

Improving telecom sector performance in Sri Lanka: policy actions

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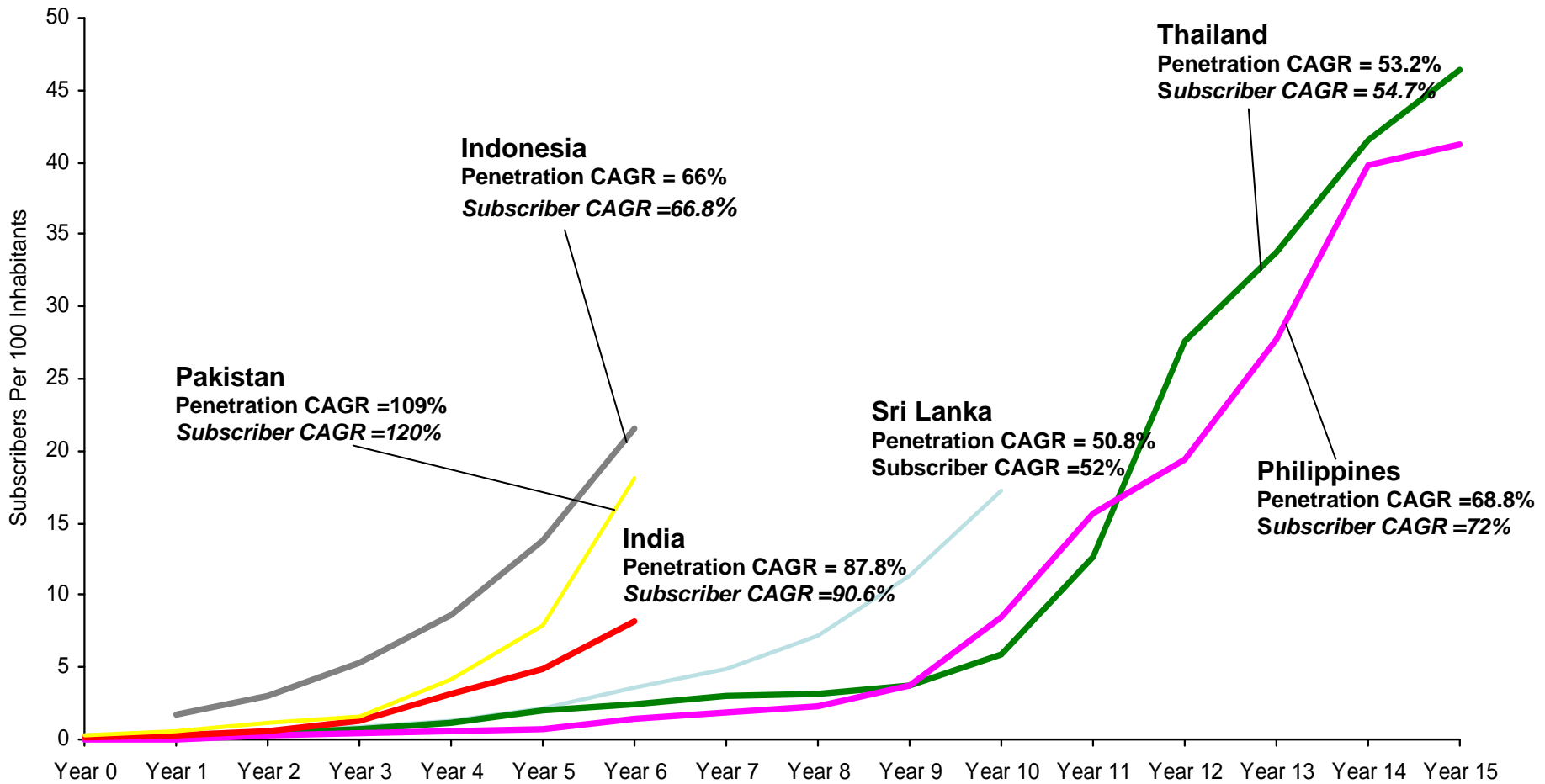
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CPRsouth 2007, Manila, January 21st, 2007

Policy actions to.....

- Catch up/match/surpass the Pakistan “success story”
- Improve access to marginal users

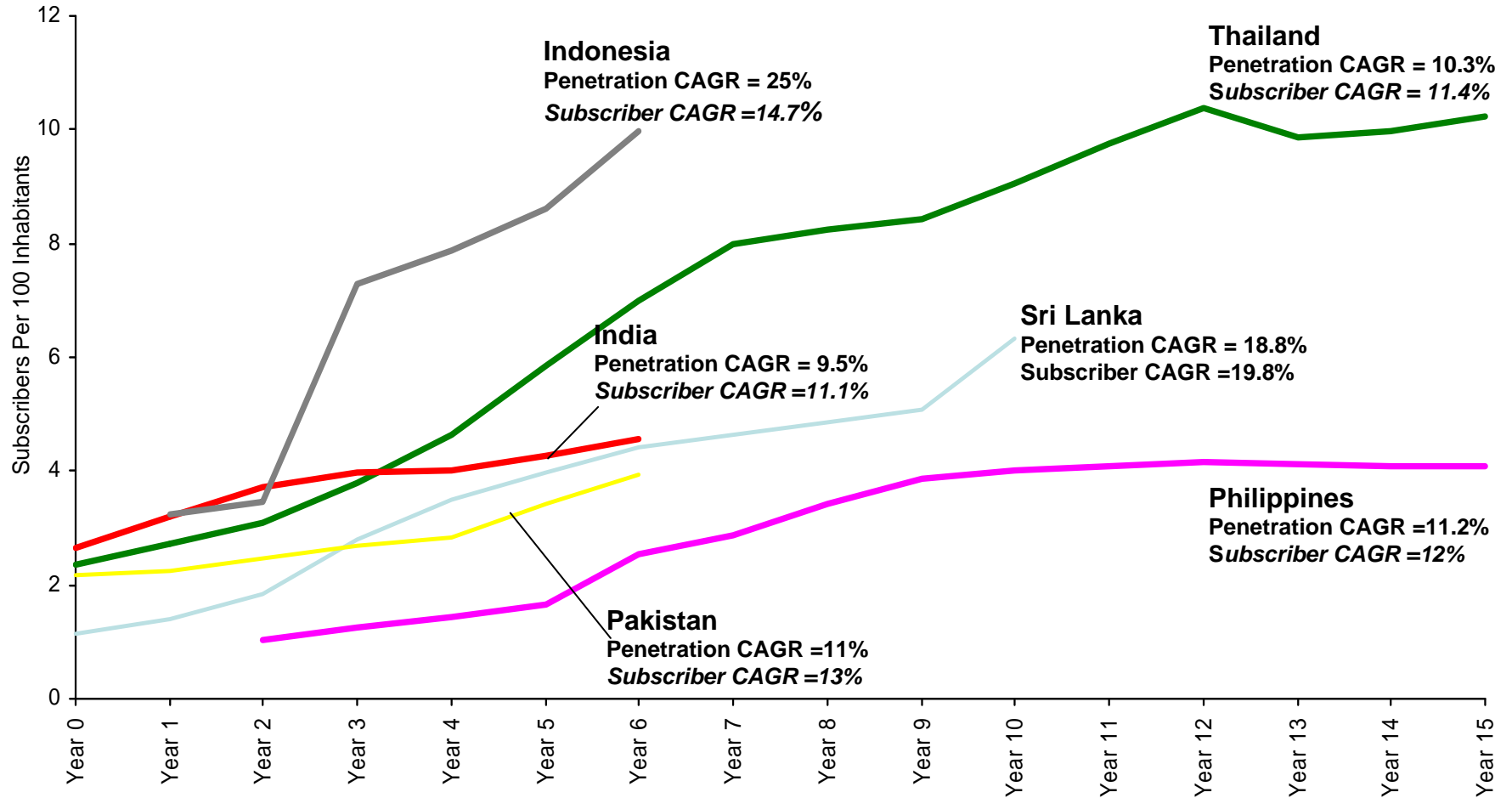
Mobile Penetration (subscribers per 100 inhabitants), CAGR of Penetration, CAGR of subscribers



Notes: India on an April – March reporting period ; Pakistan on a July – June reporting period; Other countries follow Jan – Dec (calendar year) reporting periods; Philippines Year 2, 3 and 4 are calculated numbers assuming average uniform growth (or decline) due to unavailability of data.

