

Regulating performance in the telecom sector



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THE telecom sector in Bangladesh, particularly the mobile telecom business, has experienced rapid growth over the last couple of years. The price of telecom services has been falling over the years, resulting in more subscribers availing more services from these operators. According to the data published by Bangladesh Telecommunication Regulatory Commission (BTRC), there were 15 crore mobile subscribers in Bangladesh in June 2018.

Effective regulation has been instrumental to this growth journey of the telecom companies. The mobile telecom sector in Bangladesh is regulated by the BTRC, which started operations in January 2002. Among its many duties, the BTRC is responsible for regulating the sector to ensure the attainment of economic and social objectives of each stakeholder, including customers.

An effective regulator is also responsible for encouraging the market participants to innovate and create new products and services. The innovation may also lead to a new business model. An effective regulator assesses such business models objectively and creates an environment for those business models to operate. An effective regulator should also champion continuous learning. Many new innovations are taking place around the world in the telecom sector. The regulator should learn from the experience of other regulators, and should encourage telecom operators to learn from experiences of operators in other countries.

For example, regulatory technology is fast becoming an enabler for improving regulations, regulating the performance of market participants and improving stakeholder experiences. Regulatory technology

is popularly called RegTech, a new field of work that promises to leverage technology for enhancing regulatory processes.

For policymakers and regulators, the challenge of regulating rapidly transforming businesses can be addressed effectively by RegTech. While the principal regulatory objectives remain unchanged, the traditional methods of achieving those objectives are becoming irrelevant in this fast-changing world. The tools applied for decades are bound to lose relevance in the near future. Sustainable adoption of RegTech will help the regulator to stay relevant and will aid progress on some of the national objectives, such as Digital Bangladesh.

Most of the regulators around the world have been relying on tools that digitalise data collection and reporting processes, primarily around compliance processes. Such initiatives were driven by a goal to reduce costs and cycle time. However, the potential of RegTech is far greater. It can create a new regulatory regime that works faster to identify risks, report issues and assure provenance. RegTech can create an environment where compliance will no longer be a periodic activity, say once in a year, but an ongoing activity where deviations can be reported every day.

Managing the identity of customers is an area where RegTech is being used most extensively. Telecom operators in Bangladesh today manage their own customer databases. At times, the same human customer may be listed multiple times in those databases. Additionally, one person may have multiple subscriptions from multiple operators, which leads to their information being stored in multiple databases. Although the regulator has instructed operators to limit the number of connections per national identification number (NID), the process of NID verification is mostly manual. Moreover, telecom operators collected and stored biometric information of subscribers. Such data require special protection from digital theft. RegTech has the potential to simplify such processes. It can authenticate each subscriber instantaneously using the biometric information stored in the NID database without telecom operators having to store any biometric data in their own databases. Such a process can reduce fraudulent



STAR/FILE

A pedestrian talks over his mobile phone in the capital.

registrations significantly. However, it will require regular collaboration between the regulator and data owner for successful implementation.

RegTech extensively leverages new technologies such as blockchain, machine learning and analytics. For example, blockchain technology allows multiple market participants to share data through a distributed ledger and to authorise transactions transparently. Interoperable processes like mobile number portability (MNP) are a good candidate process for blockchain-based implementation. RegTech facilitates sharing of data about a ported number so that both the donor operator and recipient operator of that particular number get information quickly and economically, and terminate each subscriber call successfully. The estimated cost of porting a number using RegTech would be substantially lower than the cost of porting a number using traditional technology.

The telecom regulator today collects and publishes some useful information about the telecom sector. This includes the number of mobile and internet subscribers. Most of this data is collected and published at a monthly frequency. With tower operators joining the business soon, the regulator will also need to collect and publish data pertaining to their

operations. If these companies don't offer their services at an acceptable level of quality, the experience of mobile subscribers will suffer. Hence, the regulator will need to monitor performance parameters more frequently in the future. Proper adoption of RegTech will enable the regulator to monitor the performance of the market participants regularly and take decisions quickly. RegTech will also be able to assist the regulator to foster competition uniformly and consistently in a fair environment.

