

## Policy challenges to empower the market

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200 Gbps to around 400 Gbps, in just over a year. Despite such progress, Bangladesh's position in the global ranking is not encouraging. In the recently released ICT development index 2016, prepared by International Telecommunication Union, Bangladesh has been placed at 145, among 175 nations. It's quite disappointing to observe that Bangladesh has moved down in the index by two positions. Moreover, the disruption of internet services over 25 days in 2016, as reported by the Brookings Institution, is also a cause for concern. This emerging infrastructure is going to be as important as the physical infrastructure. In many situations, this infrastructure is going to open new opportunities, as well as work as a substitute to physical infrastructure—reducing pressure and pollution. Relevant observations and policy issues are to be taken seriously to make intelligent use of private and public investments.

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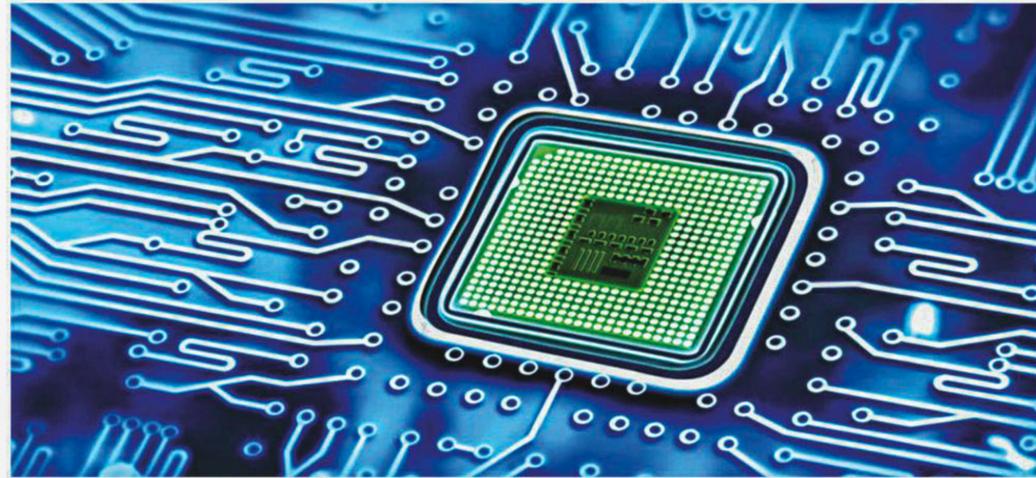
more than 200 private operators in the sector as opposed to just a single state-owned operator 30 years ago. Despite the rapid growth of private operators, there are concerns about the state of health of the competition of the sector and the role of governance. The shrinking operators' base in the mobile space is a cause for concern. Finding ways to create possibilities of competition to enable smaller operators to be profit-

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able through offering higher quality products at lower costs should be a priority for policymakers. Is the dominant operator in a position to set the price to make healthy profits, while forcing other operators to take lower prices and incur loss? It's time for the government to look into these matters and take necessary steps to strengthen the competition force.

The role of state-owned operators in market led reform of the sector should be an issue for careful consideration. It may be wise to clarify the role of public fund and state-owned operators to encourage the competition of private investment. If private operators are in a position to offer better quality service at lower costs in an inclusive manner, what should be the role of state-owned operators? Due to the weakening of competition, if the market ends up in private monopoly, what could be its implications?

The NTN segment is vital for the growth of competition and lowering per unit cost—in both the upstream and downstream segments. Demand aggregation is vital to benefit from scale advantage to minimise the unit cost. Instead of laying multiple pair of fibres, it would be much more prudent to deploy single pair, as that is good enough to carry the traffic of the whole nation. But the deployment of nationwide fibre for a single company does



not appear to be financially viable. Ways to engage multiple operators, certainly more than two or three, to deploy fibre optics network connecting every village, without causing unnecessary redundancy, has been an issue for the sector. How will the network, deployed by public fund, be maintained and operated? This is a concern as the operational performance of the state-owned operator/s has been an issue.

Despite the rapid reduction of wholesale bandwidth price from BDT 2800 to BDT 625 for each Mbps, the reduction of bandwidth price for mobile users is insignificant. Necessary policy options should be evaluated to have proportionate reduction of bandwidth price at the consumer end. Although internet subscription and bandwidth consumption have increased the use of internet for productive purposes should get due focus. It has been found that to make internet a productive tool for farmers to learn improved farming techniques to increase productivity in a profitable manner, bandwidth price should be reduced to less than BDT 10/Mbps. Inclusive delivery of bandwidth at less than BDT 10/Mbps is essential to meet Vision 2021 in diverse areas like education, e-governance, health, and employment generation. Instead of being content with the growth of mobile internet penetration,

policymakers should look into issues to intensify the competition in the wire line segment to offer bandwidth at a suitable price to unlock economic growth potential at the bottom of the pyramid.

It has also been observed that infrastructure operators, particularly mobile operators, have the tendency to penetrate in segments other than those they have been licensed to. Despite the technical and financial capability of these operators, the policymakers should take into consideration optimum market structure and boundary of operators to maximise the benefit from competition and functional specialisation.

Although the primary reason of opening the telecom sector to market forces was to attract private capital or foreign direct investment, the market led growth of the ICT infrastructure has multi-dimensional benefits. With the given financial situation, there might be temptation for the government to increase the public fund flow, crowding out the competition, to address development mandate. Although market makes better usage of resources, developing healthy competition force in the ICT infrastructure market is quite challenging, as the sector has a natural tendency of monopoly. On one hand, policy should pay attention to demand aggregation to benefit from scale and scope; on the other, the market power

accumulation for having price setting capability should be seriously addressed. Instead of regulation, focus should be on creating suitable market structure and defining boundary of firms to benefit from competition. The convergence of technology and services should also be taken care of. In the absence of the voice revenue, the viability of profitable competition of access network operators is also a challenge.

Instead of regulation, the focus should be on nurturing possibilities of profitable competition to offer better quality products at lower cost, by taking the advantage of scale, scope and innovation. Instead of increasing the supply of public fund to address inclusiveness and low cost connectivity issue, the strategy should be to opt for smart policies to strengthen competition of private investment to benefit from scale, scope and innovation. Although capital and regulation are vital in developing and operating physical infrastructure the major challenge in building and operating ICT infrastructure is to opt for smart policy options to offer better quality service at a lower cost—to maximise the leverage of ICT as a development tool to meet Vision 2021.

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