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ICT POLICY: THE NEED FOR REVIEW

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The recently approved ICT Policy has certain shortcomings that need to be properly debated in a wide-ranging, transparent process. Such a process will ensure that the policy reflects the interests of all stakeholders.

The Information and Communications Technology (ICT) Policy was developed and approved by the Government in May this year. The move to develop a sound ICT Policy is a step in the right direction. However, a lack of consultation amongst all stakeholders – the government, the communications industry, and the public at large – has resulted in serious shortcomings in the policy. This article highlights some of the important issues that must be addressed, as a matter of public interest, if we are to have a policy that will truly serve all stakeholders, including the general public. The focus is on the economic and welfare implications arising from the policy.

The NetCo/ServCo Model

In the ICT policy, the NetCo/ServCo Model has been promoted as the ‘most appropriate model’ to deal with the country’s telecommunications problems. Under the proposed model, there will be only one wholesale company – Telkom NetCo (state-owned) – and three retail companies – the State-owned Telkom ServCo, and two other companies.

In such an arrangement, Telkom NetCo, which is the wholesaler, will own and control all telecommunications infrastructure, while the retail companies (ServCos) can compete at the retail level. The main argument put forward in the ICT Policy, for the NetCo/ServCo model, is that such an arrangement will result in non-duplication of infrastructure, and that competition at the retail level will result in a reliable, efficient, and cheaper telecommunication service.

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In light of the claims supporting the NetCo/ServCo Model, the following shortcomings must be addressed:

- First, the decision to have Telikom NetCo as the sole wholesaler, which would be a monopoly, infers that the performance of the ServCos and the implied benefits to consumers will be tied to the performance of Telikom NetCo. If Telikom NetCo can guarantee to fund all of the required infrastructure within a year, as has been claimed, and maintain it effectively thereafter, then there is perhaps little cause for concern.

However, if Telikom NetCo, as a monopoly, inherits the problems of the current Telikom PNG Ltd, such as deficient infrastructure, and an inefficient, costly service, as has been the norm for the past 52 years, then the ability of Telikom NetCo to deliver is seriously in doubt.

If past performance is something to go by, this situation seems highly likely to prevail. Historically, Telikom has struggled to maintain its infrastructure, and this has resulted in unreliable service delivery and costly services. Such a situation can be expected in a 'monopoly business', where there is little incentive to be innovative and efficient.

Given this scenario, the ability of the ServCos to efficiently deliver reliable, and affordable telecommunications services will be adversely affected. In order to avoid such a scenario, the revised ICT Policy should advocate and promote

competition in both the wholesale and retail sectors.

- Second, a potential, 'conflict of interest' situation will arise when Telikom NetCo makes decisions that affect the operations of the service providers (ServCos), as Telikom Servco is still a part – 'a brother' – of Telikom NetCo, as far as ownership is concerned. Although Telikom NetCo may purport to be impartial in its dealings with the ServCos, the brotherly situation will always be there. Given this possible scenario, other service providers may not get a fair go, and this would curtail healthy competition, and reduce any benefits to the public.
- Third, the main argument put forward in favour of the NetCo/ServCo Model is the concern about duplication of infrastructure networks, which the proponents of the model have argued leads to a wastage of resources. This may be a valid argument from one point of view. The question is whether the benefits from avoiding duplication outweigh the efficiency and reliability resulting from separate infrastructure networks. In my opinion, avoiding infrastructure duplication is outweighed by the benefits of efficiency and reliability brought about by having separate infrastructure networks.

With separate infrastructure networks, service providers would have the liberty to improve and maintain their infrastructure in order to meet the demands in the market place. With the proposed sole infrastructure provider, Telikom NetCo, the various service providers would be at the mercy of the monopolist wholesaler.



Many Papua New Guineans can afford to buy mobile phones to conduct business and keep in touch with loved ones, at lower rates. Competition in the mobile phone market, with the licensing of several mobile phone companies in the country, will make this possible.

Mobile phone licensing

Currently, the Independent Consumer and Competition Commission (ICCC) has the authority to issue **and** revoke mobile phone licences (*Telecommunications Act 1996*), as well as the regulatory function (*ICCC Act 2002*). Under the ICT Policy, the final say on the issuing and revoking of mobile phone (ServCo) licences will be removed from the ICCC, and vested with the Minister for Public Enterprises, Information, and Development Cooperation. The rationale for such a move – as argued in the ICT Policy – was to highlight the role of the ICCC as the regulator of competition. However, the ICCC is not just a regulator. More importantly, it is a promoter of competition.

The power to issue and revoke licences is an important function which will enable the ICCC to play its designated role in promoting competition in the mobile phone industry. Furthermore, given that a Minister will have the final say as to which organisations will be issued licences, as implied by the ICT Policy, the ICT Licensing Committee, which makes recommendations to the Minister, may become just another rubber stamp.

This has been the case with similar happenings in the public service where there has been political manipulation in the appointment of some senior bureaucrats. In the context of this potential scenario, the ICCC's constitutional role to promote welfare, through competition, must be safeguarded. The power to issue and revoke mobile phone licences should be retained by the ICCC, which is best placed to make decisions relating to the regulation and promotion of competition.

Mobile phone interconnection issue

Interconnection is an important matter for consumers – the end users – service providers, and the economy as a whole. From a consumer's perspective, be it an individual or a company, interconnection allows for a wider range of call destinations, as well as origins

for incoming calls.

As well as this, mobile phone interconnection will provide consumers with the relatively easy option to 'hop' between networks in search of a better service and pricing. This would make the mobile phone market more competitive, which in turn, would lead to service efficiency and more competitive prices. Service providers would gain from interconnection through increased call traffic and sales; that is, for a particular service provider, interconnection would allow it customers to increase the frequency of calls. More calls implies increased sales for that service provider.

A similar situation would occur with other providers. From an economy-wide perspective, interconnection will improve the communication services for both social and economic undertakings. For example, a seriously ill person on an outlying island, which only has a Digicel connection, would have a chance of being saved at a hospital on the mainland, if the transport which had to be arranged was possible to be done by connecting to the other network, B Mobile. A similar scenario could occur in other social and economic circumstances, where improved communication occurs, as a result of network interconnection.

The non-existence of a policy to ensure the interconnection of the two, or possibly three networks is detrimental to consumers, service providers, and the economy in general. The ICT Policy does not provide a realistic solution to deal with the interconnection issue, except to mention that, 'technically and operationally', interconnection is not possible at this stage.

However, the current impasse on the interconnection issue seems to be based on reasons other than technical and operational grounds. What is required is for the ICT Policy to provide a clear direction for interconnection between networks, and/or mobile phone service providers.

Opportunity cost considerations

An important dimension to the ICT Policy is the issue of *opportunity costs*, which relate to the value of alternative uses of the funds that would be spent on implementing the current ICT Policy, particularly infrastructure costs for Telikom NetCo. If the cost of building the mobile network infrastructure is left to the retail service companies to bear – as would be the case if competition is allowed in both the wholesale and retail sectors – then the Government would make savings, which can be better utilised elsewhere.

This is a desirable situation, and a revised ICT Policy needs to reflect this situation. However, if the ICT Policy is implemented in its present form, then the people will lose,

because funds that could have been used on basic public services and needs, such as health, education, and transportation infrastructure, will be used on projects which the private sector mobile phone companies would willingly fund, because they have the business incentive to do so.

In light of these observations, the current ICT Policy should be withdrawn and reviewed in a process that involves industry-wide, transparent consultation, so that it reflects the interests and views of all stakeholders.

About the Author

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