

## **PARTIAL PRIVATISATION OF BTC MAY BE A STEP IN THE RIGHT DIRECTION**

Government is reported to have finally decided to go ahead with the much anticipated privatisation of Botswana Telecommunications Corporation (BTC). The transaction, if implemented, will mark a very important milestone in the implementation of the divestiture program - not only because it will be a first successful attempt at privatisation since the adoption of the Privatisation Policy in 2001, but also because, it will somehow give impetus and enthusiasm to implementation of the long awaited privatisation program.

But, the proposed privatisation strategy for BTC foretells a somewhat jaundiced attitude towards the entire program. The mood (and the body language) typifies the natural aftershock reaction resulting from three failed attempts to privatise Air Botswana. A guaranteed success is critical. And, this may only be achieved by a simple process of corporatization of BTC and parceling out of a few equity vouchers to citizen investors.

The logic explains why the transaction structure recommended by the contracted eminent team of international consultants was considered a non-starter. Given the history of faltering at the altar of both real and perceived negative public opinion about privatisation in general, the claim for BTC potential to attract serious international strategic partners appeared delusional – at least to those close to Government. It is a tragedy that befell us, not once, but twice, in the Air Botswana transaction.

It is therefore not surprising that the BTC transaction has attracted a lot of controversy. Within Government itself there are those who have raised security concerns as a major area of discomfort. No amount of arm twisting, let alone, of cajoling, had the desired effect. The security of a nation, so it was argued, cannot be left to the whims and caprices of foreign investors. There is also another group whose lame refrain continues along the lines of the need for Government to observe universal service obligations in the area of telecommunications.

On the other side of divide are those who feel that BTC is already operating in a liberalized and competitive market and thus if Government continued to shield it from the market realities, it would not perform to its optimal potential.

Both arguments may be persuasive on face value. Experience elsewhere shows that total privatisation of a telecommunications entity is never the best option. In developing counties, where the digital divide between the cosmopolitan and the rural communities is at its widest, this argument becomes all the more compelling. In order to bridge the technological gap between the urban populace and the rural folks, some government intervention will be necessary. Such could be by way of regulatory interventions coupled with targeted subsidies in order to ensure that the telecommunications services remain affordable even to the disadvantages communities.

Which is why partial privatisation may be a good thing. Government continues to play a meaningful role in the provision of infrastructure services to the most vulnerable of our population while at the same attracting private skills and capital in order to ensure a sustainable growth of the sector.

And, it gives us the opportunity to learn from own past experience!

In Australia for example, Telstra (the Australian telecoms corporation) was privatized in three tranches – 1997 (T1), 1999 (T2) and 2006 (T3). In T1 government sold 33% of its shares; in T2, it sold a further 16% and in T3 it sold 34% to remain with only 17%. The difference between the two telecom corporations is that with BTC Government proposes to sell 49 % of its shareholding, all of which to citizens whereas under the T1 the Australian Government disposed of only a quarter of its shareholding in Telstra with very minimal restrictions on share participation.

There may be public policy considerations for restricting share participation to citizens only. But with the liberalization of the telecommunications sectors since the mid 1990s, it is difficult to see what those considerations are, and whether they remain relevant to this day. As much as it may be a popular thing (to restrict share participation to citizens only) to do, it is difficult to see what long term policy objective will be served by this strategy.

Arguments around security concerns and universal service obligations no longer hold any water as they have been watered down by the technological advances experienced globally during the turn of the century - and the recent wikileaks scandal and the Nteletsa 11 project have put paid to the veracity of those polemics.

It will be recalled that BTC was set up in 1980 with a dual mandate – to serve as the sole telecommunications service provider and regulator of the sector. With the liberalization of the market in the mid 1990s, BTC's monopoly over telecommunications services ceased to exist, except on the fixed line network and its regulatory functions were transferred to BTA. Mobile operators such as MASCOM and Orange, (then Vista) were awarded licenses to operate mobile telephone services in 1997, while BTC's wholly owned subsidiary entered the market exactly ten years later.

And, with the recent announcement that transaction advisers have been appointed to implement a strategy that is totally different from that recommended during the due diligence review only time will tell whether the BTC transaction achieves the overall government privatisation objective.

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