Sources: India-COAI, AUSPI; Thailand-Company Reports; Pakistan-PTA; Philippines-NTC; Sri Lanka-Central Bank of Sri Lanka Annual Report; Indonesia-1999 from DGPT, 2000 onwards from company reports

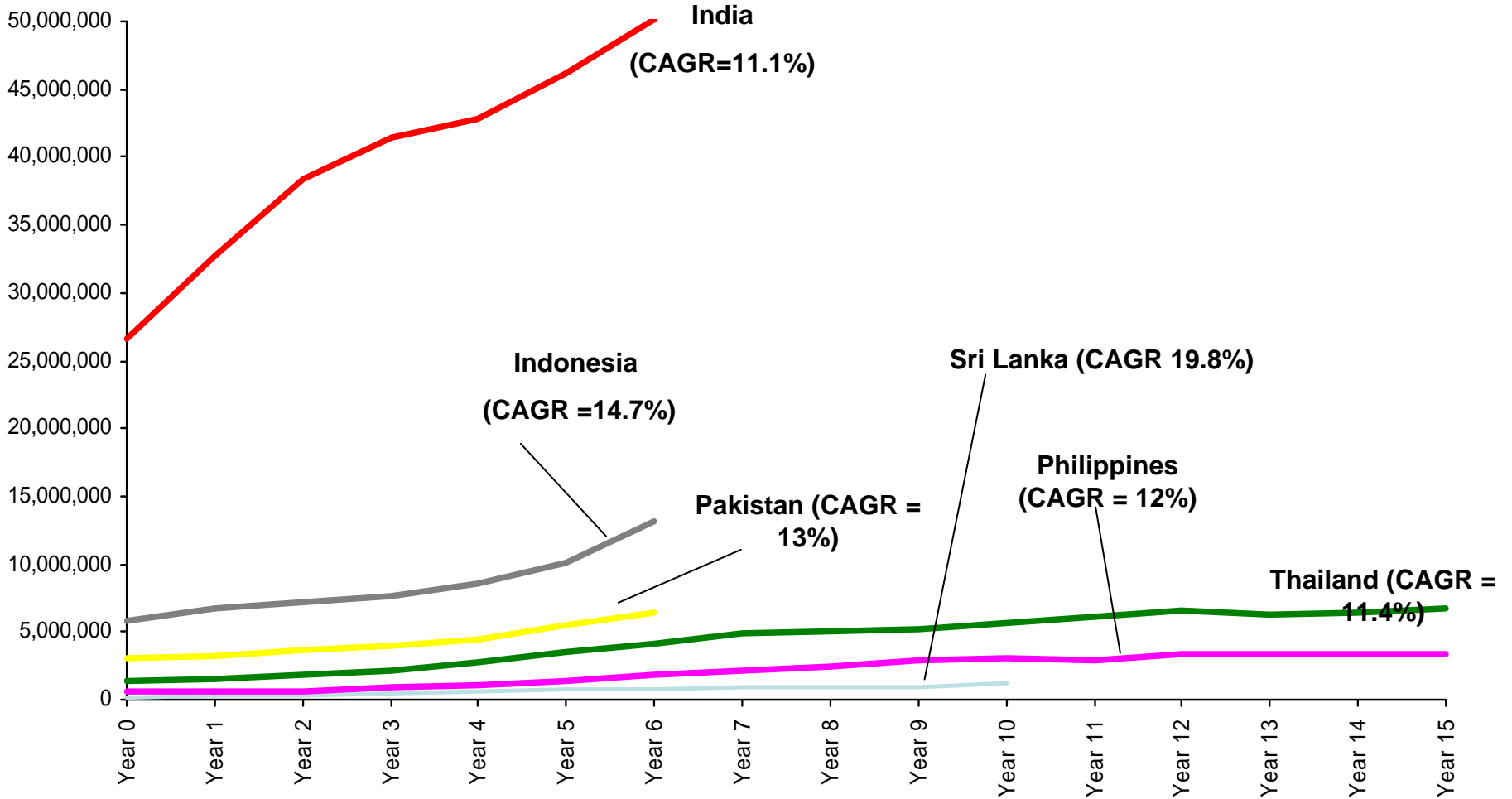
Fixed Penetration (subscribers per 100 inhabitants), CAGR of Penetration, CAGR of Subscribers



Notes: India on an April – March reporting period ; Pakistan on a July – June reporting period; Other countries follow Jan – Dec (calendar year) reporting periods; Philippines Year 3, 4, 11, 12 are calculated numbers assuming average uniform growth (or decline) due to unavailability of data.

Sources: India-TRAI; Thailand-Company Reports; Pakistan-PTA; Philippines-NTC; Sri Lanka-Company reports; Indonesia-1999 from DGPT, 2000 onwards from company reports

