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Fixed-Mobile substitution in MENA countries: What is the future of fixed-line market?

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ABSTRACT

The aim of this paper is to study the occurrence of Fixed-Mobile Substitution (FMS) in MENA region. While there have been many studies on developed countries, empirical evidence for developing countries are somehow limited. In the last few years, mobile cellular subscriptions achieve a tremendous growth across MENA region making it the second fastest growing region in the world in 2012. Fixed subscriptions have also grown but at a slower rate than mobile subscriptions. Using data on 19 MENA countries over the period 1990-2009, we explore the relationship between fixed and mobile telephone services by using dynamic panel data models. We find empirical evidence for asymmetric one-way substitution between fixed-lines and mobile phones. The results are used to estimate own- and cross-price elasticities for fixed and mobile telephone services and to derive policy implications in terms of the extent of regulatory constraints, market redefinition and the extension of universal services to include mobile services.

KEYWORDS Fixed-mobile substitution; Regulation; Telecom industry; MENA region

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