

Country Overview: Vanuatu

**ITU – PITA Workshop on Enhancing Access to
Submarine Cables in the Pacific SUVA FIJI 2017**



The Government
of The Republic
of Vanuatu



TRR

Telecommunication &
Radiocommunication
Regulator

Overview of Presentation

■ **Brief on:**

- ❑ Vanuatu and its status on economic development
- ❑ Telecommunications Market Overview
- ❑ Telecom Services Subscriber Numbers
- ❑ Market Trend
- ❑ Activities contributed to increase connectivity
- ❑ Current status on International Internet Capacity supplied
- ❑ Structure of wholesale Market
- ❑ Wholesale Internet Capacity Market Activities
- ❑ Policy/Regulatory Instruments Relating to International Connectivity
- ❑ Challenges
- ❑ TRR's Regulatory Approach



Vanuatu – Geopolitical Overview

- Archipelago consisting of 83 islands of which 63 are inhabited
- Population of approximately 272,459 (2017 mini census) with the annual growth rate of 2.3%
 - Around 40% of the population is under 15
 - 75% of the population live in rural areas
- GDP (2015) of VUV83,594 million (\$767.4 billion)
- Largest contributor to GDP is Tourism
 - Agriculture follows close behind
- GNI (per capita (2014)) \$US 3,148
 - 5% of monthly income is around \$US 13
 - Cheapest unlimited internet service is \$US 58 per month (512 kbps advertised speeds)
 - ~\$US 9.70 for a 1GB monthly allowance of data
- Political system
 - Single chamber, multiparty, democratic republic
- Challenges
 - Political stability, economic recession, natural disasters (cyclones, earthquakes, tsunamis, climate change)

