

Managing Competition in Bangladesh

Sunil Kanti Bose

Chairman

Bangladesh Telecommunication Regulatory Commission

Competition

In economics, competition is the rivalry among sellers trying to achieve such goals as increasing profits, market share, and sales volume by varying the elements of the marketing mix: price, product, distribution, and promotion.

In other words, the activity or condition of striving to gain or win something by defeating or establishing superiority over others.



Why Competition is Necessary

Many sectors of the economy have only recently been opened up to competition, notably the electricity, gas, air and rail transport and telecommunications sectors – generally referred to as network industries. Traditionally, these sectors were characterized by the presence of single national providers, leaving consumers little freedom of choice and making entry by potential rivals impossible.

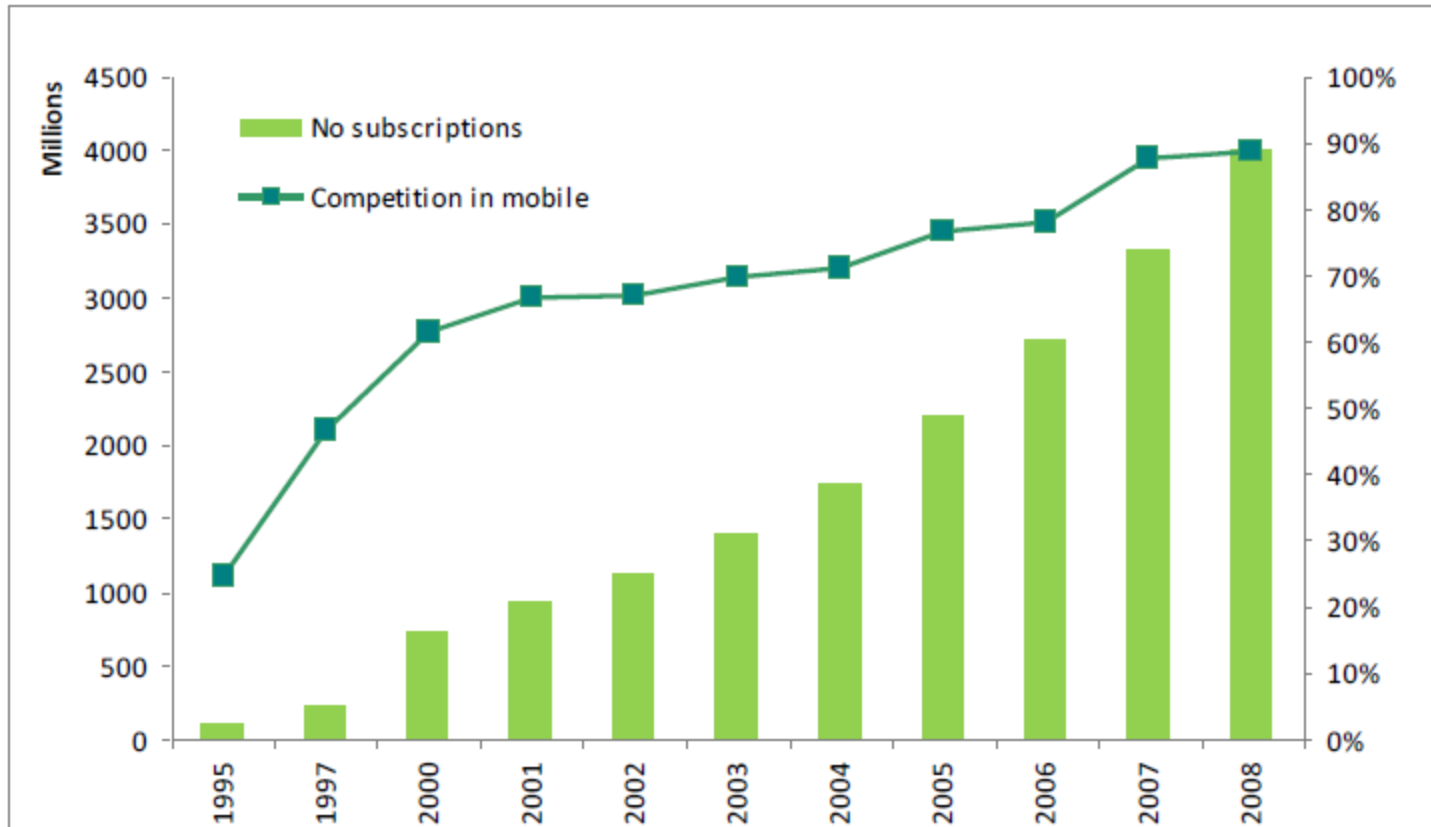
- To break the monopoly
- To ensure the Quality of Service (QoS)
- To reduce the price of service
- To foster the innovation
- To provide the alternative for consumer
- **Need to be sustainable, not to destroy the market!**