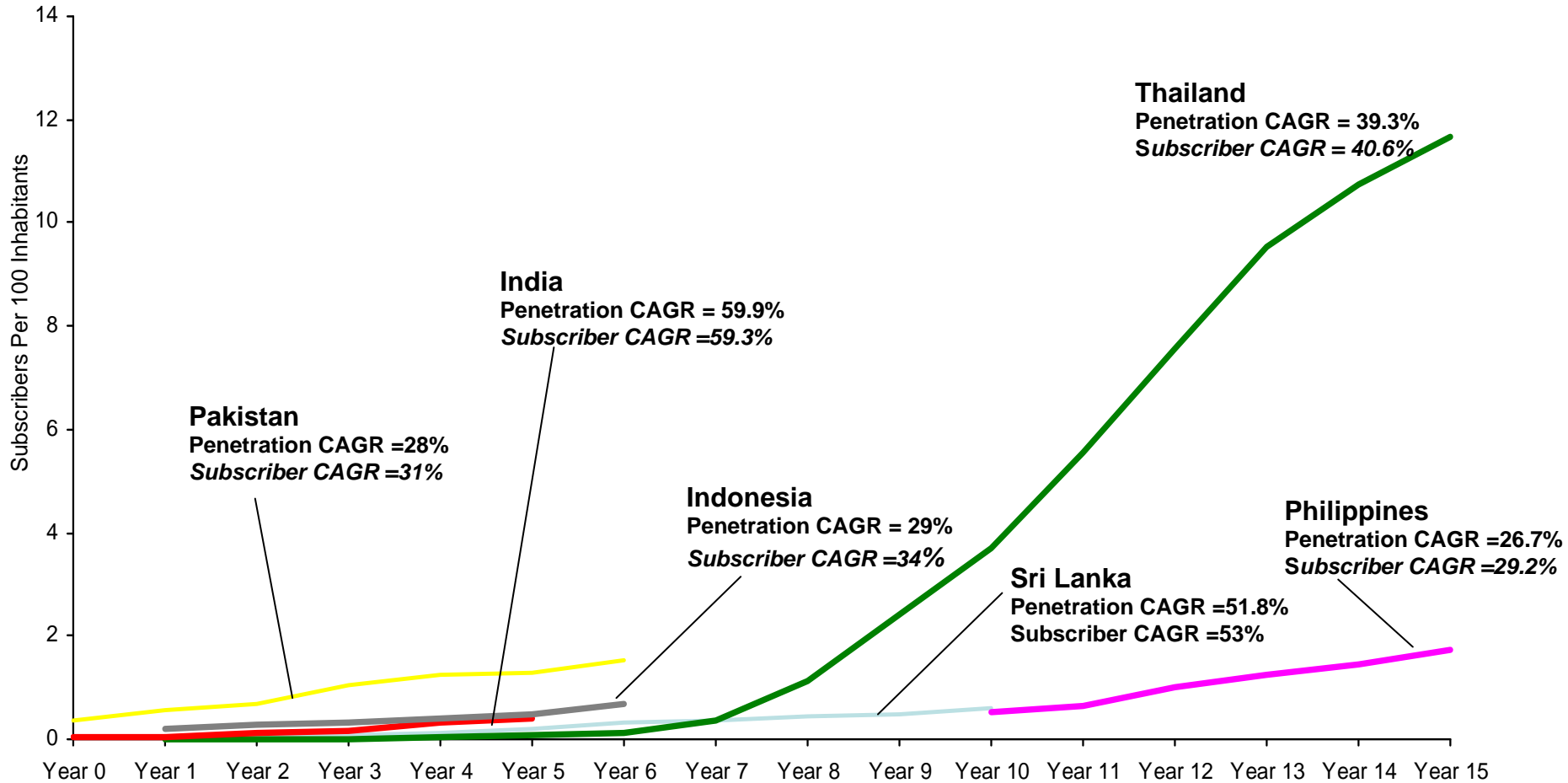
Fixed Subscribers by Country



Notes: India on an April – March reporting period ; Pakistan on a July – June reporting period; Other countries follow Jan – Dec (calendar year) reporting periods

Sources: India-TRAI; Thailand-Company Reports; Pakistan-PTA; Philippines-NTC; Sri Lanka-Company reports; Indonesia-1999 from DGPT, 2000 onwards from company reports

Internet Penetration (subscribers per 100 inhabitants), CAGR of Penetration, *CAGR of subscribers*



Notes: India on an April – March reporting period ; Pakistan on a July – June reporting period; Other countries follow Jan – Dec (calendar year) reporting periods

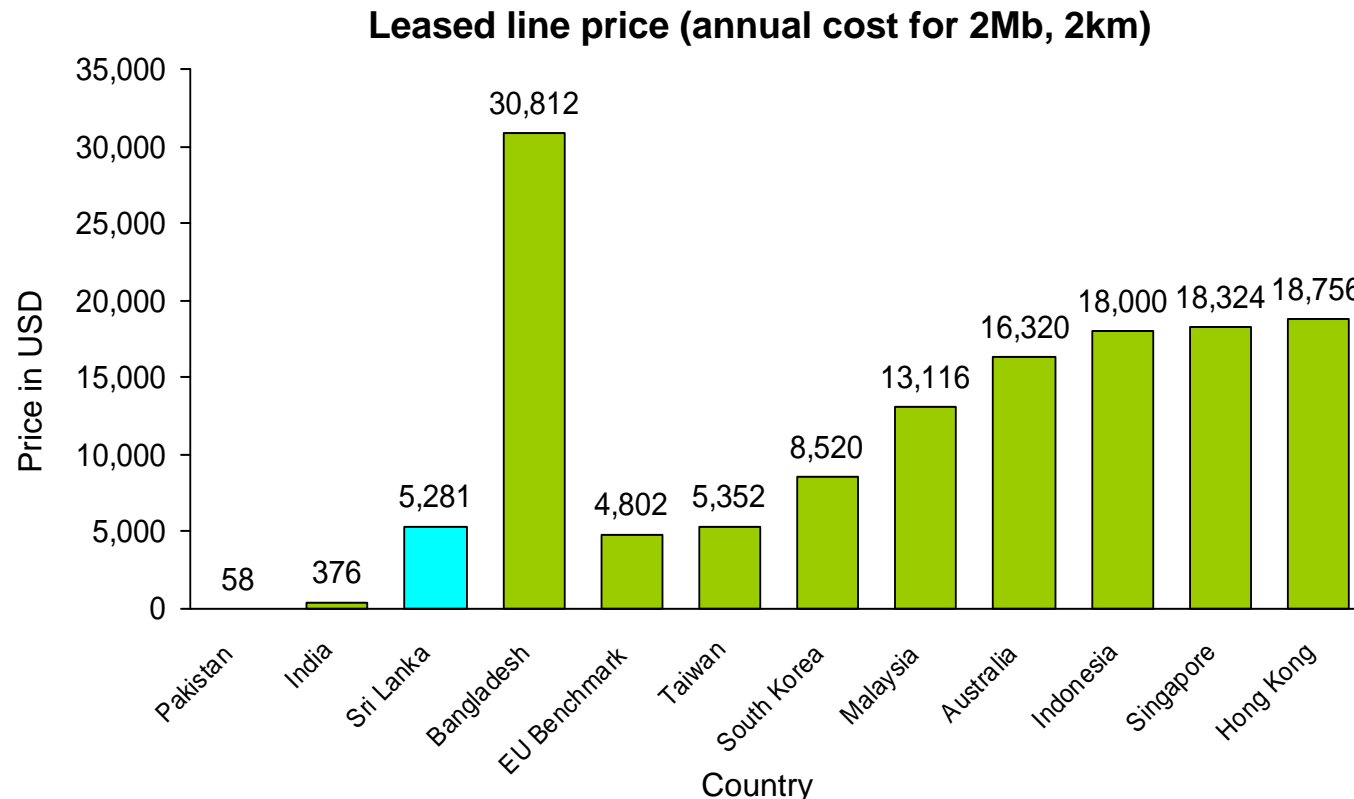
Sources: India-NASSCOM; Thailand–Company Reports; Pakistan–PTA; Philippines–NTC; Sri Lanka-Central Bank of Sri Lanka Annual Report; Indonesia-APJII (Internet Association)

Telecom sector performance: what did Pakistan do “right”?

- Main driver is the mobile sector
 - deregulation of sector – scores of new private entrants and competition– picking up on pent-up demand
 - helps that Pakistan has a population base of approx. 140 million
- Privatizing incumbent PTCL **WITH** introduction of competition from WLLs
- Affordability: internet costs not more than a local phone call
- Pro-competition regulatory reforms
 - level playing field for new entrants
 - shift from RPP to CPP
 - mobile number portability

