



# BANGLADESH TELECOMMUNICATIONS MARKET AND ITS DEVELOPMENT

## Objectives of the Study

- ☎ Estimate potential market demand for telecom services
- ☎ Evaluate how market evaluation scenarios may or may not meet this demand
- ☎ Suggest a Strategic Master Plan for the telecom sector to ensure greatest level of benefit for the people of Bangladesh



## Methodology of the Study

- Review of present status of Bangladesh telecom
- Review of global trends as well as telecom status of the neighboring countries
- Discussion with Stakeholders
- Development of a Strategic Master Plan



## Review of Present Status of Bangladesh

- ① Extremely low tele-density (only 5 per 1000 population) and tele-reach (less than 10% of population)
- ① Badly structured and poorly managed BTTB
- ① Existing telecom policies are adequate but no action towards implementation
- ① Unrealistically high tariff
- ① Tremendous shortage of BTTB network capacity, denying interconnection to new cellular subscribers and other users
- ① