

Telecom players may merge in future

Citycell CEO shares his thoughts on voice and data service industry

ABDULLAH MAMUN

THE telecom industry in Bangladesh might witness mergers, acquisitions and liquidation in the near future, said Mehboob Chowdhury, chief executive officer (CEO) of Citycell. It is not possible for six mobile operators to exist in this small market under the current situation, he said.

"I guess in future the number of mobile operators in Bangladesh will be less. Companies would merge."

"We are still doing business because we have no option. A huge amount of investment has been made by this time. We can't stop a billion dollar investment," he said.

Chowdhury recently sat with The Daily Star to discuss the market situation, third generation (3G) mobile technology, relationship among the operators, the vision of a Digital Bangladesh and broadband issues.

Even with most companies in losses, there is often talk of new mobile companies making an entry. On this, he said, "This may just be for a lack of knowledge on the market. Let them come and see the pain and constraints in this market."

"The telecom operators of Bangladesh could not express their prospects to the people as well as the stakeholders; this is our failure," he said.

"We could not present our problems precisely to the government or to the regulators, and did not get consideration."

The relationship among the operators is good, he said. "All respect each other, but there is a lack of belief."

"Maybe in the past we came to a common decision but later on, some of us broke it, so trust among the operators has reduced," he added.

The SIM tax is still the main challenge of the mobile industry though the current government has reduced it this year to Tk 200 from Tk 800, he said.

The government will earn revenue nonetheless, but the process should be considered so that the losses of the companies can be reduced, he said.

"The mobile operators were doing well in the first seven to eight years, but after that, almost all the operators are facing losses," he said.

The government should consult with the telecom players on how it would collect more revenue, he said.

On Citycell's business, he said it is concentrating on the data business. At the same time, the voice service will also run, said Chowdhury.

Data is the future of the telecom business. It has the power to make people's lives flexible and easy, he said.

Chowdhury said high-speed internet can reduce discrimination between the rural and



Mehboob Chowdhury

urban students. All educational institutions should be connected through the internet so that the same syllabus can be facilitated across the country. Urban and rural students would get the same standards of education, he said.

The people who are still out of the banking channel can be banked through the help of the internet. The banks are using the internet at their local branches as well, he said.

Villagers should get the facility to receive cash in no time, whether it came from Dhaka or Dubai, he said.

Health services can be improved through the internet as well, he said. Using broadband, the rural people can get consultations from specialized doctors.

Even though the corporate houses are connected through the internet, the small and medium enterprises should also get the same broadband service.

He said a businessman in Comilla can get any kind of supply order from a big business in Dhaka with the help of broadband. And Citycell wants to work in this case, he added.

Citycell will set up servers and provide solutions to the SME's at the rural areas. It will increase online delivery or service.

Policy support is needed to spread broadband through out the country, he said. For exam-

ple, he said existing operators should get the opportunity to provide infrastructure sharing with others where the Nationwide Telecommunication Transmission Network (NTTN) providers are still absent.

NTTNs are responsible for providing fibre optic cable connectivity for the service providers through out the country.

When asked to comment on the government offering 3G technology in June after an open auction, he said, "Internet should be dispersed upon the use of 3G, as we want to use technology as a means of economic development."

"The licence fees or spectrum charges should not be high. It will increase the cost of services."

The Sri Lankan government offered 3G frequencies for all operators for \$5 million only, he said. The Bangladeshi government can think that way too, he said.

The 3G auction in Hong Kong is also a good example, he said, which was designed on how much revenue the operators could share with the government rather than frequency pricing.

He requested the government to not have a target to earn a hefty sum by selling frequency; rather, it should fix a target to earn from the service every year, he said.

Recently, Bangladesh Telecommunication

Regulatory Commission Chairman Zia Ahmed declared to the media that the commission wants to earn Tk 1 billion by selling 3G frequency on auction.

Citycell is already serving EVDO (Evolution-Data Optimised or Evolution-Data only, which is a telecommunications standard for the wireless transmission of data through radio signals) that is equivalent to 3G.

The reason Citycell is interested in 3G is because "we want to come out from device constraints."