RegTech is about three years old, yet there are more than 100 RegTech start-ups in the world according to industry observers. The regulator in Bangladesh also needs to engage with the local start-up ecosystem to encourage the development of RegTech products and services. These products and services are going to be not only the regulator's market but also the businesses regulated by such regulators.

There is a significant opportunity to catalyse national growth and inclusive digitalisation using RegTech. By choosing suitable elements of RegTech and adopting it sustainably, the regulator can make itself relevant for the future and assist in national progress.

The writer is partner at PwC. The views expressed here are personal.

German consumers cautiously optimistic for September

AFP, Frankfurt

Strong growth has made German consumers more optimistic about the economy, a regular poll showed Wednesday, but the public remain cautious about their own finances.

A monthly survey of around 2,000 people by pollsters GfK forecast a 0.1-point fall in its consumer confidence barometer for September, to 10.5 points.

Looking to different elements of the survey, consumers "see the economy on a solid growth path" after official data showed quarter-on-quarter expansion of 0.5 percent between April and June, GfK said.

That contributed to a lift in consumers' economic expectations, although the measure remains well short of levels seen around this time last year.

Meanwhile, people's expectations for their own income and inclination to make large purchases both fell.

"Higher energy prices that have driven inflation up to two percent may be drowning out the excellent conditions in the labour market and solid wage increases," GfK suggested.

Nevertheless, with unemployment at historic lows "fear of job loss among workers remains small," meaning they remain relatively open to forking out large sums.

Overall, the pollsters expect consumption spending to continue rising this year, but warn higher inflation could damp growth further in the future.

IEA sees oil markets tightening towards end of 2018

REUTERS, New Delhi

Global oil markets could tighten towards the end of this year due to strong demand and uncertainty of production in some oil producing nations, the head of the International Energy Agency said.

"Definitely there are some worries that oil markets can tighten towards the end of this year and as major oil importing countries India and other countries need to be ready," IEA's Fatih Birol told Reuters on Wednesday after a meeting with India's Oil Minister Dharmendra Pradhan.

He said oil markets could tighten due to "very strong demand growth and a major problem is that Venezuelan production is collapsing".

Venezuelan production has halved in the last two years, he said, adding there was also "fragility of production" in countries including those in the Middle East.

Birol on Monday told Reuters that Venezuela's oil production was expected to slide further after falling by half in recent years.

China faces increased economic risks in second half



REUTERS/FILE

A power station of the State Development & Investment Corporation (SDIC) is reflected in a lake in China.

REUTERS, Beijing

CHINA'S economy is facing increasing risks in the second half of the year and policymakers need to step up efforts to hit key development goals, the head of the state planning agency warned, as US trade tensions intensify.

"Targets in economic growth, employment, inflation and exports and imports can be achieved through effort," He Lifeng told the standing committee of the National People's Congress on Tuesday, according to a statement on the National Development and Reform Commission's (NDRC) website.

"But to achieve growth goals in consumption, outstanding total social financing and urban disposable income will require bigger effort."

Weighted down by rising financing costs, China's economy was already starting to cool even before the trade dispute with Washington escalated, with investment growth at a record low and consumers turning more cautious about spending.

Beijing is speeding up infrastructure spending and offering help to smaller companies to prevent a sharper slowdown, though policymakers are wary of adding to a mountain of debt that was fueled by past stimulus binges.

Spurring domestic demand is a priority as exports are likely to weaken sooner or

later, but rising property prices are adding to household debt and leaving consumers with less to spend. Disposable income in China is also growing at a softer rate.

Policymakers have set a 10 percent growth target for retail sales for the full year, the same as in 2017, but that level has only been reached in one month so far this year. Sales growth in the last few months has been the softest since 2003.

"There are greater headwinds in the second half this year with some targets under threat," said Julian Evans-Pritchard, Senior China Economist at Capital Economics. "But I don't get from today's statement that they have decisively moved to the easing direction."

"I don't think the tension between the two goals - one is the deleveraging campaign, the other is meeting the economic growth target - has been resolved yet."