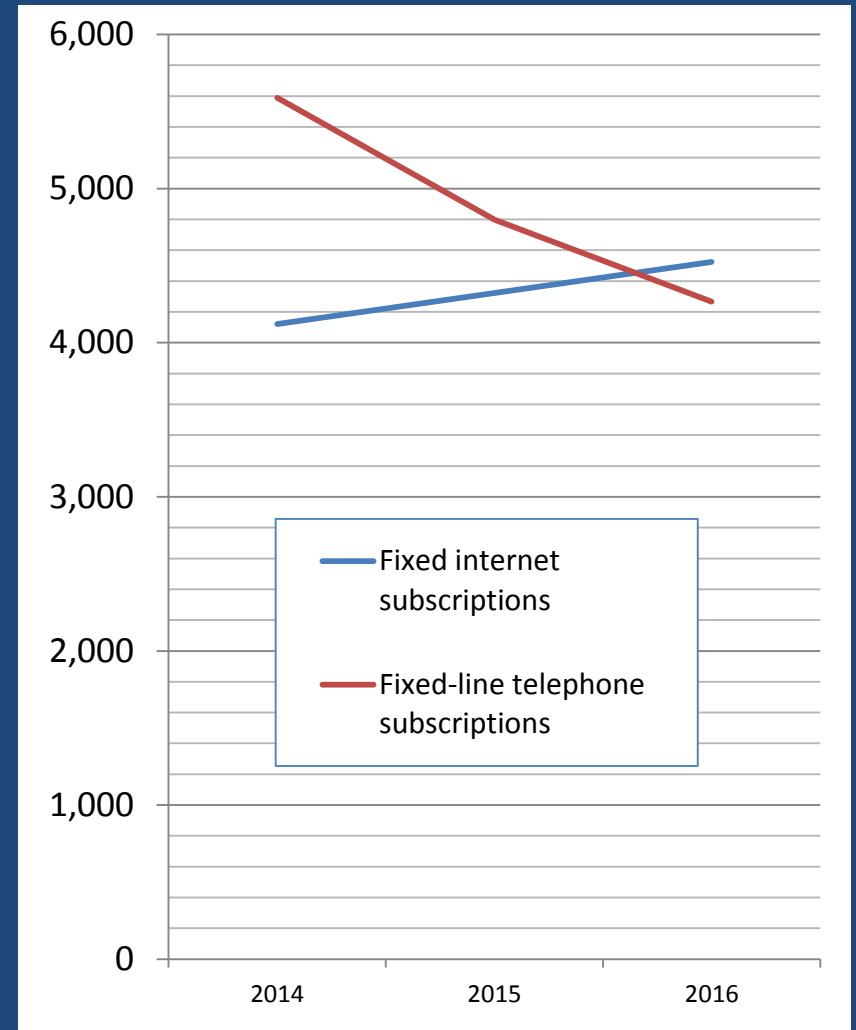
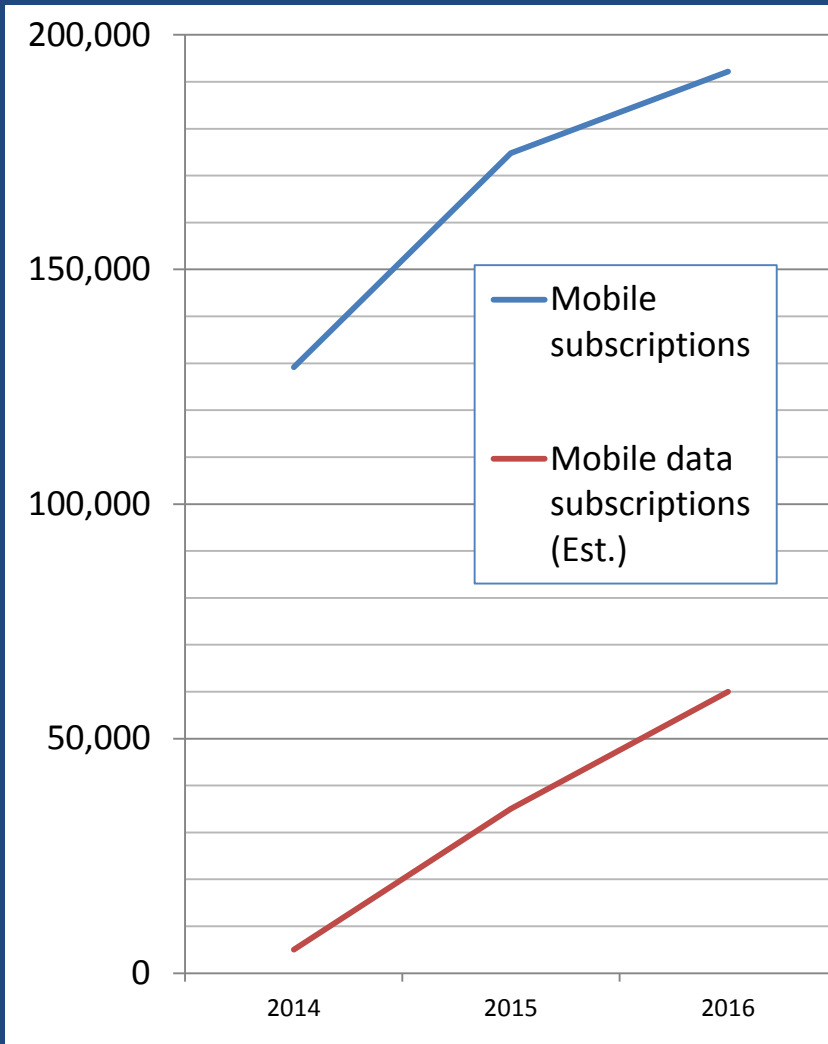


Market Overview

- Independent Regulator - TRR.
 - Established under the Telecommunications and Radiocommunication Regulation Act No.30 of 2009
- Two full service carriers (Telecom Vanuatu, Digicel)
 - TVL dominant in fixed line and ISP
 - Digicel dominant in mobile
- A further 4 ISP players
 - Telsat, Wantok (fixed 4G), Global Pacific Telecom and SPIM
 - Cover Port Vila only at this point in time
 - Kacific Broadband Satellite company providing broadband internet across the archipelago
- Single Submarine Cable – Interchange Cable Limited
 - Connects Fiji – Vanuatu
 - Commenced operations March 2014
 - Financed through combination of local investment and commercial bank financing
 - Cost around \$US 32 million



