

# Digital dreams hinge on rural links

The telecom industry in Bangladesh is on the forefront of discussion and debate. On one arm of the scales is the potential of the industry and the burden of SIM tax and handset duty is on the other. After the mobile technology has conquered the urban population, it is a logical next step now to stride into rural regions. But most mobile operators believe the SIM tax is the main reason they are still in the red and hindering rural takeover. The Daily Star roundtable discusses the issues of this industry and the path to a 'Digital Bangladesh' by 2021.

**Oddvar Hesjedal**  
Chief Executive Officer, Grameenphone



The Grameenphone chief said the telecom industry is a big sector for the government, in terms of tax collection because it allows people to pay their taxes electronically.

He said the six mobile operators are collecting taxes for the people, so they just need to sit back and wait for the money to flow in.

"So, it is predictable that the government will be able to earn higher revenues, in line with mobile phone growth," said Hesjedal.

As per the mobile operator's experiences in rolling operations out into rural areas, he said statistics over the last few years show that rural customers are not readily able to bear the Tk 800 per subscriber identity module (SIM) cost. Their spending traits differ from that of urban users and they are hesitant to spend even Tk 100 on the mobile phone a month.

SIM subsidisation does not warrant that operators recover the money within a short time. It takes one and a half years, or even more, to recover the subsidised money from rural and some urban regions. Most interestingly, operators get nothing after bearing the SIM tax, as customers choose to switch to another operator in the mean time.

In regards to the myth that mobile operators remit a huge amount of money abroad, Hesjedal said an insignificant amount of money is remitted. In contrast, ample amount of foreign direct investments enter each year into the country through the mobile sector.

**Ahmed Abou Doma**  
Chief Executive Officer, Banglalink



There has to be a win-win situation in the telecom industry, said Ahmed Abou Doma. However, he said, so far, there is no such luck because five out of the six mobile operators are in the red.

"I agree that the losses are not related to the SIM tax," said Doma, adding, "But SIM tax contributes to at least half of the losses of Banglalink."

When you see five out of six operators losing money, it cannot be a management problem, nor a strategic problem, he said. "We all belong to different groups and came from different backgrounds with varying management styles."

"So there is something wrong in the existing environment of the telecom industry in Bangladesh," he went on.

He cited a World Bank study, which suggests that Bangladesh has the lowest call rate, which is mainly due to competition and price wars among the six operators.

Pointing to the issue of too many operators, he said Saudi Arabia had two operators and introduced a third six months ago. "Why do they have only three operators, despite having purchasing power and a healthy GDP?"

**Ananya Raihan**  
Executive Director, D-Net



The telecom market is experiencing saturation as the country has too many operators in comparison with the number of potential subscribers, said Ananya Raihan.

While there is an opportunity to increase the number of subscribers, not all of them can be brought under connectivity. The operators should try and focus more on presenting value added services.

He said a differential pricing policy is required to appeal to potential subscribers in rural areas.

**Aly Zaker**  
Cultural activist



If it were not for cellular phone connectivity, there would have been no way to reach out to remote villages, not even in the case of medical emergencies, said Aly Zaker. He added e-medical services offered by operators have benefited rural Bangladesh.

**Alloisus Mohan Ramaiah**  
Head of Regulatory Affairs, AKTEL



Alloisus Mohan Ramaiah urged the government to relax regulatory barriers to further growth in the telecom sector. Although the industry has experienced tremendous growth over the years, regulatory barriers remain unchanged, he said.

"Flexible regulations would help the industry grow better."

**Debapriya Bhattacharya**  
Distinguished Fellow, Centre  
for Policy Dialogue



We are only scratching the surface of the immense potential that the telecom sector possesses, said Bhattacharya. This is a sector that can contribute to all aspects of life, such as e-medical services and counselling, e-education, e-banking and many more,

he said, adding that all these diverse aspects make the telecom services a flexible form of technology.

The economist identified three reasons behind the downside in telecom industry growth in 2008 -- tax on SIM, price war among competitors and the crackdown on illegal VoIP network.

Bhattacharya said telecom companies need to be more transparent with their code of conduct to retain a good image with the public. He said although the companies reveal that they have invested around Tk 30,000 crore to contribute to the industry's growth thus far, the sources and nature of these investments should be more transparent.

"I believe most investments were actually reinvestment of resources that were generated within the country during their operations, rather than foreign direct investment," he said.

They also tend to promote themselves as the largest contributor to the national economy, which is untrue, as the largest share of income in the national economy comes from the agricultural industry.

He did, however, applauded the telecom companies for their corporate social responsibility activities over the years.

**Tony Zhang Hui**  
Chief Executive Officer, Huawei Technologies  
Bangladesh Ltd



Tony Zhang Hui said that there is a digital divide between the consumers despite the telecom industry consisting of a large value chain with consumers at the centre. He said this division must be eradicated.

Most countries tend to administer their primary development work in three stages -- power, road communication and telecommunication. The fact that telecommunications come right after power and transport shows the significance the industry receives in other countries.