Types of Market

	Number of Players	Product Differentiation	Barriers to Entry	Profitability
Perfectly Competitive	Many	Commodities	Typically low	Normal
Monopolistically Competitive	Many	Imperfect substitutes	Low	Normal
Oligopoly	Few	Imperfect substitutes	High	Variable
Monopoly	One	none	Very high	Supra-normal unless regulated

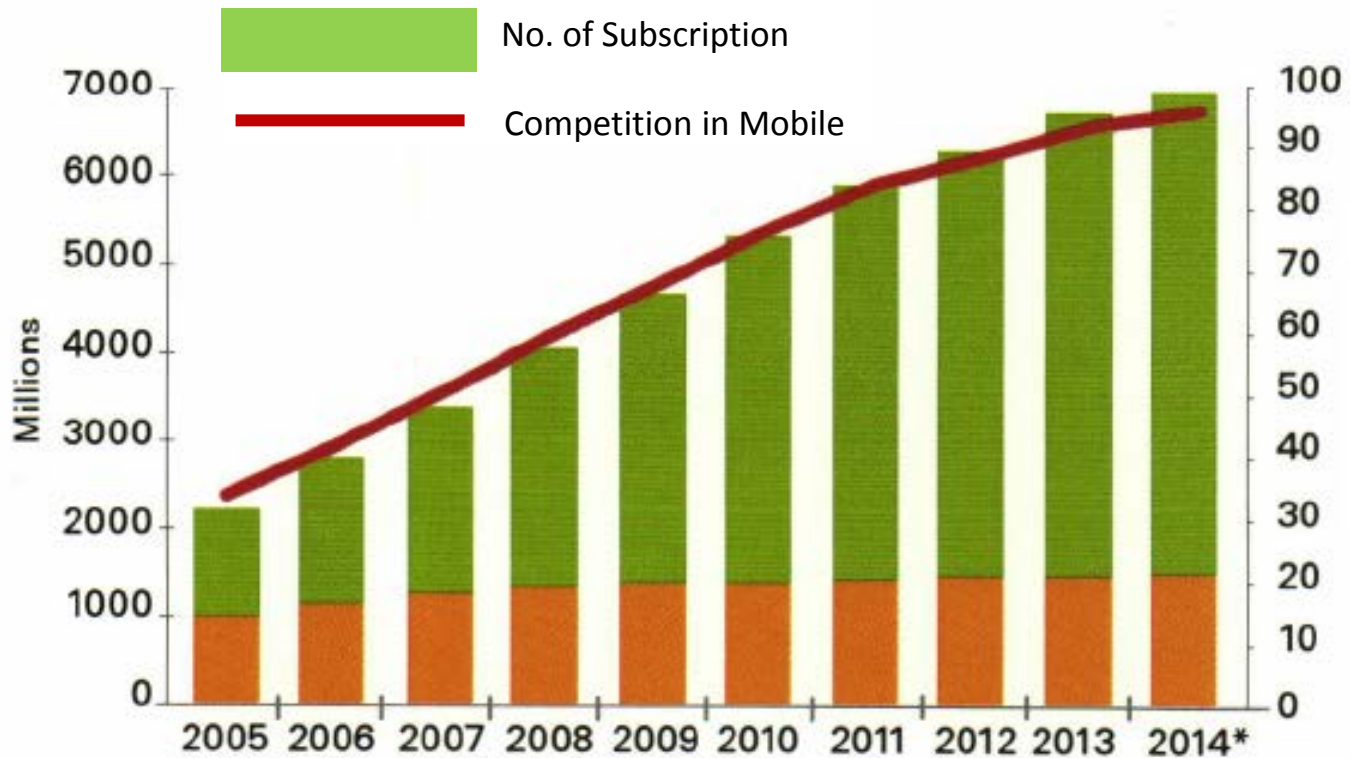
Why Competition is Necessary

Growth in Competition and Number of Subscriptions, 1995- 2009



Source: ITU World Telecommunication/ICT Indicators database.