Subscriber Numbers



Market Trends

- Mobile penetration rate continues to grow, from 53% in 2014 to 71% in 2016
- Analysis suggests around 98% of the population will have mobile coverage by 1 January 2018
- Mobile data usage has grown dramatically in the last 2 years
- Fixed line telephony continues to decline slowly
- Fixed internet subscriptions are growing gradually year-on-year.
- Use of SMS has declined significantly as users switch to using OTT services such as Messenger, Facebook and WhatsApp.
- Mobile data bundles now typically have unit costs of around 1 US cent per MB.
- Access to stream services such as Netflix is leading to greater demand and improving in Quality of experience particularly in urban areas

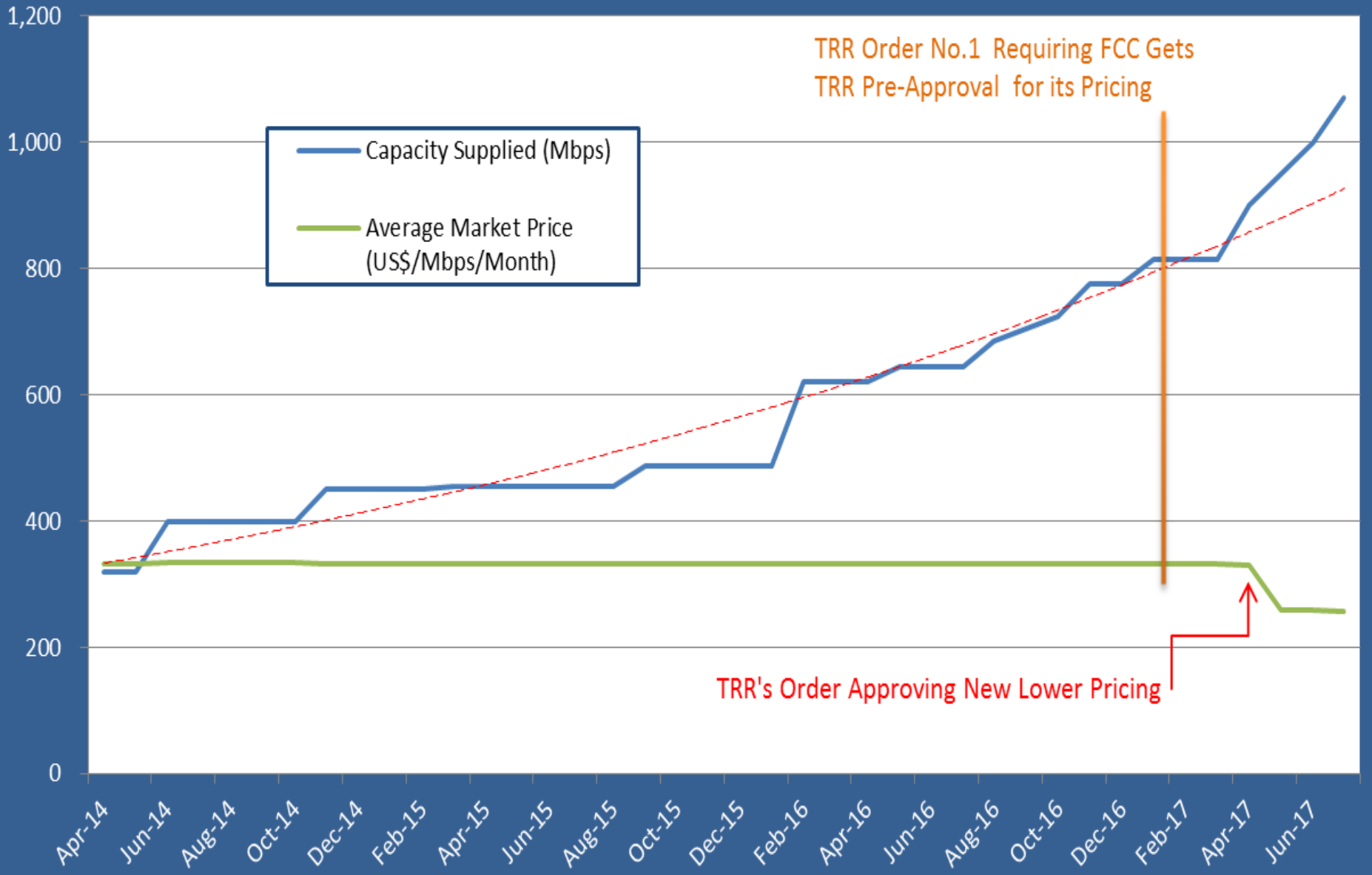