**M Rafiqul Islam**  
Joint Secretary, Ministry of Posts and  
Telecommunication



M Rafiqul Islam does not believe that the mobile phone operators would record profits once SIM tax is withdrawn.

There are other factors that make an organisation viable and profitable, such as VoIP crackdown and price wars. "You must address all those factors simultaneously."

He, however, said the government is considering reducing the SIM tax.

"We believe that if we can reduce the price, revenues will increase eventually," he said. "The ultimate goal of the government is to earn revenues." There should be a common goal or win-win situation for all.

He said the per minute call charge was Tk 6-7 in 1997, which came down to around Tk 0.75 at present. The teledensity was 0.4 percent at that time, which now increased to 34 percent. As per the ICT policy, teledensity will be increased to 70 percent by 2013.

The ministry is working with that mission and vision in mind. "What the government can do is facilitate infrastructure and the private sector. The mobile operators will use that infrastructure. Accordingly, teledensity and other activities will increase in the country," he said.

**Taslim Ahmed**  
Deputy General Manager,  
Corporate Affairs, Citycell



The SIM tax, borne by mobile operators but supposed to be paid by customers, can be seen as a revenue earnings scheme for the government, Taslim Ahmed said.

"We subsidised the tax as we wanted to maintain growth. But we do not wish to subsidise any more, as we now target rural customers. If we pass on this tax to rural customers, a SIM card will cost Tk 800 to Tk 1000, which they will not be able to afford," Ahmed said.

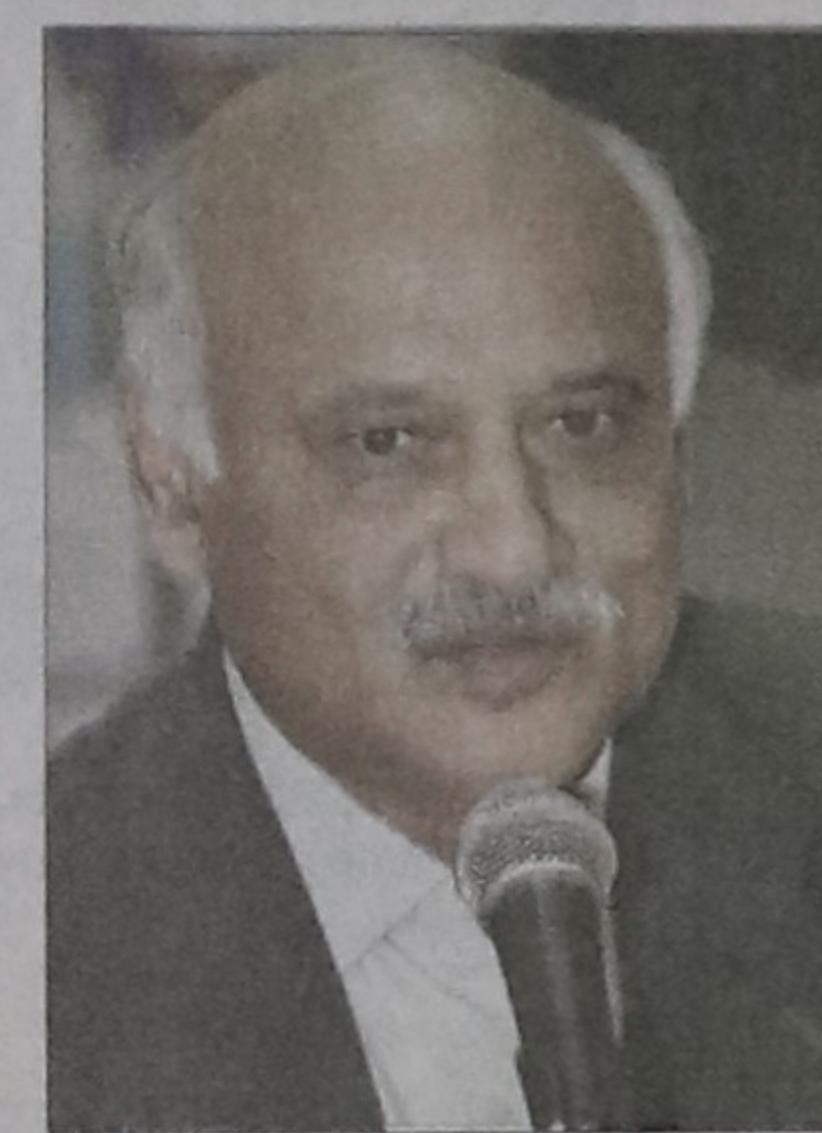
He said a large portion of the market would be deprived of the mobile technology.

"And if this large segment, the largest share of the pie, will not have access to mobile phones or the latest communication technologies, how do you think the country is going to be digitalised?" he questioned.

On infrastructure sharing, he said many operators are sharing their infrastructure as per the Bangladesh Telecommunication Regulatory Commission (BTRC) guideline.

The mobile phone is the best vehicle to reach out to people and connect them via voice and data because the telecom industry has the largest infrastructure and network coverage across the country. As such, he said, "It has the ability to convert a million probabilities into realities," he said.

