The Telecom Road Less Traveled

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Brief Outline

• Telecom deregulation
• Telecom for development
• Reality vs. Theory: Bangladesh
• Conclusions

The Economic Orthodoxy

• Privatize National Telecom
  – Unemployment and resulting human suffering
• Most competition in international long distance
  – Capital flows into services least used by the population
• Slowly increase competition to the local loop
  – Residents in most need last one to see services

Telecommunications for Development

• Not a goal in itself
  – Rather deregulation should serve economic, political, and social goals
• Varying strategies
  – Depending on the goal to be met

Telecommunications for Development Strategies

• Connect distant jobs to local people
  – E.g. India
• Connect internal markets more effectively
  – E.g. Bangladesh via Grameen
• Connecting local goods to distant buyer
  – E.g. Uganda, via peoplunk.com
• Attract multination investment
  – E.g. Malaysia

Sector Improvements

• Health
• Education
• Efficacy of poverty alleviation programs
The Road Less Chosen

- Bangladesh, India, and Pakistan have most competition in the local loop
  - Only these countries and China
- Consider the results in Bangladesh
- Observe conditions for success
- Conclusions

Bangladesh As a Nation

- 1,800 miles of railway
- 8,500 miles of road
  - In comparison Wisconsin has 110,000
- Per capita annual income: ~$350

Bangladesh Telecom Infrastructure

- State-run Bangladesh Telegraph and Telephone (BTT)
  - Controls three long distance monopolies:
    - domestic wired
    - international (its own lines)
    - fixed satellite

Telecom Measures

- Teledensity 0.26 per 100 inhabitants
- Average wait for a phone: 6 years
- Total number of BTT public phones: 3,410

Enter Competitors

- Pacific Bangladesh Telecom Ltd.,
- GrameenPhone (since 1997),
- Bangladesh Rural Telecommunications Authority
- TMIB (since 1997),
- International Communication Technologies
- Sheba Telecom (since 1998),
- AKTel mobile (since 1999)

GrameenPhone

- GSM
- Village entrepreneurs
- Advantages
  - Rural population settled in villages
  - Billing infrastructure from Grameen Bank
GrameenPhone
- Competes in urban and rural areas
- Rural outreach increases competitive in the cities
- Avoids dependence on BTT
  - Excluding international long distance

Grameen Phone Assets
- Railway fiber (1,800 miles)
- Billing infrastructure
- Proven credit risks among landless

Required Assets
- Billing network is most difficult
  - Ag extension, community banks, tribal networks
- Fiber railroad signaling networks not uncommon
  - Copper subject to theft

Grameen Phone Goals
- Alternative international long distance
- Expansion into India
  - Community banks provide billing infrastructure
  - Dark fiber exists along railways
- In Bangladesh: broadband services

Conclusions
- Incompetent state-run PTT’s need not be immediately destroyed
  - Human cost can be considerable
- Competitors can do far better than state run PTTs
  - State-run PTTs not competitive
  - Require investment in new infrastructure in order to compete

Conclusions Continued
- Alternative long distance infrastructure is an alternative to dismantling monopoly up-front
- Deregulating the local loop funnels capital into the local loop
- Cheery-picking remains a problem,
  - Wiring cities is an improvement
  - Infrastructure expansion widely needed
Recommendations

- Telecommunications for development deregulation is not an end in itself
- Let goals dominate over orthodoxy
- WTO and ITU should increase flexibility and forget orthodoxy