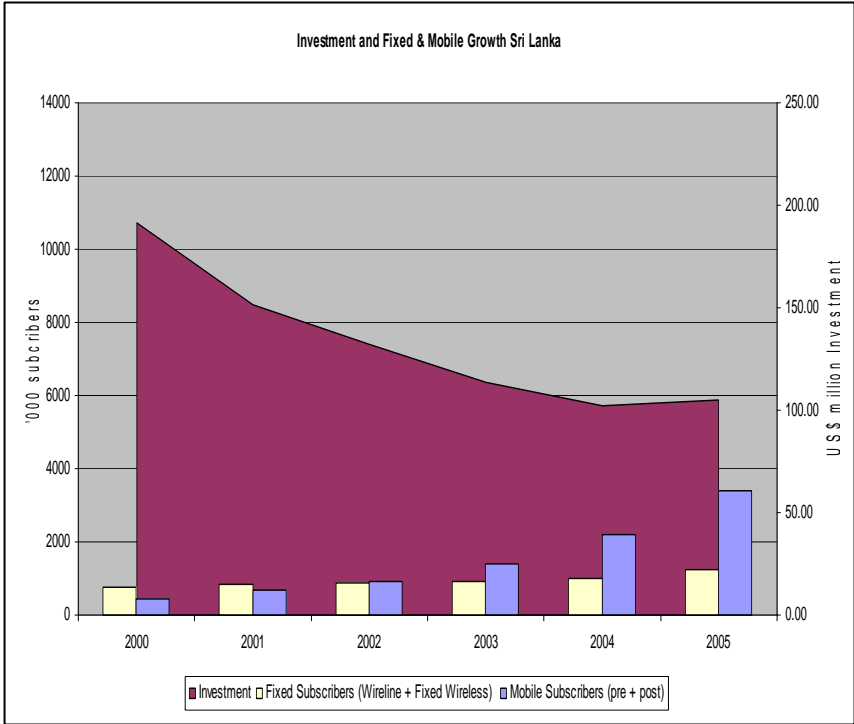
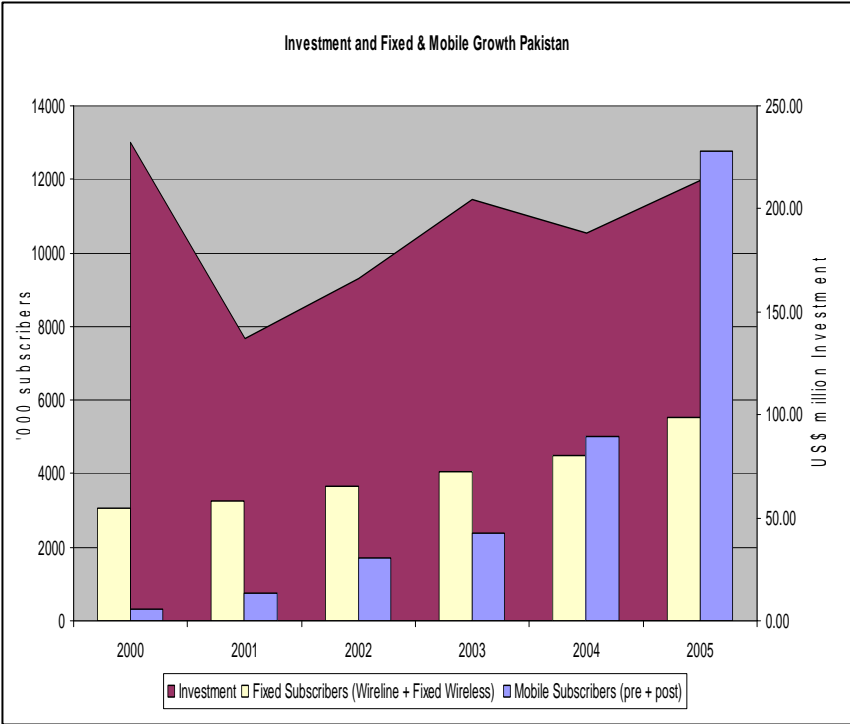
ALL THIS CONTRIBUTES TO INCREASED INVESTMENT AND INFRASTRUCTURE: total investment in telecom sector went from USD 1,884 million in 2004/2005 to USD 2,138 million in 2005/2006

An Example of price comparison work done by LIRNEasia



Methodology: Incumbent's leased line prices are reported; Prices used above do not include VAT, connection charges or discounts; Prices are for leased line that does not include an internet connection
Sources: PTA (for Pakistan), BSNL (for India), SLT (for Sri Lanka), BTTB (for Bangladesh), EU 11th Report (for EU Benchmark), BRTI-Badan Regulasi Telekomunikasi Indonesia (for other countries)