NDRC chief He attributed the increasing difficulties to both long-term structural challenges in the economy and external risks.

On trade, He said China should look to diversify its export markets and boost imports.

US and Chinese officials ended talks last week with no major breakthrough and another round of tit-for-tat tariffs kicked in. Washington is expected to impose even more sweeping punitive measures in late September.

Cheap fares, costly fuel send India's airlines into a tailspin

AFP, Mumbai

BARGAIN-BASEMENT fares, high oil prices and a tumbling rupee are causing turbulence in India's hyper-competitive aviation market, virtually wiping out airlines' profits and leaving them scrambling to cut costs to survive.

India's aviation sector is expected to become the world's third-largest by 2025, with passenger numbers increasing six-fold over the past decade as a growing middle class take advantage of better connectivity and inexpensive flights.

But experts warn cheap tickets and an over-reliance on favourable fuel pricing is unsustainable.

India's top two airlines by market share, IndiGo and Jet Airways, and debt-laden state carrier Air India are all suffering financial woes, while SpiceJet's boss has said the industry is in "great stress".

"The rise in the price of Brent fuel, a depreciating rupee and a resulting mismatch between high fuel prices and low fares have adversely impacted the Indian aviation industry, including Jet Airways," Jet CEO Vinay Dube said this week.

Brent crude has risen 50 percent over the past year, while the impact has been exacerbated by the rupee recently touching a record low of 70 to the dollar.

Then they must pay taxes of up to 44 percent on jet fuel, the highest in Asia according to Bloomberg News, all the while stumping up billions for new planes to keep up with passenger demand.

On Monday, Jet Airways reported a loss of 13.23 billion rupees (\$189 million) for the three months ended June 30, compared with a profit of 535 million rupees for the same period a year earlier.

"The key challenge faced by Indian airlines is on the cost front as 60-70 percent of expenditure is exposed to fluctuations in oil prices and currency markets," Binit Somaia, South Asia director at the Centre for Aviation (CAPA), told AFP.

Millions of dollars have been wiped off the value of Jet's stock this year and its financial situation has been the subject of furious speculation in Indian media in recent weeks.

That intensified after the carrier failed to release its first-quarter earnings as scheduled earlier this month, before finally releasing



AFP/FILE

An Airbus A330 of India's Jet Airways lands during rain showers in Mumbai.

them on Monday showing a second successive loss. In July, it denied a report in the Economic Times that it needed to make major cost cuts or face having to shut down operations within 60 days.

But the carrier announced with its earnings Monday that it would implement a "comprehensive cost reduction programme" amounting to 20 billion rupees over the next two years and seek investment to help turn around its fortunes.

"Airlines can't solely rely on oil prices being low to bring in profitability. They need to be careful with pricing and manage costs better," said Amrit Pandurangi, an independent aviation expert.

Jet's struggles are not unique. IndiGo's profits plunged 97 percent on-year in April-June, sending its stock plunging.

And Air India, once the country's monopoly airline and known affectionately as the "Maharaja of the skies", has been haemorrhaging money for years and losing market share to low-cost rivals.

Air India is about \$8 billion in the red and reported losses of almost 58 billion rupees for the financial year ending March 2017.

In June, it sought an urgent loan of 10 billion rupees to maintain day-to-day operations and last week, local media reported it was defaulting on bank loan payments and had sought a \$5 billion bailout.

A handful of carriers, most notably fugitive tycoon Vijay Mallya's Kingfisher Airlines, have already gone bust.

Airlines have to navigate a fiercely competitive market, with a host of budget airlines offering steep discounts to attract passengers. Some tickets, before taxes, are as low as 999 rupees.

Analysts agree that Indian airlines cannot hold off passing on the rising operating costs to customers much longer.

"Pricing has been irrational and unsustainable. Airlines will have to raise fares in the coming months to match costs even if it means a subsequent passenger crunch," Devesh Agarwal, editor of the Bangalore Aviation website, told AFP.

They also say carriers must lobby the government to reduce taxes.

"Indian airlines need to avoid price wars... and provide a much unified front to tackle the ongoing crisis," said Pandurangi.