CDMA (Code Division Multiple Access), Citycell's current technology, does not support all kinds of devices. People should get the opportunity to choose devices, he said.

On whether Citycell is thinking about going for the GSM technology and applying for 1800 Megahertz band frequency to BTRC, Chowdhury said, "We are providing 3G already. But we will have to think what technology would be the best in the Bangladeshi data business."

"We did not apply for 1800 band yet."

He proposes to go for the 4G (fourth generation) technology directly on a trial basis.

4G is a technology that provides high speed data transfer that is faster than 3G. It is also called the Long Term Evolution or LTE.

If we work together for 4G, we will not have to invest two times -- that is, for 3G in the first phase and for 4G in the second phase. This is also beneficial as it will converge all technologies into the internet protocol (IP) based technology. There will no differentiation between the different types of wireless technologies, such as GSM, CDMA, WCDMA or WiMax, if the country provides 4G, he said.

"Maybe it is my dream, but why don't we take a chance and see if we can go for LTE directly."

Choudhury said, "All the operators are not prepared yet for 3G. But I believe it is possible to convert equipment for 4G if you tell the vendors."

The only challenge to adopting the LTE is the device, which is not available as yet, but the data cards (internet modem) are available, he said.

He said LTE can be used in any frequency. Operators and the regulator should interact more on this issue, he added.

On the issue of building a 'Digital Bangladesh', he said the government wants to extend broadband to the every corner of the country through fibre optic cables. But the capital expenditure for fibre cables is very high, he said.

The mobile operators have already reached out to every corner, he said. Broadband through the wireless technology (mobiles) can be provided within a short time, he added.

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Telcos on edge as stalemate lingers over licence renewal

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TELECOM operators in the country are anxious over licence renewal that is pending with the High Court due to disputes between operators and the regulator. The licence was supposed to be renewed by November 10.

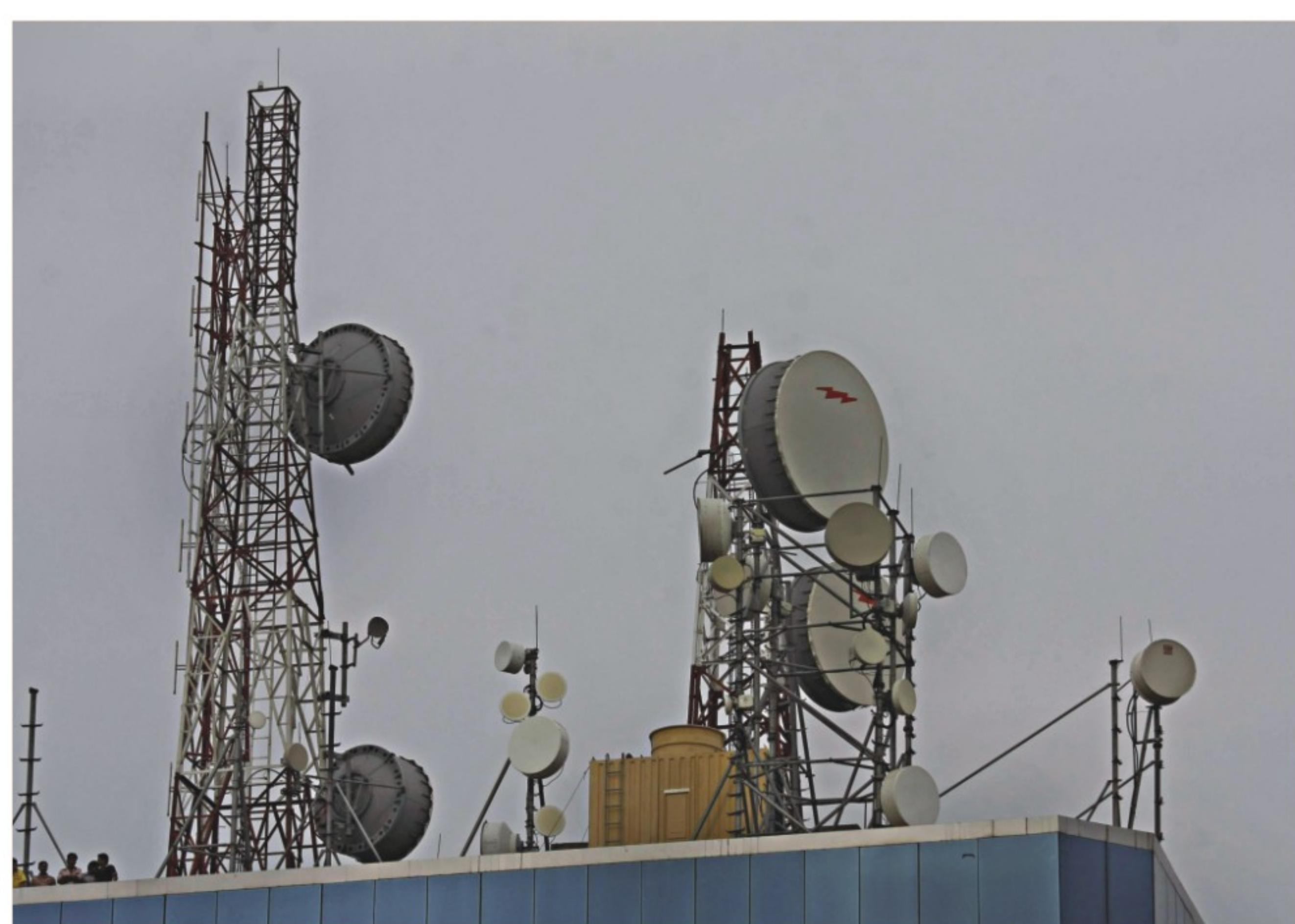
The delay in licence renewal is slowing investments in the telecom industry and discouraging the operators from launching new products. The operators are unable to present their licences to the banks, from whom they took the money to pay for renewal, mobile company officials said.