Why Competition is Necessary



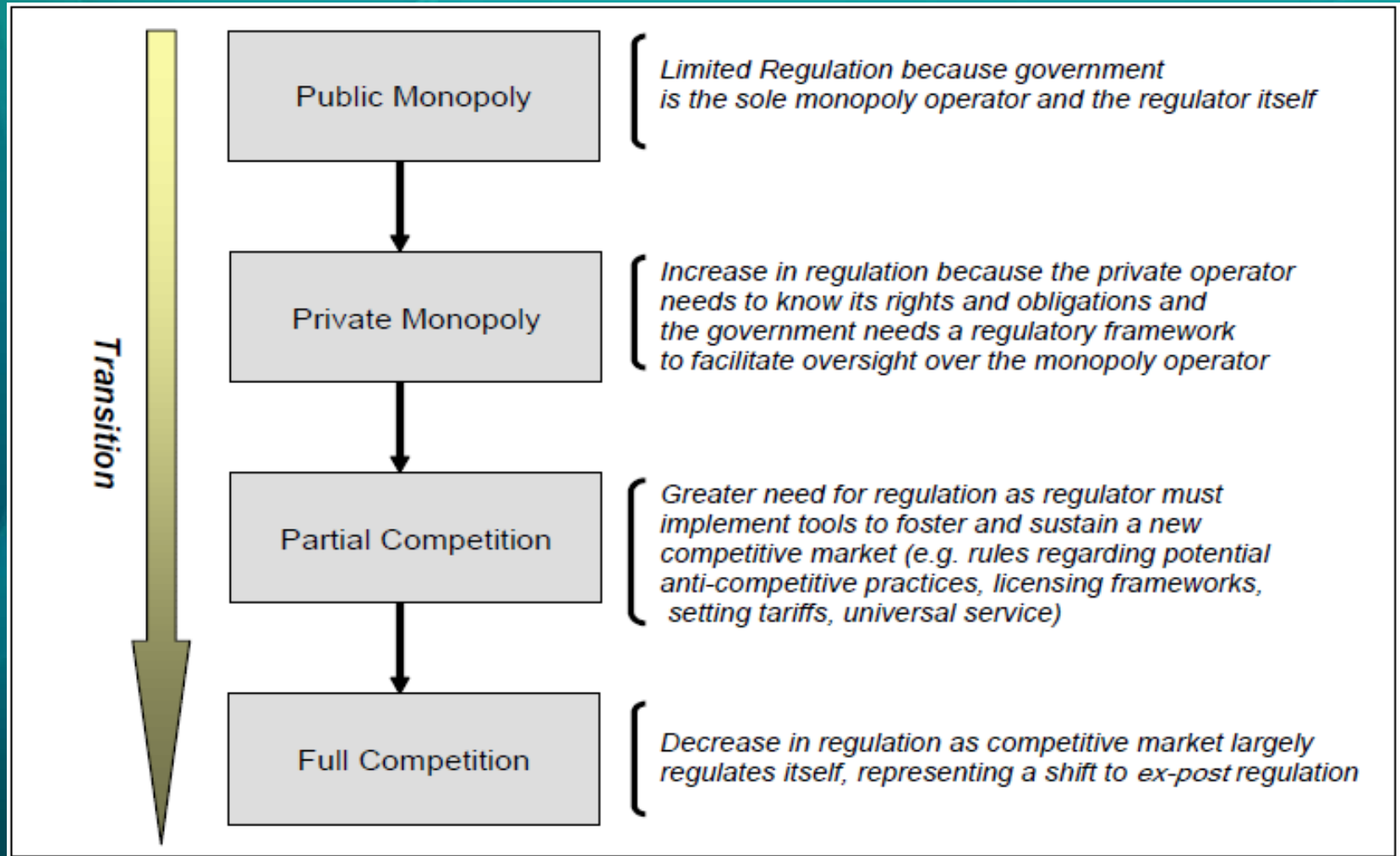
Growth of Subscriptions Worldwide

In Developing Countries Penetration will be 90% by 2014, in Developed countries it will surpass 121%

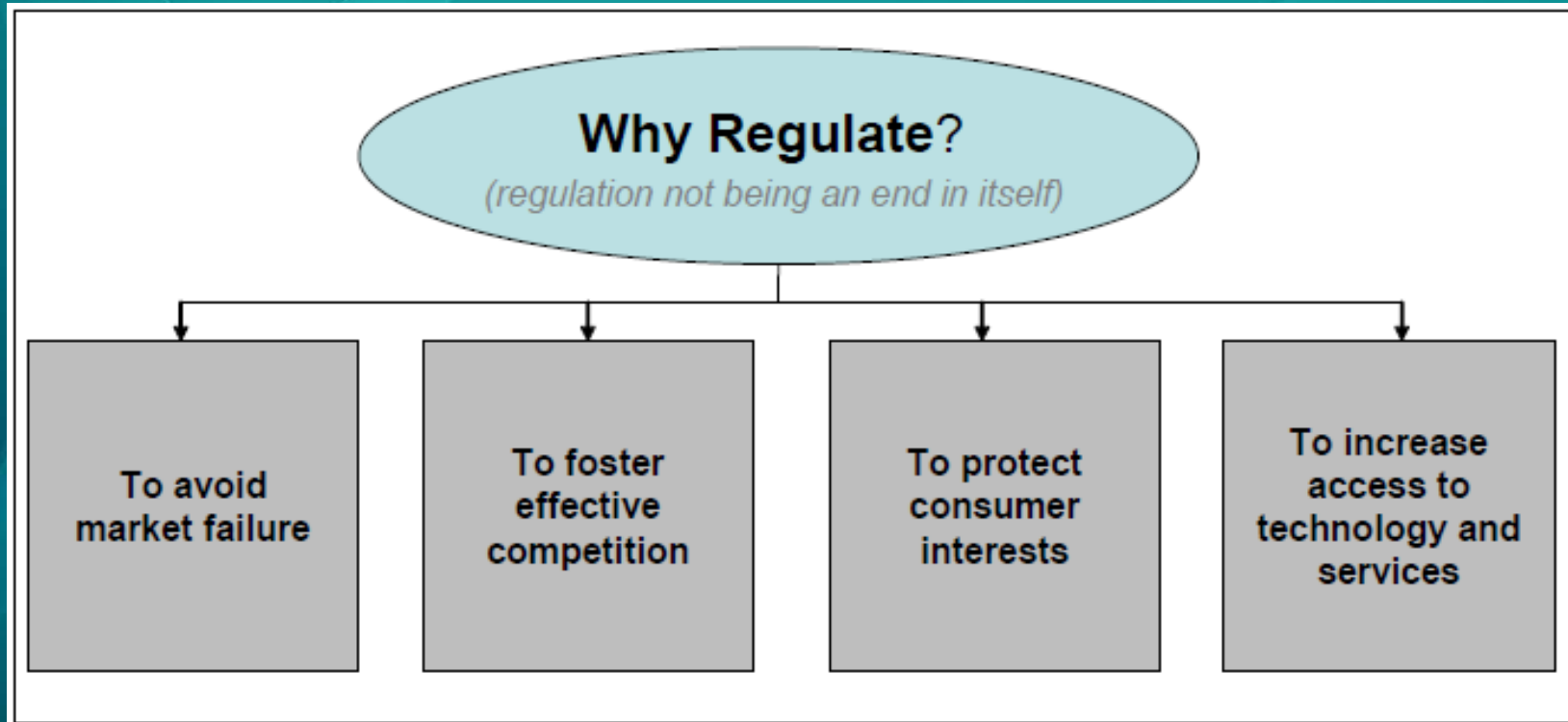
Mobile Cellular Growth rate is 2.6% globally, where in developing countries it is 3.1%.