Activities contributing to increase connectivity

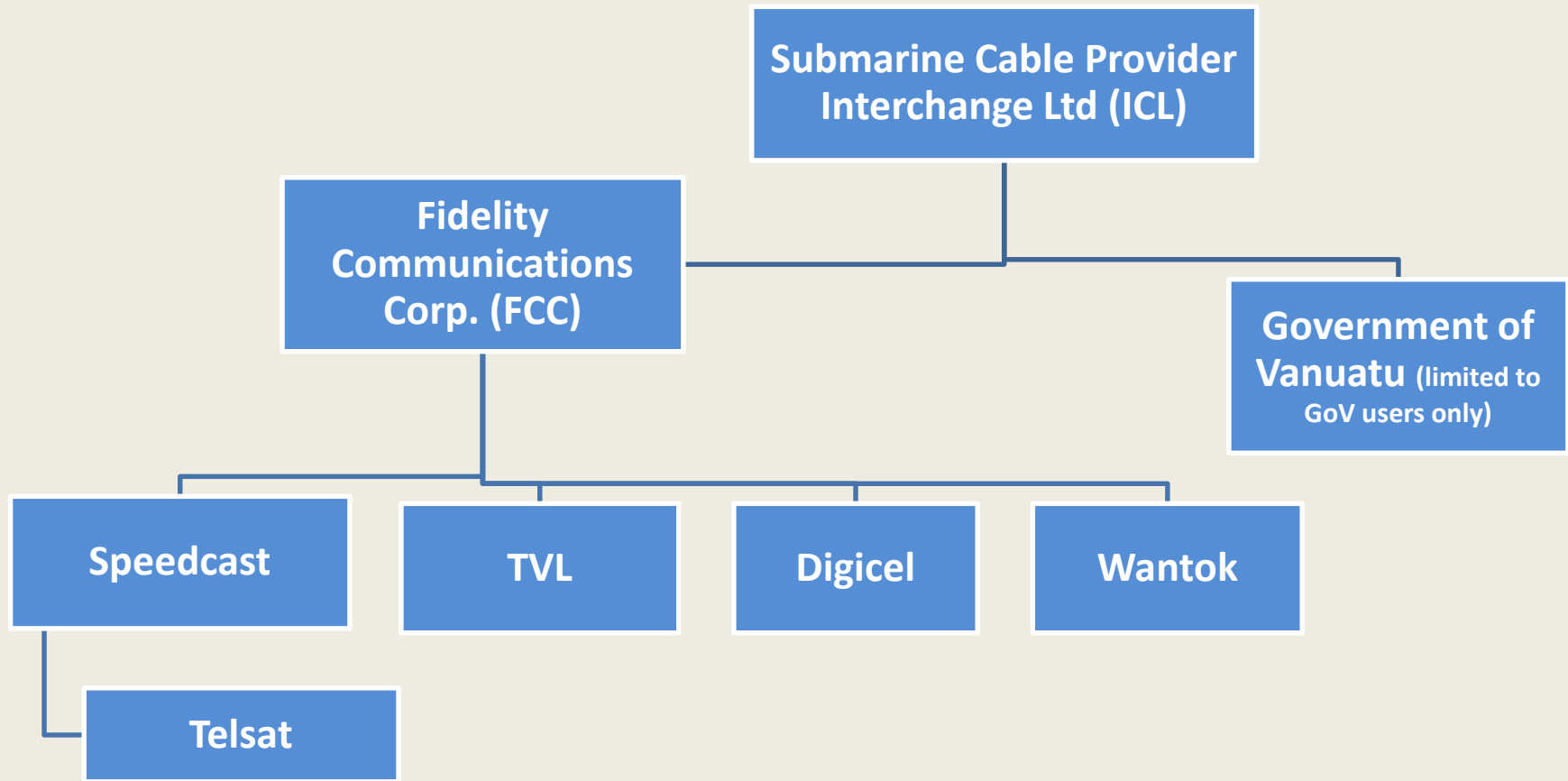
- Increase/Improve mobile and internet coverage to underserved and unserved areas
 - Combination of operator commercial activities and Government's Universal Access Policy (UAP) funded projects
- Operator Activities
 - Pay or Play approach under UAP
 - Involves signed undertakings to rollout infrastructure in un/underserved areas
- UAP Funds Project
 - Initial focus on education - delivery of school/community internet labs
 - Assist in implementing school and student administration/management applications (OPENVemis)
 - Investigate opportunities in health, agriculture extension other GOV services to be delivered as e Gov services