**Dr Mifahur Rahman**  
Chairman, Electronics and  
Telecommunication Department,  
North South University



Mifahur Rahman said the mobile phone operators, in principle, can come forward and tie up their business policies to the government's agenda of Digital Bangladesh.

"We would like to see the ultimate benefits -- the benefits of raising our education and research values," he said.

Rahman suggested intercompatibility between the six operators to benefit both the mobile industry and society.

**Muneer Farooqui**  
Chief Executive Officer, Warid Telecom  
International Ltd



The government should impose a monthly surcharge on mobile phone use, instead of SIM tax or mobile handset duties.

The government receives a one-time payment from the SIM tax, during activation of the SIM. But the government can receive revenue every month if it "puts surcharge on mobile phone use instead of SIM tax and duty on handset."

The surcharge could be fixed as a percentage, or Tk 1 or Tk 5 per month,

per customer. There are 45 million customers and if each pays Tk 5, for example, one can simply do the math to get the result. It would take teledensity to the next level, he said.

"We did not expect the duty on handsets. It came as a total shock for all of us."

The handset duty could be reconsidered to make them more affordable for the poor.

"It's a total no-win situation for all," he said. "If the government withdraws SIM tax, there will be win-win situation for all of us in the long run."

**Ahmed Mushfeq Anam**  
Managing Director, X-Fer Ltd, and  
Representative, Nortel Networks Netas



The mobile phone has changed the lifestyle of urban people to the level unmatched by any other sector, said Ahmed Mushfeq Anam.

But, he said, it will not be possible for rural people to afford connectivity if the proposed duty on handsets is implemented in the next budget, he said.

"Now it's time to reach out to rural areas, to give them an opportunity to use the mobile technology," he said.

"The government should not impose the duty on mobile phone handsets because the revenue output of a rural person is around Tk 2,000 to Tk 3,000 a month," Anam suggested.

He also suggested the mobile phone operators share their resources or infrastructure to minimise costs. "Competition does not mean you should have separate resources and infrastructure in the same area. You can use the same resources on a sharing basis and help each other in reducing the cost," he said.

**Nahid Ahmed**  
Representative of Bangladesh Association  
of Software and Information  
Services (BASIS)



Bangladesh has immense potential to grab control of the global technology market, but requires minimal taxation on technology, said Nahid Ahmed.

He said technology must be made available at cheaper costs as the country currently suffers from a lack of technology. He pointed to infrastructure sharing by the mobile operators to cut losses and make businesses more viable.

BTRC introduced the infrastructure-sharing policy last year in a bid to ensure operators' cooperation in the case of network sharing. Under the policy, operators are bound to share infrastructure, if any other operator advances.

**Md Rezaul Quader**  
Director of Bangladesh Telecommunication  
Regulatory Commission (BTRC)



BTRC is trying to provide policy support to the information and communication technology (ICT) sector. The mobile phone sector is not separate as it also provides different IT based services, said BTRC Director Rezaul Quader.

BTRC also wants to reduce SIM tax, Quader said. "However, we should also consider that the government needs money."

**Raihan Shamsi**  
Chief Corporate Affairs Officer,  
Grameenphone



There is no alternative to nurturing growth of the mobile technology to achieve the government's target to digitalise Bangladesh by 2021, said Raihan Shamsi.

He presented a keynote paper on "Mobile Phone Industry as Development Partner in Bangladesh".

Shamsi blamed the SIM tax for the stagnant mobile market. He said after the operators decided to discontinue bearing the SIM tax, the market witnessed a 3.5 percent negative growth in September-October 2008.

"Low income groups can afford the mobile phone services as tariff was reduced to Tk 0.75 at the end of 2008," he said. "Despite lower tariff, the tax burden on the industry has marred growth."

He claimed that in terms of tax burden, Bangladesh is on top in South Asia, followed by Pakistan, Sri Lanka and India.

According to him, the mobile industry may penetrate more than half of the population to 56.5 percent or 95 million by 2013, if the SIM tax is waived in the final budget. The government can earn an additional Tk 5,000 crore by 2013 if the tax is removed.

**Mahfuz Anam**  
Editor and Publisher,  
The Daily Star



Now is the time to provide the cheapest possible connectivity to the rural population, said Mahfuz Anam, editor of The Daily Star.

"Our future growth lies in the rural area. So any rationale for any cost cutting to penetrate the rural areas is the biggest justification," Anam said.

"The real beauty of the mobile industry is that it is far bigger than its own economy. It is cultural, it is educational, it is health, it is interpersonal, it is keeping yourself in touch with your friends and relatives, and listening to music that you like. It has a far bigger dimension."

"I think we have failed to appreciate ... the enormity of the technology and diverse opportunities that it provides. That, I think, has also been a failure of the media. We are talking about political empowerment," Anam said.

"Barack Obama practically won his election over the mobile telephone. He earned so much of his election funding through mobile connectivity. The internet in mobile phone played a very big role in his election," he added.

"Our next target is expanding the telecom service into the rural areas. It is linked with our vision of Digital Bangladesh, it is linked with our progress and it is linked with our becoming a far more democratic society than we have been before."