Penetration will be higher in Africa & Asia and the Pacific where it will be more than 69% and 89% respectively.

How Competition takes place



Goals of Regulations



Why Market Fails?

- Lack of proper regulation & facilitations
- Increased number of providers compare to subscribers
 - Bangladeshi PSTN case
- Lack of Business Situations
- Industry fails to cope up with User's Expectation

**Thus, we need effective regulation implemented in a manner to encourage Competition.
Remember Market always depends on 'Quality' of Players not the 'Quantity'.**

Why do we need telecoms regulation?

Most competitive markets do not require much economic regulation, what makes telecoms different?

- The **telecoms industry has historically been monopolistic**, with one operator providing fixed local loop (last mile) access to most customers.
- There are finite resources **e.g. telephone numbers, harmonized mobile spectrum** or ducts to reach fixed customers.
- Even with competition regulation is required to determine the **interconnection** relationship between operators
- Telecoms has **a significant social and economic impact** and accounts in itself for around 3% of GDP. It has a massive impact on consumers and business.
- Certain services such as calls to **emergency services** are socially vital.
- There are many other issues such as rights to lay cables (wayleaves), build towers regulating business practices, aspects of **national security, health and safety**

Economic Reasons for Regulation

- Historically, telecommunications services have been provided by **state- or privately owned monopoly** providers. Due to the massive investments, telecommunications operations were considered “*natural monopolies*” (comparable to electricity lines, or highways)
- While, with deregulation and technological innovation, the cost of service provisioning has come down dramatically, **monopolistic providers** still dominate the fixed communications sector and mobile is typically characterized by **oligopolistic providers** (3-5 large players).
- **Economic regulation aims to mimic a competitive market**, e.g. by imposing price regulation for certain services, where markets fail to deliver pricing at the “*competitive*” level.
- Economic regulation forces incumbent operators / operators with significant market power (for example with control of essential infrastructure) to **grant access to such infrastructure at regulated conditions** (not just pricing, but also at defined technical and service quality specifications).

Social Reasons for Regulation

- Communications is subject to economics of density. This **disadvantages certain groups** (e.g. low income communities, people living in remote rural areas) who are less commercially attractive to operators. Regulation can impose **minimum service levels** available to these groups, e.g. through Universal Service or Universal Access provisions.
- Other aspects of social regulation include:
 - Content regulation** (e.g. preventing minors to access certain “*harmful*” content on the Internet)
 - Health and safety** aspects (e.g. limiting the exposure to non-ionising radiation from mobile installations)
 - Access to **essential services**, such as emergency call facilities
 - Disaster warning** systems, e.g. through cell broadcast or SMS messages, in case of natural disasters

Technology Reasons for Regulation

- Commercial organizations would like to manage the transition to new technologies in a way that allows them to **optimize their returns on legacy assets** and supports profits into the future (newspapers, music companies, telcos etc.).
- However, new technologies disrupt (or make obsolete) pre-existing business plans and the value of legacy assets. In economic terms, this is an example of a “**Wave of Creative Destruction**” in which **disruptive technologies** can bring wider choices and lower prices for the consumer.
- The threat of innovation may also cause some **strong incumbents** to **adopt delaying tactics**. The extent to which they can adopt such tactics depends largely on the effectiveness of implementing **pro-competitive regulatory frameworks**.
- The resulting challenges for communications regulation are:
 - the rate of technological change is increasing; and
 - the organizations introducing the new technologies are not traditional telecommunications companies, but innovators subject to different rules (e.g. Apple, Google, Facebook...).

