ESLSCA University

Monopoly

A market structure, with examples from Egypt



ECO511 Economics for Managers

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What is a monopoly?



seller for the whole market

A monopoly is a market with just one seller and no close substitute. Buyers take the product at the seller's price, or they go without. (Bain, 2026)

Perfect competition
Lots of sellers, and none can change the price

Monopoly
One seller, and it sets the price

Main characteristics

Sellers and buyers
One seller, lots of buyers

Product
Unique, with no close substitute

Price control
The seller sets the price

Entry and exit
New firms can’t easily get in

Market share
One firm holds all of it

Profits
Can stay above normal

Adapted from Bain (2026).

How monopolies keep rivals out

Lower costs

An established seller can often produce more cheaply than any newcomer could.

Scale needed

A new firm may have to win a big share of the market just to be profitable.

Loyal buyers

Brand names, advertising and habit keep customers with the seller they know.

Blockaded entry

When entry is blocked, the seller can charge monopoly prices without attracting rivals.

In our Egyptian examples, huge infrastructure costs and state ownership do most of the blocking.

Barrier types adapted from Bain (2026).

Example 1: Suez Canal

State-run monopoly

Just one operator

Only the Suez Canal Authority runs the canal, and every ship that uses it pays the Authority's tolls.

A costly alternative

Ships can sail around Africa, but that adds over 3,000 nautical miles on Asia–Europe trips (Chambers, 2020).

It sets its own prices

In 2020, carriers began avoiding the canal, so the Authority cut its rates (Chambers, 2020).

$4.7B

revenue in fiscal year 2025/26, up 23% (Ahram Online, 2026)

12%

of world trade goes through the canal (Ahram Online, 2026)

Sources: Ahram Online (2026); Chambers (2020).

Example 2: Power Grid

Natural monopoly

One company runs the grid

Since 2025, EETC has exclusively managed electricity transmission (Enterprise, 2025).

It makes sense as a monopoly

A second national grid next to the first would waste huge sums, so one network serves all.

Still moving toward openness

The government is slowly opening up generation and purchasing to private companies (Enterprise, 2025).

2025

EETC split from its parent company, EEHC (Enterprise, 2025)

1

company exclusively managing the grid (Enterprise, 2025)

Source: Enterprise (2025). EETC = Egyptian Electricity Transmission Company.

Example 3: Railways

State-run near-monopoly

The main operator

Egyptian National Railways runs the national network, managed by a state authority (Wikipedia, n.d.).

Hard for rivals to enter

Laying tracks and building stations costs a fortune, so private competitors rarely show up.

Mostly state-run

Only a few services, like the sleeper trains, have been handed to private operators (Wikipedia, n.d.).

800M

passengers a year, roughly (Wikipedia, n.d.)

1854

the year the railway was founded (Wikipedia, n.d.)

Source: Wikipedia (n.d.).

Good or bad for consumers?

The case for

- Big operations can cut costs and avoid wasteful competition
- Stability helps long-term investment planning

The case against

- Can restrict output and variety, or charge higher prices
- Less pressure to run efficiently without rivals

Egypt keeps it in check. Law No. 3 of 2005 bans abusing a dominant position, and a firm with more than 25% of its market is treated as dominant. The Egyptian Competition Authority enforces it (Law No. 3 of 2005).

Sources: Bain (2026); Law No. 3 of 2005.

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