

## The Telecom Road Less Traveled

Brian L. Anderson  
[brian.anderson@post.harvard.edu](mailto:brian.anderson@post.harvard.edu)  
UUNET

L. Jean Camp  
[Jean\\_camp@harvard.edu](mailto:Jean_camp@harvard.edu) [www.ljean.net](http://www.ljean.net)  
Harvard University

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## Brief Outline

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

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## 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

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## 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

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## 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 peoplinc.com
- Attract multinational investment
  - E.g. Malaysia

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## Sector Improvements

- Health
- Education
- Efficacy of poverty alleviation programs

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## 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

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## 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

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## Bangladesh Telecom Infrastructure

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

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## Telecom Measures

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

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## 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)

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## GrameenPhone

- GSM
- Village entrepreneurs
- Advantages
  - Rural population settled in villages
  - Billing infrastructure from Grameen Bank

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## GrameenPhone

- Competes in urban and rural areas
- Rural outreach increases competitive in the cities
- Avoids dependence on BTT
  - Excluding international long distance

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## Grameen Phone Assets

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

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## Required Assets

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

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## Grameen Phone Goals

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

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## 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

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## 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

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## 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