How Regulator Play in a Competitive Market

- Regulators must be perceived by industry to be independent – thus the importance of transparency and accountability of the regulator.
- Regulators should have the expertise to assess and make sound judgments on both technical and industry-specific issues – thus the importance of appropriate appointment and staffing mechanisms.
- Regulators must take into account various viewpoints and interests, including economic, social, and political objectives. This balance should be reflected in the institutional structure and in the system of checks and balances.
- The institutional design, internal structure, and administration must be sufficiently flexible to allow the regulator to respond to market realities.

Ex-Post & Ex-Ante Regulation

- Competition law tends to be **ex-post**: Competition authorities are generally required to **intervene after an anticompetitive practice has been committed** and this intervention is typically designed to have a deterrent effect.
- On the other hand, telecommunications economic **regulation tends to be ex-ante** as regulators are generally given authority to impose approval conditions and **intervene prior to a potential abuse by and industry participants** (e.g., approval of tariffs or interconnection rates) typically on the basis of a finding of SMP.
- Consumer protection may be ex-ante or ex-post.

Bangladesh: Effect of Proper Regulation

In Bangladesh, such policy & regulations implemented in such a manner which encourages the competition in the overall market and hence citizens are getting the telecom service at a very affordable price.

Bangladesh: Effect of Proper Regulation



Every 100 taka that mobile operators earn as revenue 55 taka goes to government exchequer



Every 100 taka investment that comes to Bangladesh as FDI 62 taka comes from mobile operators



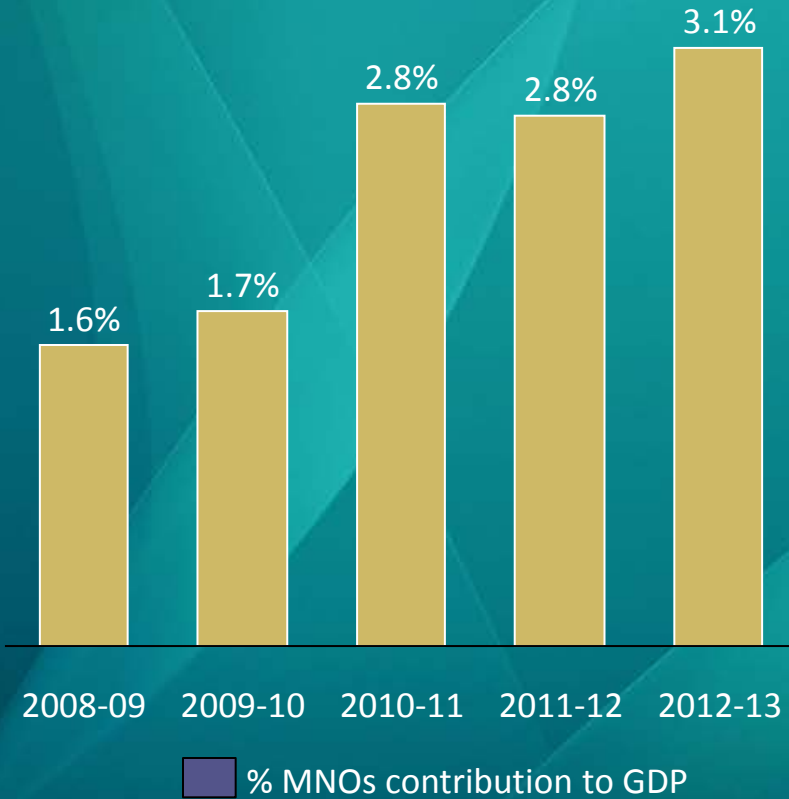
Every 100 taka that government spend as government expenditure, 10 taka comes from mobile operators



GDP contribution of 3.1%

Bangladesh: Effect of Proper Regulation

Bangladesh Experience



Asian Experience



MNOs are the Significant Contributor to Government Revenue as a Single Industry

An Increase in Mobile Penetration of 10% Points Typically Boosts GDP Growth by 1.2%

Bangladesh Telecommunication Market



Competition : **Intense**

Call charges : **One of the lowest in the world**

Customer service : **Improving**

Geographic coverage : **Expanding**

New value-added services : **Improving**

All these indications suggest a healthy & robust Telecommunication industry with promising growth in the area of technology, services and consumers' choices

