**ESLSCA University**

ECO511 Economics for Managers

# Monopoly

A market structure, with examples from the Egyptian market

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# 1. What is a monopoly?

A monopoly is a market with just one seller and no close substitute for what it sells. Buyers take the product at the seller's price, or they go without (Bain, 2026). It sits at the opposite end of the spectrum from perfect competition, where there are lots of sellers and none of them can change the price. In between are monopolistic competition and oligopoly. In this report we look at the monopoly end: what defines it, how it protects itself, and where we can see it in Egypt.

# 2. Main characteristics

Six features describe a monopoly. They are adapted from Bain (2026).

| Characteristic | In a monopoly |
|---|---|
| **Sellers and buyers** | One seller, lots of buyers. |
| **Product** | Unique, with no close substitute. |
| **Price control** | The seller sets the price instead of accepting it. |
| **Entry and exit** | New firms cannot easily get in. |
| **Market share** | One firm holds all of it. |
| **Profits** | Can stay above normal, because no rival competes them away. |

# 3. How monopolies keep rivals out

A monopoly only lasts if rivals cannot get in. Bain (2026) points to a few ways this happens:

- **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 (Bain, 2026).

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

# 4. Examples from the Egyptian market

## 4.1 The Suez Canal (a state-run monopoly)

The Suez Canal is probably Egypt's best-known monopoly. The Suez Canal Authority alone runs the canal, so every ship that uses it pays the Authority's tolls. Ships do have another option, which is to sail around Africa, but on Asia–Europe trips that adds over 3,000 nautical miles (Chambers, 2020). That is why the Authority has real pricing power. In 2020, when some carriers began avoiding the canal, it cut its rates to win them back (Chambers, 2020).

The numbers show how big this is. Revenue reached about $4.7 billion in fiscal year 2025/26, up 23 percent, and the canal handles roughly 12 percent of world trade (Ahram Online, 2026). Its position is not

risk-free, though: after the Red Sea tensions, the number of vessels using the canal dropped by 51 percent (Ahram Online, 2025). Even a monopoly depends on outside events.

### 4.2 The national power grid (a natural monopoly)

The Egyptian Electricity Transmission Company (EETC) runs the high-voltage network. Since it separated from its parent, the Egyptian Electricity Holding Company (EEHC), in 2025, it has exclusively managed electricity transmission (Enterprise, 2025).

This is what economists call a natural monopoly. It would waste huge sums to build a second national grid next to the first, so one network serves everyone. The government is also slowly opening up generation and purchasing to private companies (Enterprise, 2025), so the monopoly is mainly in transmission rather than in the whole electricity sector.

### 4.3 The railways (a state-run near-monopoly)

Egyptian National Railways runs the national rail network, and it is managed by a state authority (Wikipedia, n.d.). Laying tracks and building stations costs a fortune, so private competitors rarely show up. We should be careful with the label, though: a few services, like the sleeper trains, have been handed to private operators, so this is closer to a near-monopoly than a perfect one (Wikipedia, n.d.). For scale, the network carries roughly 800 million passengers a year, and the railway dates back to 1854 (Wikipedia, n.d.).

## 5. Good or bad for consumers?

There are arguments on both sides (Bain, 2026).

- **The case for.** Big operations can cut costs and avoid wasteful competition, and stability helps long-term investment planning.
- **The case against.** A monopoly can restrict output and variety or charge higher prices, and without rivals there is less pressure to run efficiently.

This is why Egypt has a competition law. 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). The law has been amended since it was passed, so check the latest version before quoting the exact threshold.

## 6. Conclusion

A monopoly means one seller and no close substitute. Barriers to entry keep rivals out, which lets the seller control the price. In Egypt we can see this in the Suez Canal, the power grid and the railways. Monopolies can bring efficiency, but they need rules to protect consumers.

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