Total Investment in Telecom Sector: Sri Lanka and Pakistan

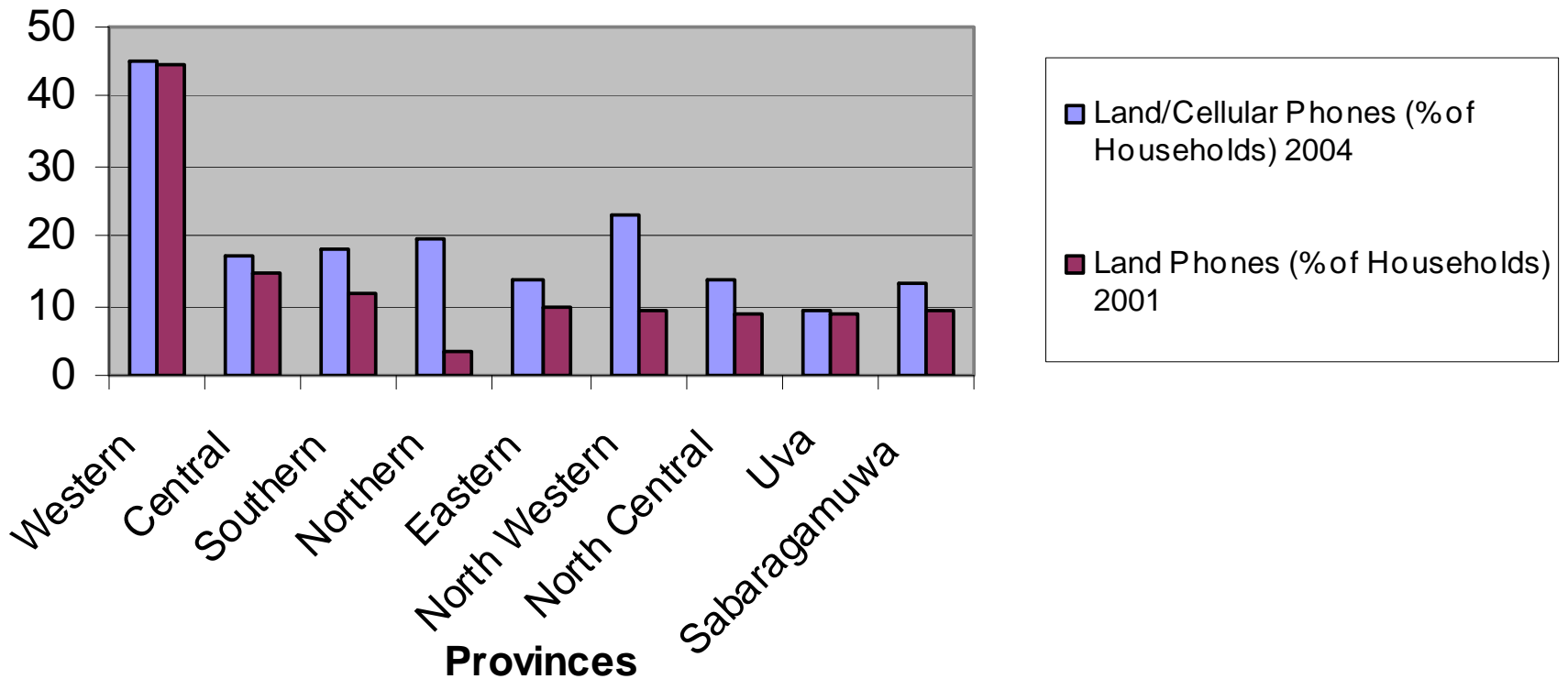


Sources: ITU Telecommunication database

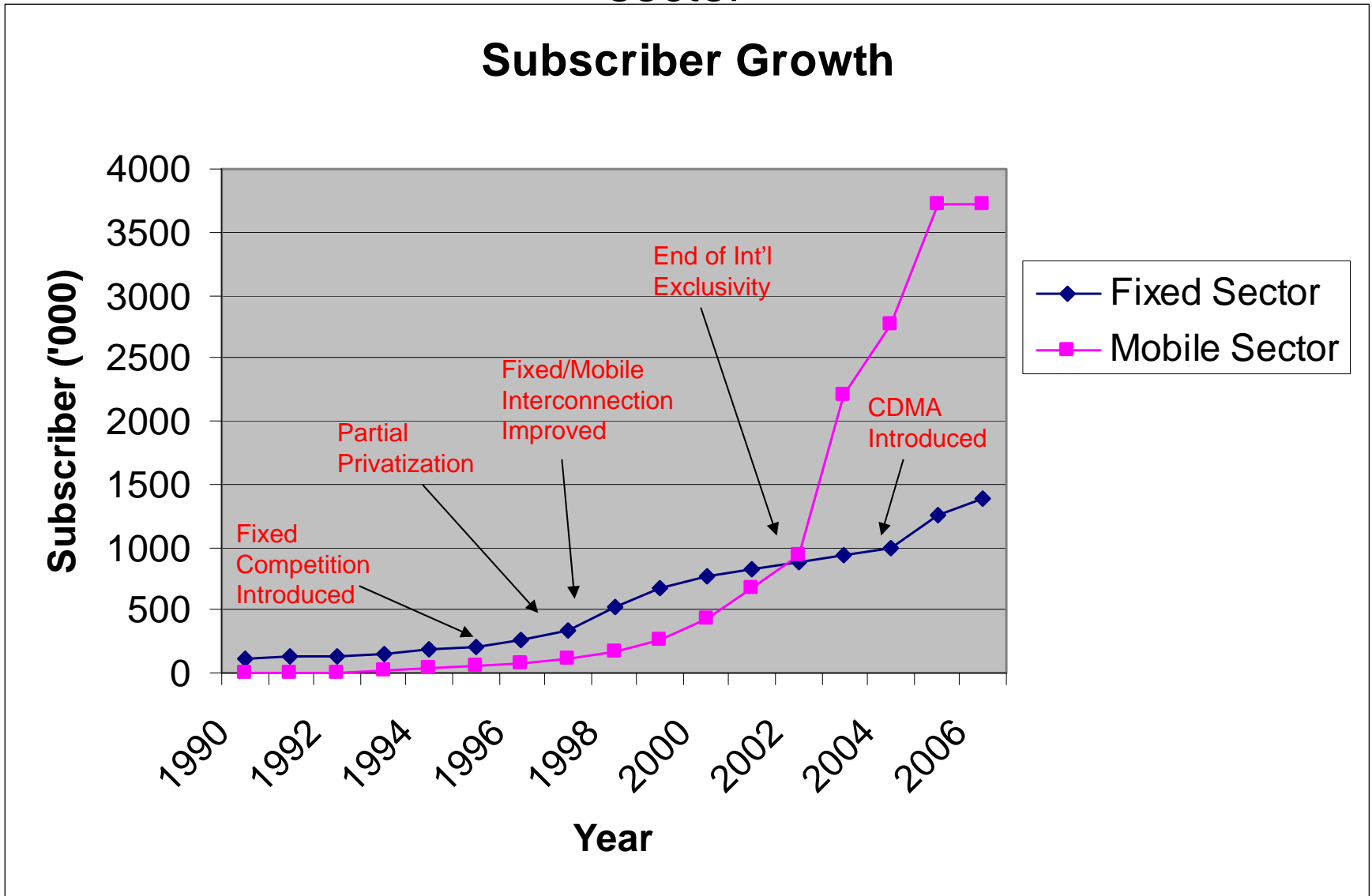
Sources: Telecom Regulatory Commission of Sri Lanka

Sri Lanka's telecom sector performance: the glass IS half full

Access at Provincial Level: 2001 vs. 2004

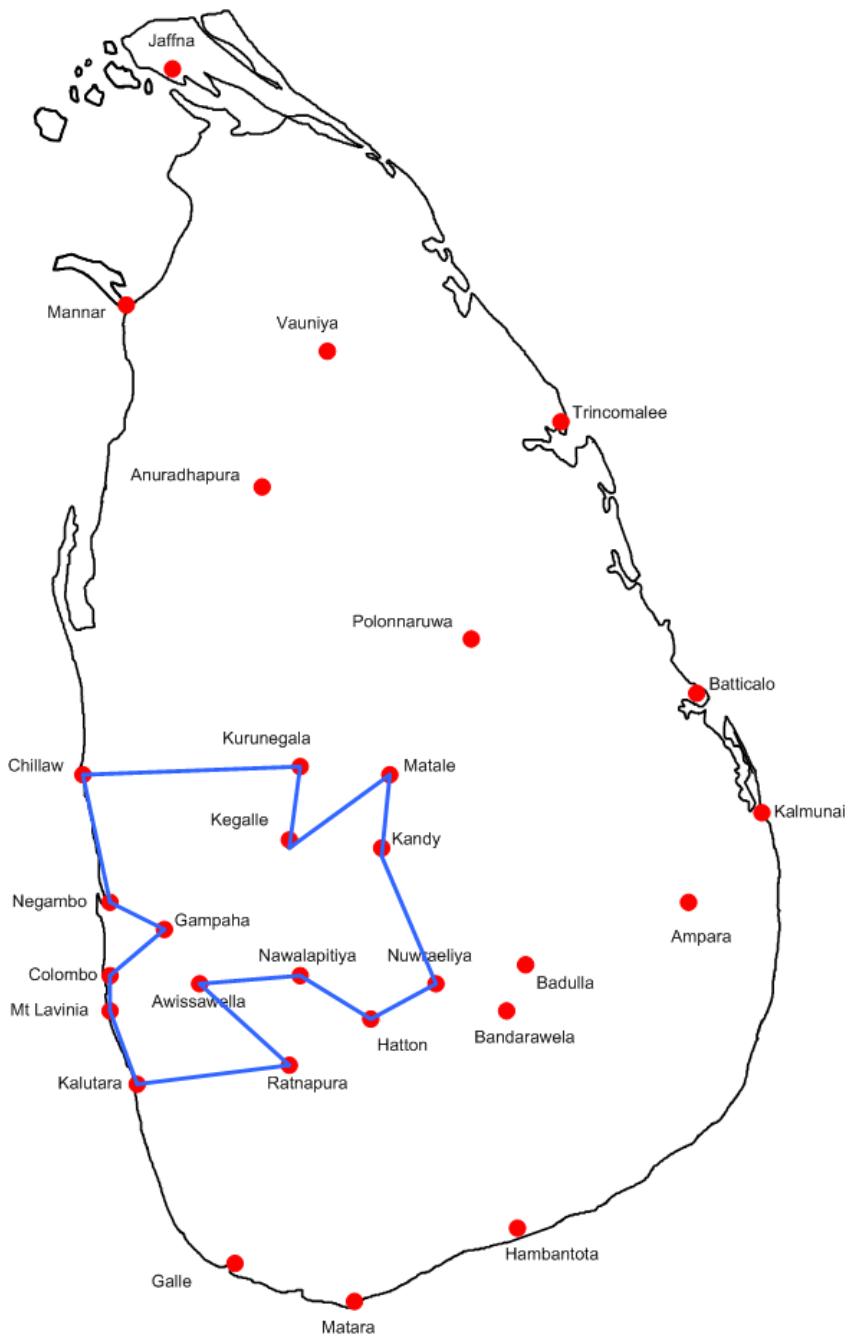


Supply-side indicators in context: “competition” drives the sector



BUT.....regulatory (governance?) challenges

- Back bone: fiber optic network
- Towers etc in North & East
- Time-consuming regulatory approval process for construction of towers/base stations: “ *There is demand – huge demand – for our services – BUT the red tape slows our progress*”
- Releasing of CDMA spectrum slow: 11 districts out of 25