Guiding Principles of Telecommunication

Connecting the people in the remotest possible places

Introduction of new technologies and services

Keeping the price within affordability



Mobile Network Coverage

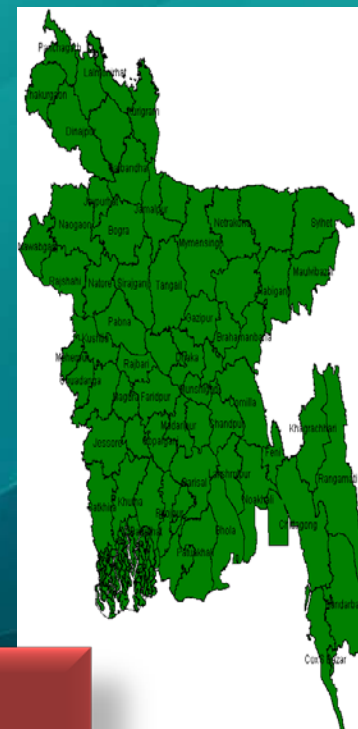
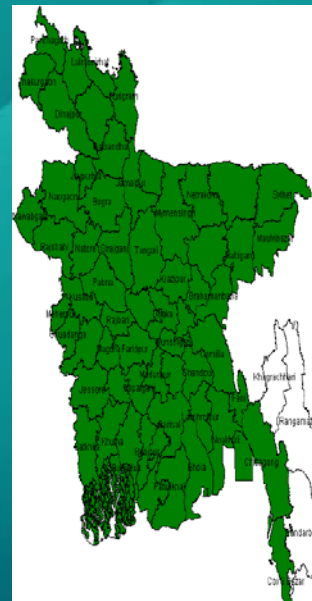
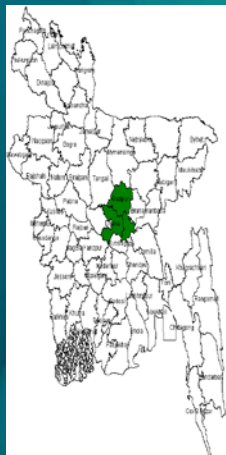
1997
3 /64 Districts

2000
30 /64 Districts

2002
50 /64 Districts

2004
61 /64 Districts

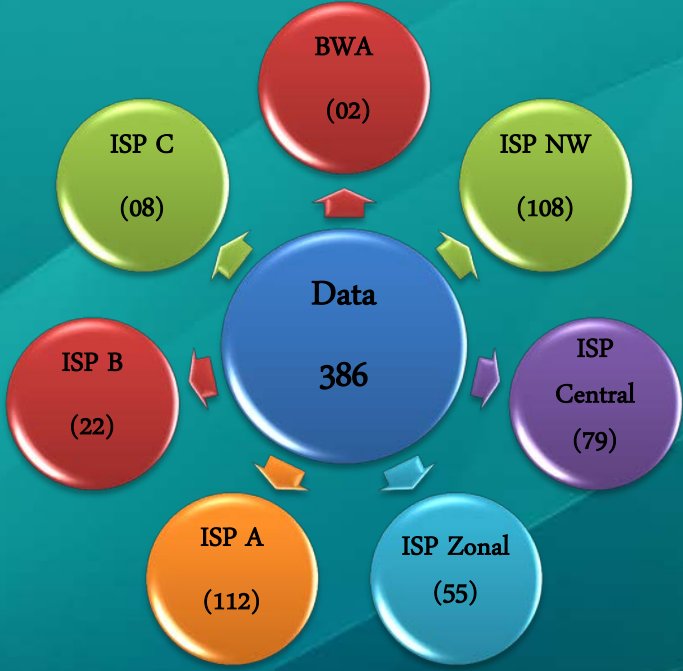
At present
64 /64 Districts



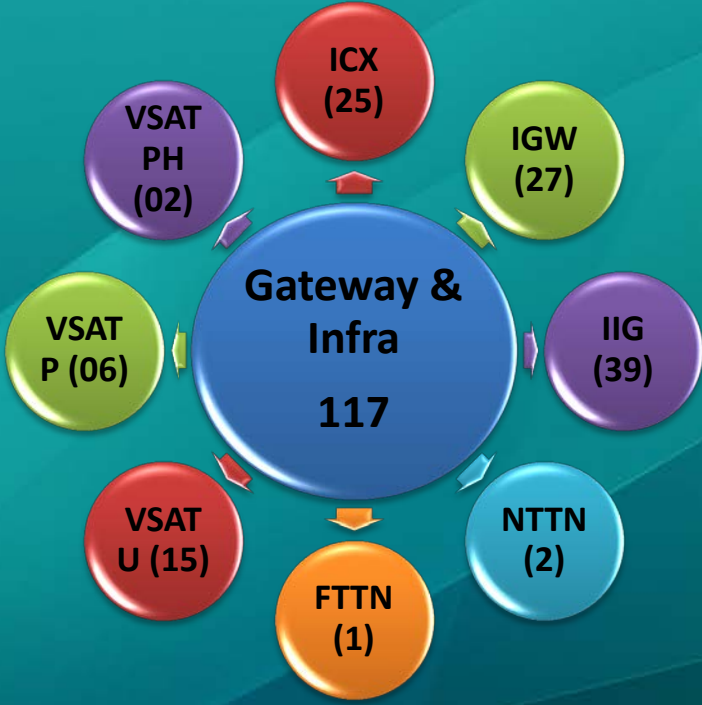
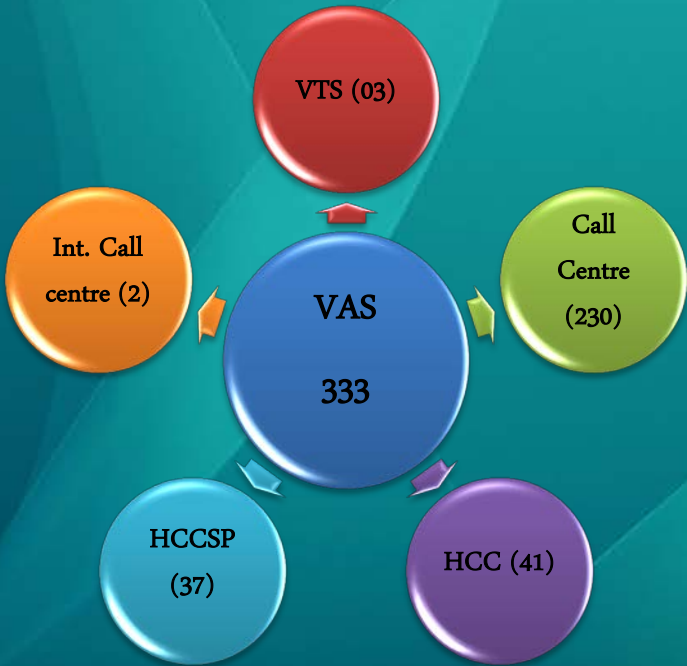
❖ 06 Mobile, 03 BWA Operator and ISPs

