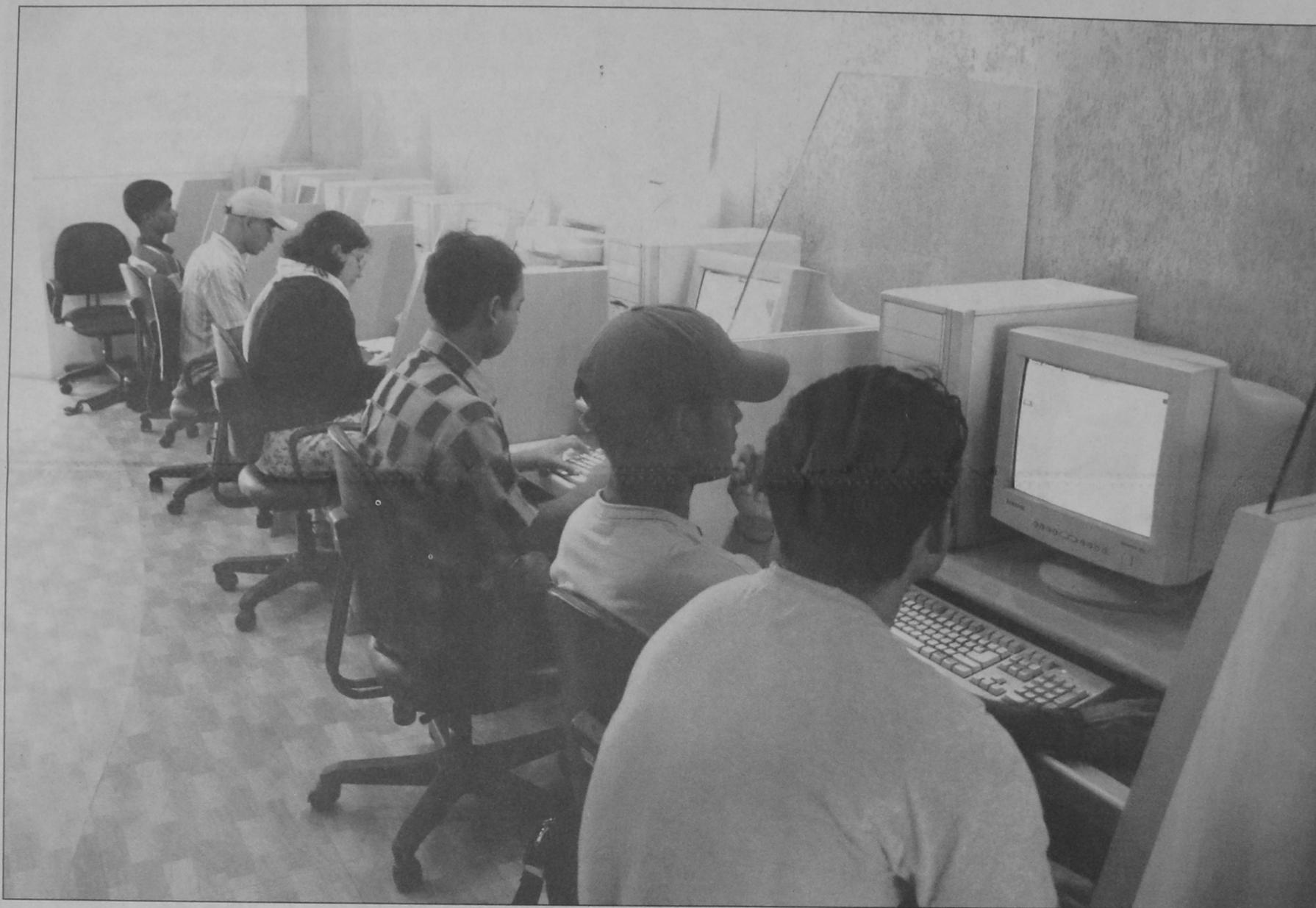


# Internet *penetration* inhibited by high pricing



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**W**HEN I was asked to write a piece on Internet penetration in Bangladesh for our anniversary issue, I was pretty excited about it. But my excitement dimmed when I started collecting data on the topic, simply because there were no specific data available on such an issue. No research done, no reports published as if no one was even bothered about it.

Bangladesh was behind schedule in many ways in the case of Internet. Just the way we were late in getting connected to the submarine cable, Internet also came late to Bangladesh.

Bangladesh saw Internet for the first time through dial-up connectivity back in 1996. But for the past years there has been a dramatic growth, obviously from a very low user base.

In 1993, three companies started providing e-mail services using UUCP (Unix to Unix Copy Protocol) dial up connection. In that year, Drik Online Limited first started its e-mail service. After Drik, Prodesta and Agni came up with similar services. V-sat based Internet service was initiated in June, 1996 by ISN (Information Services Network).

In July, 1996, Grameen Cybernet started its operations. Subsequently some other UUCP service providers started on-line services.

According to ITU (International Telecommunication Union), a leading United Nations agency for information and communication technologies, Bangladesh had 450,000 Internet users as of September 2007, which gave us 0.3 per cent penetration.