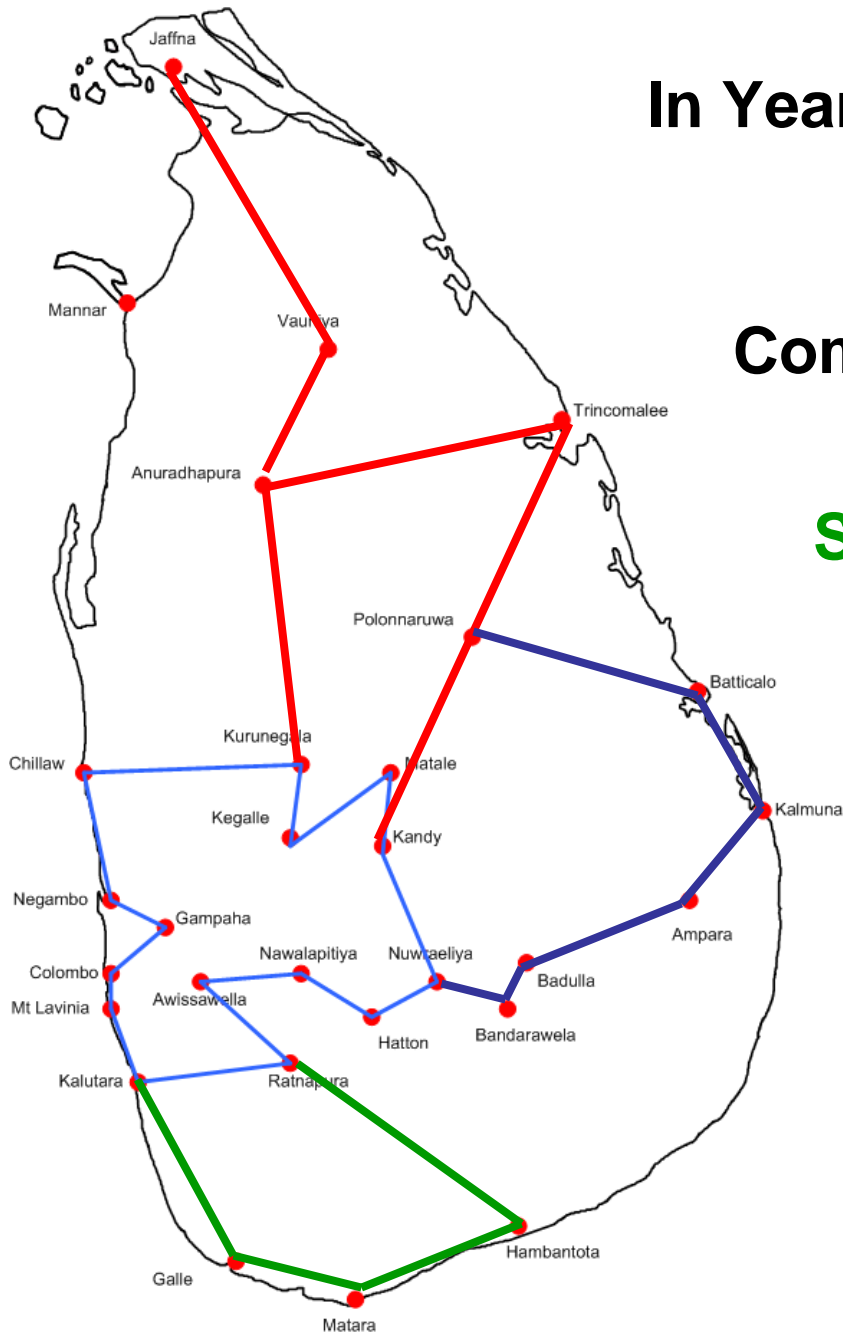
In Year 2007

Completion of Three Rings

Southern Ring

North-East Central Ring

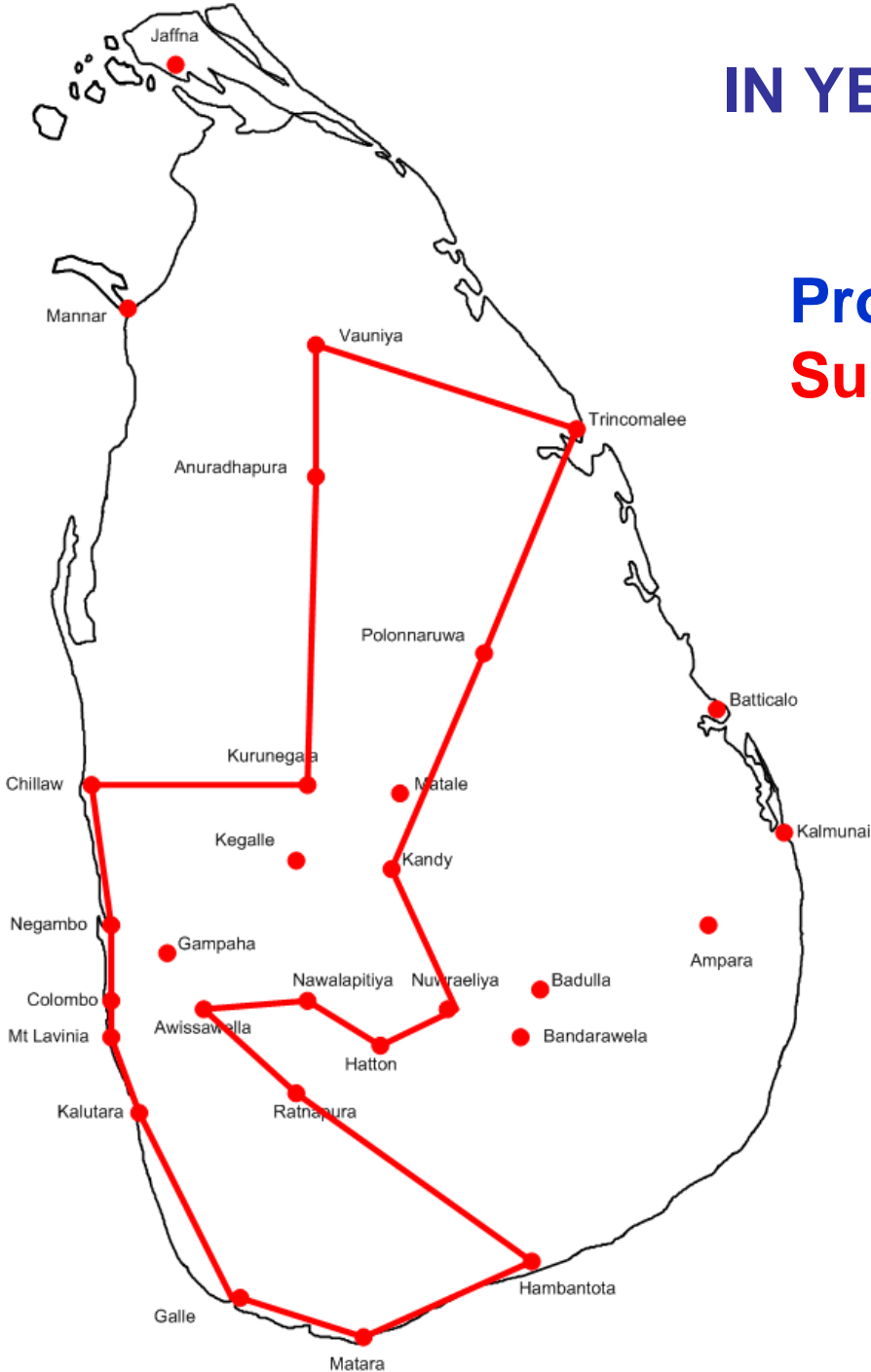
East – Uva Central Ring



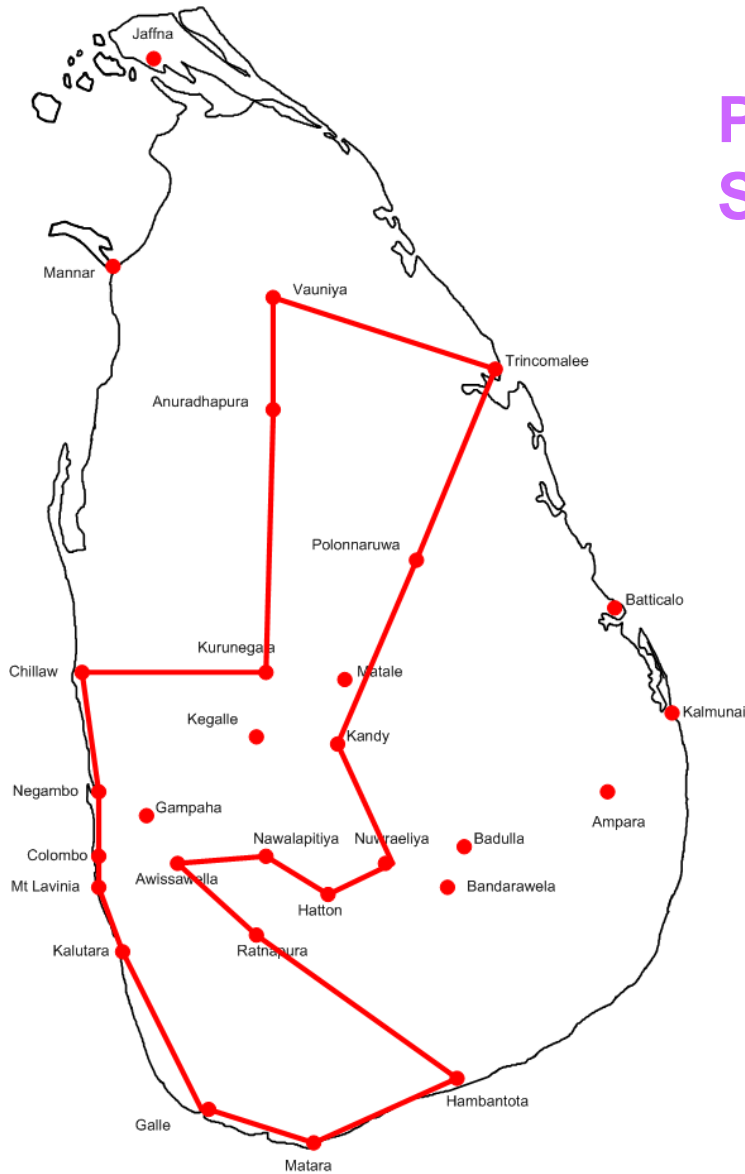
IN YEAR 2008

**Proposed Optical Fiber
Super Highway Network**

**Using additional fibers of the
4 rings one high speed
(STM – 64) ring is proposed**



Proposed Optical Fiber Super Highway Network



Using additional fibers of the 4 rings one high speed (STM – 64) ring is proposed

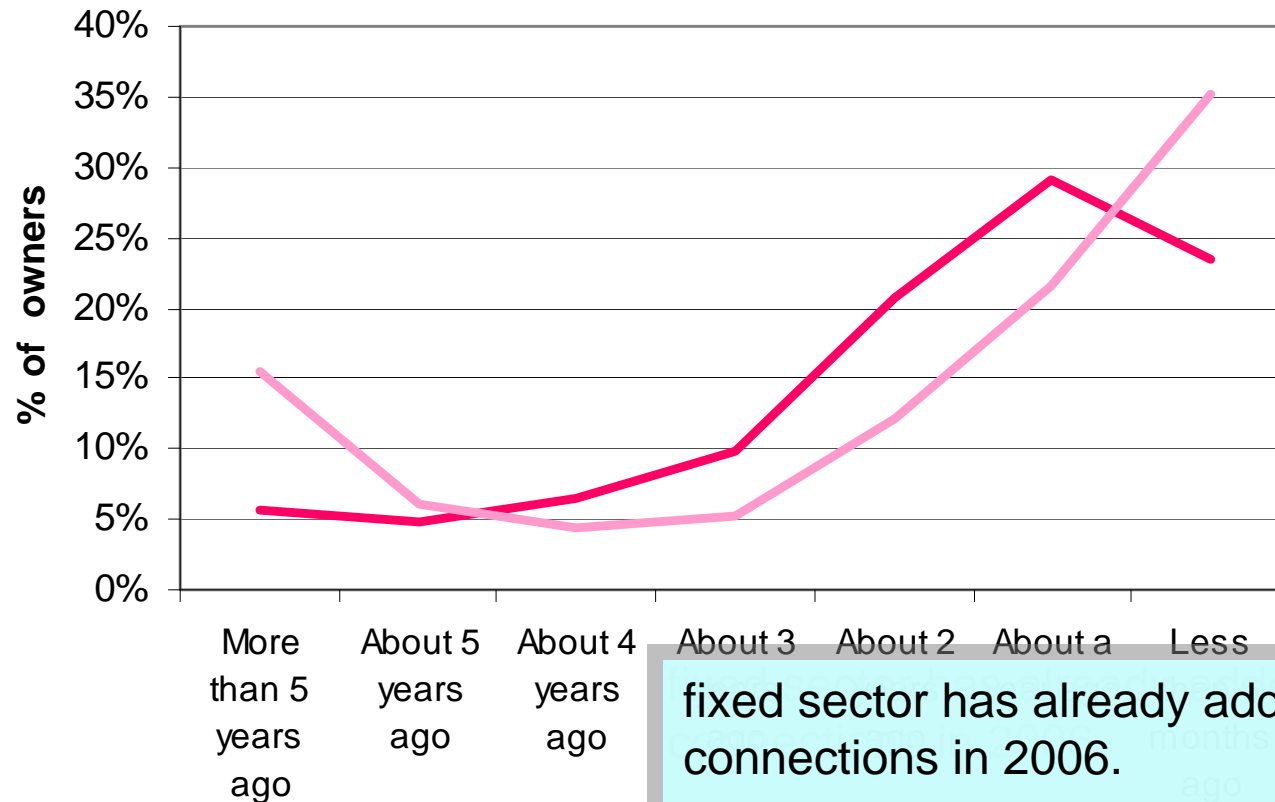
Target date: 2009

Bottom line.....policy/regulatory actions

- Competition: e.g. tied sales between “fixed” incumbent and mobile player (cross subsidization)
- Fast track towers approval process
- Fast track CDMA spectrum releasing process
- Political stability- investment nexus : Is the North **really** switched on as of December 26, 2006?

Tapping into the bottom of the pyramid: case for fixed/CDMA?

When connection was obtained: (Sri Lanka)



fixed sector has already added 265,000 new connections in 2006.

