10 million in 2007. Telecom Egypt is still the only fixed phone line provider, though a second provider is now in the pipeline as part of Telecom Egypt's privatisation process. The new fixed-line provider is not seen as a potential competitor to the mobile operators, as demand for mobile access has by now been deeply entrenched in Egypt.

Physical access to technology

The operating mobile networks in Egypt are:

- ECMS-Mobinil (GSM 900/1800, 2.5G)
- Vodafone Egypt Telecommunications S.A.E. (GSM 900/1800, 3G 2100)
- Etisalat Misr (GSM 900/1800, 3G 2100).

Currently, Egypt follows South Africa in having the highest number of mobile phones in Africa. Mobinil still leads the market, followed by Vodafone Egypt and Etisalat Misr. The entrance of Etisalat has markedly affected the provision of higher-end 3G services, which include high-speed mobile internet access, mobile television and video phone. Etisalat acquired its 3G licence in October 2007, after reaching an agreement with the national regulator, and was followed by Vodafone in early 2008. Their services cover Greater Cairo, Alexandria, Aswan, Sharm El Sheikh, Hurghada and Luxor. The user numbers for 3G services range between over 200,000 (GSMA, 2008) to the close to a million users reported by Etisalat (Yuan, 2008).

Despite widespread publicity for the new 3G services, the popularity of 3G in Egypt has market limitations. According to the MCIT, about 80% of the mobile customer base is interested in prepaid voice and texting services. For instance, in November 2007 Etisalat upgraded from 3.5G to 3.75G, which allows for high-speed uplink packet access (HSUPA), offering downlink speeds of up to 7.2 megabits per second

1 www.mobinil.com

2 www.vodafone.com.eg

3 www.etisalat.com.eg

4 www.mcit.gov.eg

5 www.telecomegypt.com.eg

(Mbps), twice as fast as the earlier 3.5G downlink speeds. In early 2008, these high speeds were available in specific locations in and around Cairo only (even though coverage will be extended).

Mobile connection growth rates will most likely slow once the sector reaches saturation point, but an increase in services provided is foreseen, including high-end services.

National and international roaming

National roaming is an area where the competing companies collaborate. This collaboration allows a company to use the networks of its competitors until it builds an independent network of its own. In terms of network coverage, Mobinil and Vodafone have a fifty-fifty market share in Egypt. For the time being, Etisalat is using Mobinil's networks in the north, and Vodafone networks in the southern governorates.

For international roaming, the local mobile phone operators use GSM 900 networks and have roaming agreements with all major international operators. However, to date coverage is limited to Cairo, Alexandria and the Red Sea, from Suez to Sharm el-Sheikh, and the major towns along the Nile.

Mobile number portability (MNP)

Egypt introduced mobile number portability (MNP) in April 2008. MNP allows mobile phone users to retain their mobile telephone numbers when changing from one mobile network operator to another. MNP is provided by network software and service provider Telcordia's NPC and Giza Systems.

MNP will most probably elicit more competition in the high-end market, which has a lower threshold for customer retention.

Affordability and use

Although the entry of the third mobile operator Etisalat in 2007 was expected to introduce aggressive price wars between the providers, this has not materialized. Etisalat charges EGP 0.39/minute for prepaid and EGP 0.34/minute for postpaid. Mobinil offers prepaid services in the price range of EGP 0.35-0.45, while Vodafone offers the same services for EGP 0.39.

Instead of lower rates, operators are competing more towards offering wider coverage, improved service quality, voice clarity, and better customer service. The consumer is also being offered more perks due to competition. For example, Mobinil and Vodafone began offering lifetime subscriptions to their prepaid services that before were subject to termination if not promptly re-subscribed. Etisalat, being the newcomer, put forward lifetime free minutes to outbid its competitors' offers – in its plan, prepaid subscribers would get five minutes free per month for life (El Madany & El Sirgany, 2007).

Given general income levels in Egypt, it remains questionable whether 3G services will have a broad user base

in the near future. And already the competition for prepaid subscribers (who are the majority) showed a decline of 12% in average revenue per user in 2007.⁶ It is unlikely that incentives will attract more users to the prepaid market.

Trust in technology

From a purely technical standpoint, trust in technology is high in Egypt. Consumers offered a choice of providers are more assured that the competition will bring them higher quality of service and wider coverage, if not actually more competitive prices. Operators have been working on increasing their coverage, and on providing better services and better user tariffs (even if not as competitive as expected). Linked services like mobile banking are also being promoted. In general, for most middle-income Egyptians, and even those on the higher end of the lower-income bracket, having a cell phone is considered a necessity; and improvements in technology have made this possible.

Privacy concerns are another issue. The lack of privacy for information and communications technology (ICT) users, including mobile users, is a hot topic in Egypt, as in many countries these days. Cell phone users, until recently, were allowed to have anonymous user accounts. This changed in May 2008, when the National Telecom Regulatory Authority (NTRA),⁷ citing public security reasons, requested mobile phone companies to block service to anonymous subscribers.

This move seemed to coincide with public strikes and upheavals that Egypt recently experienced due to rising living costs, especially as a result of higher food prices and low incomes. Many of these strikes have been organised using cell phones and the internet, which have been monitored by the government. Some activists tried to circumvent this by having anonymous connections – an option which has now been closed down.

In compliance with government measures, Vodafone has begun disabling text messaging capabilities for anonymous subscribers, and has asked them to come forward with their details. Mobinil linked the move to government plans for MNP. In general, subscribers are being told by the operators that their anonymous connections will be disconnected or suspended in the near future (Johnston, 2008).

Action steps

Egypt is pursuing its deregulation and liberalisation plan for the telecom sector in a timely and linear manner. Mobile communication, being one of the most progressive sub-sectors of the telecom field, has been enjoying a rapid increase in services and coverage, and at least some measure of competitive pricing since 1998. The mobile customer base has also grown rapidly over the years.

However, privacy issues are a concern. The Egyptian consumer is being actively encouraged by the government

⁶ Dun & Bradstreet's All Business: www.allbusiness.com

⁷ www.tra.gov.eg/english

to appropriate the latest technologies in order to grow the sector, but at the same time there is a lack of privacy in using the services, whether voice, text or content.

Given the present national, regional and international context, it is unlikely that there will be an easing up on privacy issues. In fact, more surveillance is expected. While there are limited public outbursts against the lack of mobile privacy in Egypt, these are neither strong nor numerous enough to force the government to reconsider. ■

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GLOBAL INFORMATION SOCIETY WATCH 2008 is the second in a series of yearly reports critically covering the state of the information society from the perspectives of civil society organisations across the world.

GLOBAL INFORMATION SOCIETY WATCH or **GISWatch** has three interrelated goals:

- **Surveying** the state of information and communication technology (ICT) policy at the local and global levels
- **Encouraging** critical debate
- **Strengthening** networking and advocacy for a just, inclusive information society.

Each year the report focuses on a particular theme. **GISWatch 2008** *focuses on access to infrastructure* and includes several thematic reports dealing with key access issues, an analysis of where global institutions stand on the access debate, a report looking at the state of indicators and access, six regional reports and 38 country reports.

GISWatch 2008 is a joint initiative of the Association for Progressive Communications (APC), the Humanist Institute for Cooperation with Developing Countries (Hivos) and the Third World Institute (ITeM).

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