But according to '2007 South Asian Broadband and Internet Market report' conducted by Data Resources Incorporation, there is an estimated user base of around 600,000 by end-2007, representing only a 0.4 per cent penetration.

So roughly we can say that at present we have a market penetration of 0.3-0.4 per cent, which back in the year 2000, was 0.1 per cent having 100,000 users resulting in 350 per cent user growth (2000-2007).

The local Internet industry has introduced Broadband back in 2000 through DSL (Digital Subscriber Line) technology, which provides digital data transmission over the wires of a local telephone network. AccessTEL and subsequently some other service providers introduced Broadband Services in Bangladesh through wireless working on

non-licensed frequency.

We have come a long way since then; at present most of the Broadband connections are being shifted to fibre optic networks. Although broadband Internet is still in its early phase in Bangladesh, we are preparing to move into the next stage of its development, the WiMAX services.

Like mobile phones, Mobile Internet, the technology to access the Internet using a mobile wireless modem, either integrated into a mobile phone or in an independent device using the mobile phone network, also revolutionised the local Internet industry.

As connectivity is one of the main issues for providing Internet access to the rural areas of the country. The Mobile Internet has the advantage of needing no additional infrastructure. All it needed was the mobile phone network, which was already there.

Bangladesh saw the Mobile Internet for the first time in late 2006, which last year gained quite a momentum. Now mobile operators are offering Mobile Internet services, which is not as fast as 3G or HSPA (High-Speed Packet Access), but has become widely popular because of its wide coverage and mobility features.

According to Pyramid

Research, the number of mobile internet users is growing at a 50 per cent pace annually. It is expected that the number of mobile internet users will reach 800 million by 2011, which will represent 63 per cent of all people connecting to internet in Asia.

But at present the growth of the Internet in Bangladesh is hindered by the pricing of the service. At present the Internet price is outrageously high.

The long awaited connectivity with international submarine cable has done little to improve the pricing of Internet and improve the quality of internet services.

Small software companies having less than 50 employees need at least 1Mb monthly bandwidth, which has a present cost of around Taka 80,000-1.0 lakh per month without VSAT backup and goes up to Taka 1.8-2.0 lakh with at least 50 per cent backup, which is almost 30-50% of its operating cost.

The factor of VSAT backup came into the scene since we got connected to the submarine cable link, SEA-ME-WE4 in 2006. There have been 22 cases of disruption which questioned the dependability of the present link.

For any company, especially the software or IT Enabled

Services (ITES) companies, Internet connectivity is the 'lifeline' for business operations. Disruption in the Internet Connectivity shuts down all other activities for the business.

Because there is no backup for either SE-ME-WE-4 connectivity or the Cox's Bazar-Chittagong/Dhaka link, the companies tend to lose business confidence of the clients even if there is single hour of disruption. The backup line has become essential for this reason.

In Bangladesh, the pricing both by Bangladesh Telegraph and Telephone Board (BTB) and ISPs are based on port connection speed not actual bandwidth use.

In all other countries, there are two types of pricing both by 'port connection speed' as well as 'billing by actual bandwidth use'.

The current pricing policy of BTB is biased towards high volume clients (like ISPs, telcos). In this segment it is internationally competitive and less than India.

However, since BTB pricing is very adverse for low volume clients, for business and home users, the price is 16-26 times higher than India and other neighbouring countries. The commercial ISPs don't

pass the bulk discount benefit to end users/clients.

There is also no distinction made by BTB or ISPs between 'International Bandwidth' and 'Domestic Bandwidth'.

Currently, any Internet user who connects to any network within Bangladesh needs to pay same rate as for the international bandwidth (though in such case, there is no use of International bandwidth using submarine cable).

Bangladesh Association of Software and Information Services (BASIS) has also been doing some research and analysis on the pricing and related policies of Internet in other countries, particularly for countries who are our competitors in software and ITES outsourcing.

They have already held talks with BTRC and BTB and have put forward the rationale of bringing down the Internet Price. Creating public awareness on the prospect of mass level employment creation though affordable and reliable Internet is also among their agenda.

But we haven't seen such activities undertaken by Internet Service Providers' Association (Ispab), the apex body of service providers, who should have done something on such issues.

But it's not bad all the way. In a recent interview to The Daily Star, Major General Manzurul Alam (retd), chairman of the Bangladesh Telecommunication Regulatory Authority (BTRC) highlighted the issues of high bandwidth price for internet connections and the reliance on a single submarine cable and the limited power of the regulator.

The BTRC chair also termed the BTB's (Bangladesh Telegraph and Telephone Board) bandwidth price as 'abnormally high' and said it should come down to Tk 10,000 per mega bites (Mb) from the current Tk 80,000.

Coming from the BTRC chairman himself, this is a very hopeful sign for Bangladesh; and sources also revealed that a new pricing policy is underway and will hopefully be effected in the next 5-6 months' time.

If the price of the Internet comes down, BASIS believes there is a possibility of creating over 100,000 jobs and additional US\$ 500 million can be earned through software export and outsourcing within the next three years.

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