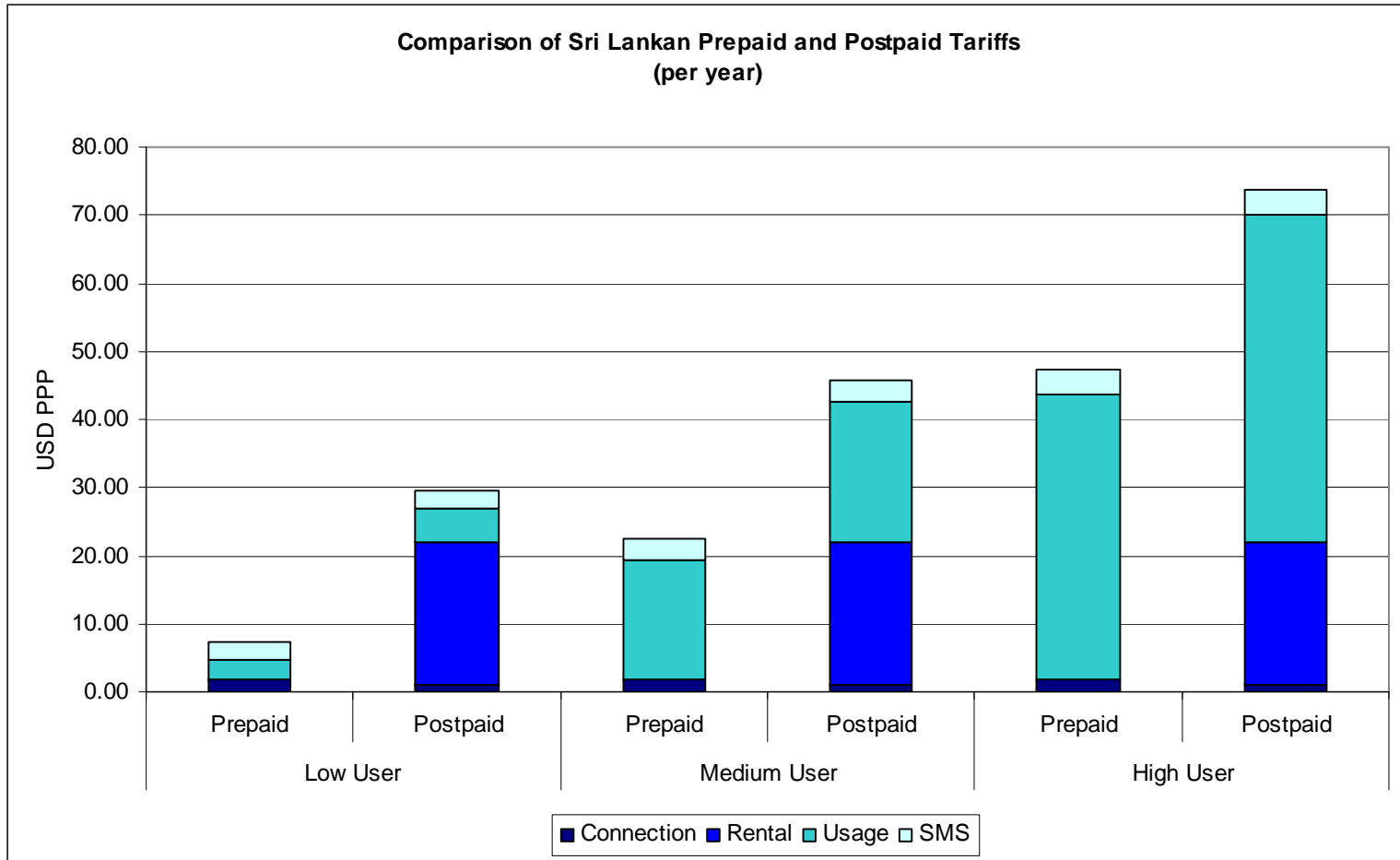
Mobile growth within BOP appears to be slowing

BOP is prepaid

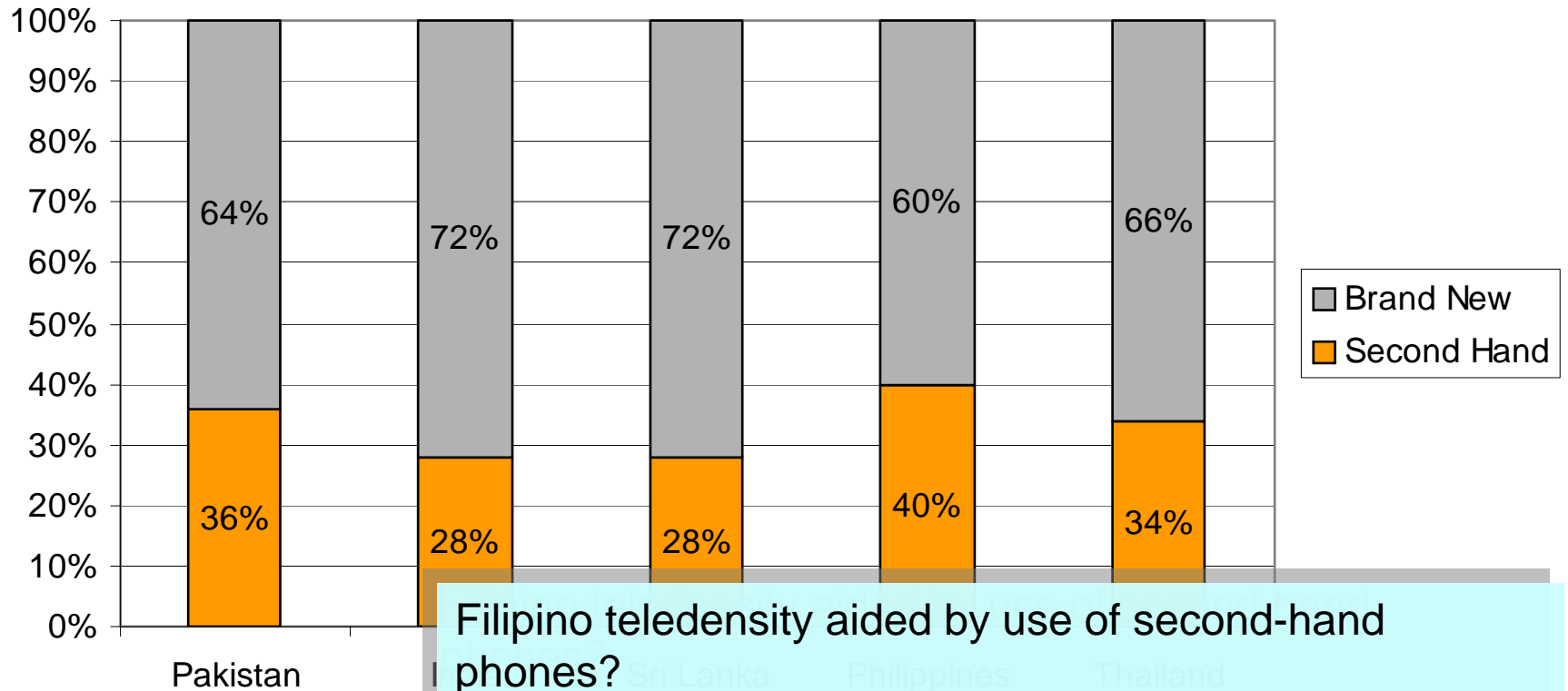
	Pakistan	India	Sri Lanka	Philippines	Thailand
Pre Paid	99%	95%	92%	99%	96%
Post Paid	1%	4%	8%	1%	4%

Sri Lanka BOP has largest share of post-paid

Pre-paid all the way...



Use of second-hand mobile handsets



Filipino teledensity aided by use of second-hand phones?

Ave. cost of a second hand phone (vs. Brand-new):

Sri Lanka – USD54 (vs. USD93)

Philippines – USD45 (vs. USD99)

Improving access at the bottom of the pyramid...

- Speedy roll-out of CDMA phones (“fixed phones” are a “status symbol in Sri Lanka)
- Low-cost handsets: remove license prohibition on importing second-hand sets
- Practical “governance” (approval) issues with operators and government agencies at the local level
- Attracting investment: macro climate, TRE: improve perceptions on sector regulation: credible, timely regulatory actions (Sri Lanka vs. Pakistan)