❖ Mobile Coverage : 95% Geographical Area and 99% Population

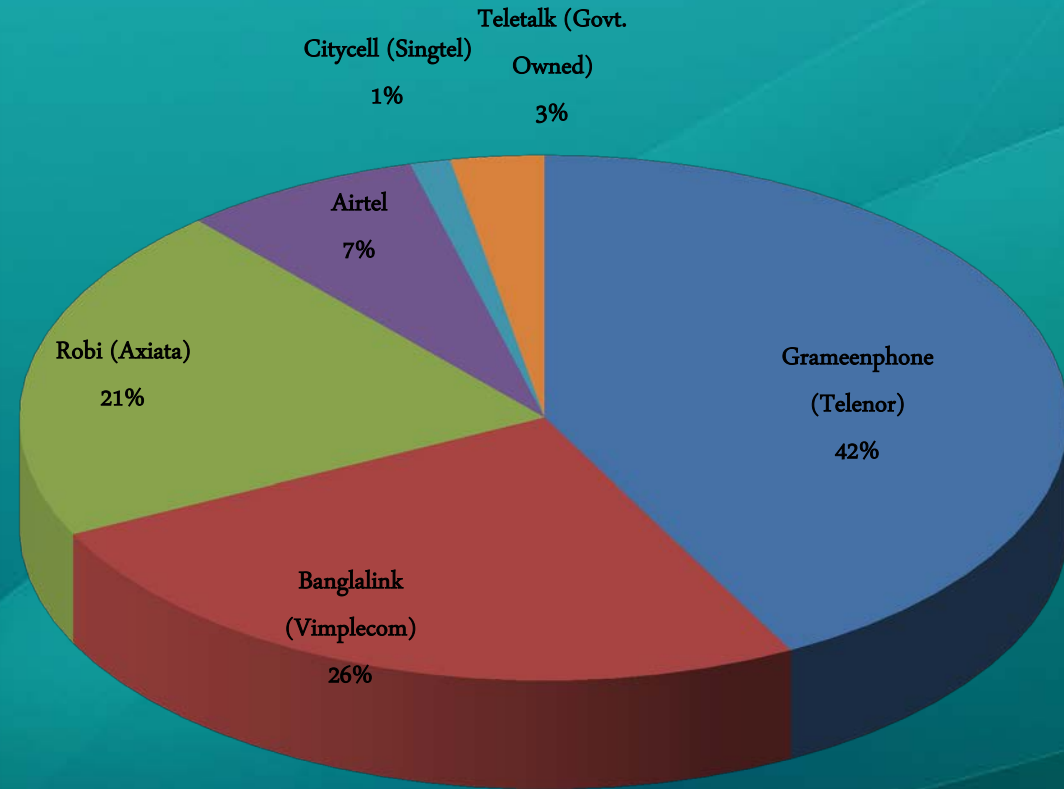
Licensing Landscape



Licensing Landscape



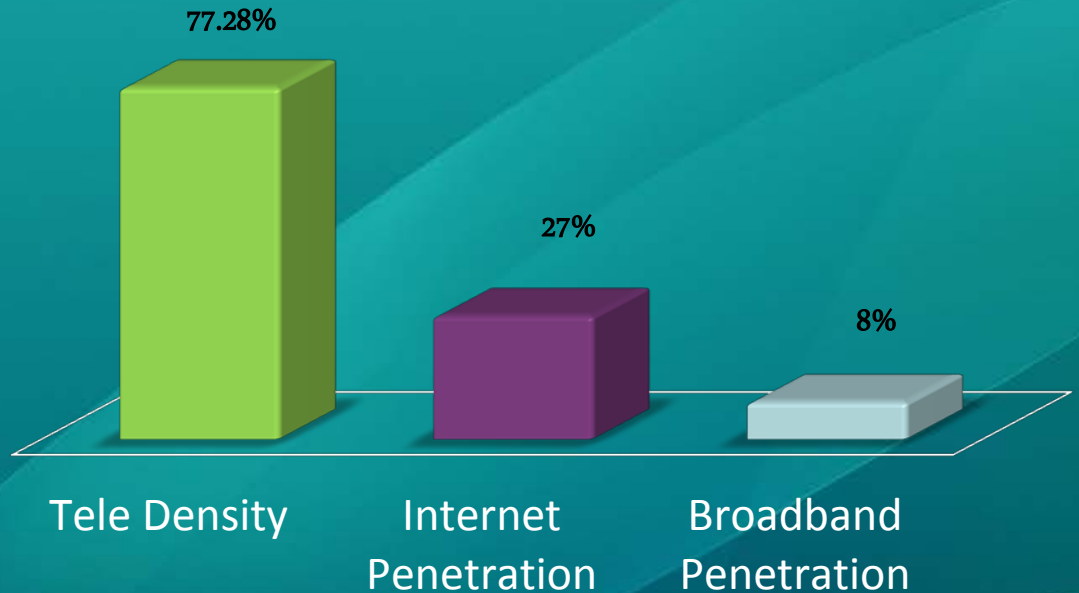
Telecom Indicators



Bangladesh is the 9th largest telecom market in the world

- Tele-density is more than **77.28%**
- Internet Penetration is more than **27%**
- Broadband penetration is around **8%**
- Over **116 M** mobile user
- More than **40 M** Internet users.

ICT Indicator (as of June 2014)



Application Service Providers of Bangladesh

Over 61 BASIS companies actively working with mobile Application Development.

Over 12 local apps stores (repository) distributing local content - this includes app store of all mobile operators.

App development competitions organized by Google, Microsoft, Government Organizations, BASIS, Universities, and other organizations have become the norm.

24+ hour app development contests – Hackathons, have become a popular contest for involving youth in generating mobile application ideas to solve social and business problems.

Why Managing Competition in Telecom sector of Bangladesh?

- Very competitive price of telecom products and services- may result in smaller players being squeezed out.
- Some operators started later than others.
- Dependency on mobile networks when it comes to reaching customers is ever increasing.
- Mobile becoming tools for accessing many services including entertainment (music/video/gaming), health services and information/news services.

What is the legal framework?

- The Bangladesh Telecommunication Regulation Act gives the Commission (BTRC) the power to control competition in the telecom market.
- Bangladesh Competition Commission, equivalent of a civil court, is responsible for ensuring the enforcement and implementation of the Competition Law-2012 to resist any anti-competition designs and ensure healthy competition for all, particularly small and medium enterprises. However the Competition Commission is yet to be established.
- The Penal Code has some provisions which can be used to control anti-competitive behavior.
- The Consumer Rights Protection Act, 2009- the act to provide for the protection of the rights of consumers, prevention of anti-consumer rights practices and for the purpose of making provisions for matters connected herewith.