As of November 10, the operating licences of four mobile companies -- Grameenphone, Banglalink, Robi and Citycell -- have expired. At present, they are operating under an order from Bangladesh Telecommunication Regulatory Commission.

A dispute over the payment of value-added taxes between the operators and the regulator is pending with the High Court, which is delaying licence renewal.

A BTRC official said the VAT issue is related to all revenue sharing and licensing issues and will affect about 900 licensees of BTRC.

The four mobile operators paid a combined Tk 3,185 crore, which is 49 percent of the licence renewal and spectrum charge, in November to BTRC. The regulator has already



deposited the money with the government exchequer, said its officials.

Also, BTRC claimed Tk 236 crore from Grameenphone and Tk 47 crore from Banglalink in charges for the allocation of additional spectrum in 2008. These two companies dis-

agreed to pay the extra money as they said the issue was settled in 2008.

But BTRC stuck to its claim, which led the operators to take the issue to court.

"All the operators have provided a large amount of money to the government but we are not getting the

licences," said Mehboob Chowdhury, chief executive officer of Citycell.

"We are much apprehended."

"It has made the telecom industry impatient. It will be good for all if the problem is solved in a short time," he said.

Chowdhury said this is true that

the regulator cannot provide the licences to the operators due to an administrative difficulty, but the investors are creating pressures to get the licences.

"We could have reached a solution if we had discussed the VAT issue more with the government," he said.

Kazi Monirul Kabir, chief communication officer of Grameenphone, said, "You will have to keep the extra money in hand, whether you get a positive or negative result from the court." If renewal takes more time to solve, it will affect the company's cash flow and the company's balance sheet the next year, he said.

As a listed company, Grameenphone has some obligations to its shareholders as well as its investors for the lengthy renewal process, he added.

Mahmudur Rahman, executive vice president of Robi, said the whole situation is uncomfortable for the industry.

Barrister Khandaker Reza-E-Raquib, a lawyer of BTRC, said, "We want to settle the issue very fast."

In the first week of January, the High Court would hear the case, he hoped.

He said the Appellate Division had given a direction to the High Court to solve the issue in December 14. The High Court took the case in its list but could not hear due to other cases, Raquib said.

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