International Internet Capacity Supplied and Wholesale Unit Pricing



Wholesale Market Structure



Wholesale Internet Capacity Market Activities

- All retail service providers are connected to the submarine cable
- Most of these providers currently purchase capacity, on a lease basis, from wholesaler Fidelity Communications Corp.
- Since the launching of the submarine cable weighted average lease pricing in the market has been US 340 / Mbps / month
- A number of recent developments has resulted in current average market lease pricing of around \$US 260/Mbps/month
- Indefeasible Right of Use (IRU) capacity is available, for 15 years, from Interchange, current filed pricing is:
 - \$US 5.4 million for STM-1 (155 Mbps)
 - \$US 9.3 million for STM-4 (622 Mbps)
 - \$US 27.9 million for STM-16 (2488 Mbps)



Policy/Regulatory Instruments Relating to International Connectivity

- Telecommunications and Radiocommunications Act, 2009
- Telecommunications Licence Terms and Conditions
- Exception Licence (whole sale operators) Terms and Conditions
- Vanuatu National ICT policy promotes:
 - deployment of submarine cable
 - Options to enhance reliable international connectivity
 - Development of Exchange Points
 - Framework and strategy for the availability of and access to wholesale services
- There is no specific national Policy related to International Connectivity



Challenges

- ❑ Small Market size thus led to and contributed to a number of challenges faced such as:
 - High cost of project and constructing a private submarine cable
 - Market Structure at the Wholesale level
 - Financing arrangements made to recover the investment
 - Retail service providers appear to have so far been reluctant to make large or long term commitments to invest in cable capacity
- ❑ No specific Regulatory tool to guide both the operations and the monitoring of the operations of this vital service infrastructure
- ❑ Changes in Government and management of other individual shareholders/representatives in submarine cable company may have reduced the clarity of the operating environment
- ❑ Limited Knowledge capacity or understanding on the important aspects (technical, commercial, legal, economical) of operating a vital infrastructure & business operations
- ❑ Limited cooperative efforts and approaches by key stakeholders

With the above few list of challenges, it is difficult to strike a balance between stimulating a greater demand and making returns



TRR's Regulatory Approach

- To establish a workable regulatory framework and environment that is fair, transparent and importantly promotes sustainable investment in the country:
 - TRR's approach is to collaborate with all key stakeholders to ensure open, non-discriminatory, access to submarine cable capacity on fair, reasonable and cost-based terms
 - As such, TRR has undertaken numerous rounds of consultation on matters relating to the wholesale internet capacity market including in relation to pricing and conduct in this market
 - As an outcome of the above consultations, TRR established an approach that is fair for all players (which is to seek approval for the pricing and other terms for any proposed sale of capacity). This approach is applied to all wholesale players.
- For operators who do not enforce their Licence obligation and continues to repeatedly fail on their part, TRR ordered them to comply.
- Promoting collaboration but independent decisions, TRR has recently sought to work with ICL to undertake an analysis of its costs in order to facilitate the legal approach on TRR approval of pricing



Tankyu Tumas