Steps taken by BTRC to maintain competition in markets

Treating every ANS network as SMP when it comes to call termination and imposing uniform inter-connection charge.

- It is now compulsory for all ANS to allow interconnection. This way small and new operators can avoid entry barrier.
- Inter operator call termination rate is fixed thus operators cannot abuse their market position.

Introduction of international gateway licensing to break down monopoly of government owned BTCL .

- Previously BTCL would have the monopoly as international gateway for both incoming and outgoing calls and would control the environment. The rates were unreasonably high. Now, due to competition, rates are reasonable.

Steps taken by BTRC to maintain competition in markets

Introduction of private terrestrial licensees to break down monopoly of government owned Submarine Cable Company.

- Bandwidth price has come down significantly due to introduction of competition.

Steps taken by BTRC to maintain competition in markets

Introduction of compulsory passive infrastructure sharing to reduce entry barrier for new players (as well as optimal usage of scarce resources like land). A major success story.

- Now tower owners are mandated to offer a portion of their unused capacity.
- Before establishing new tower, operators are mandated to check whether there is any tower in that area with unused capacity.

Steps taken by BTRC to maintain competition in markets

- Introduction of price circuit for voice and SMS products.
 - Reduces the scope of predatory pricing.
 - Reduces the scope of abusing market power.
- Vigorous scrutiny of every telecom product before approving them for commercial launch.
 - Scrutiny in line of different regulations and law where competition related matters are monitored along with other matters.

- BTRC decided to continue giving the telecom operators regulatory flexibility and thus the industry grew significantly over years.
- BTRC considered the option of giving out separate licenses for content suppliers for VAS.
- After detailed analysis and consultation with stakeholders, BTRC decided to let the market continue with shaping up the VAS operation modalities.

Now It's Your Turn





Thank You