

**LONTUM NCHADZE**  
Cameroon Ministry of Finance, Cameroon

## **SCOPE ECONOMIES IN CAMEROON'S TELECOMMUNICATIONS SECTOR.**

### **Abstract:**

This study examines whether the simultaneous provision of multiple services leads to a reduction in the operating costs for concession holding firms in Cameroon's telecommunications industry. With the use of financial accounting information and output statistics from 2005 to 2012, I estimate a Seemingly Unrelated Regression Equation (SURE) model for 4 linear cost functions. The use of SURE permits us to account for cross-equation contemporaneous correlation which may arise due to correlated shocks to technological changes in the industry or from spillovers from industry wide or economy wide shocks. The results establish that simultaneous provision of domestic and international calls, and of telephone and internet lines are all cost increasing, while enhancing the use of existing network capacity is cost reducing. Hence, I recommend that when firms choose to enhance the capacity utilisation of their existing infrastructure by adding to their service mix, authorities should always check the cost implications in order to avoid predatory behaviour. Instituting separate accounting procedures for defined categories of services could greatly aid this effort.

### **Keywords:**

Scope Economies, Concession Holding Firm, Sub-Additivity, Seemingly Unrelated Regression.

**JEL Classification:** D22, D43, L25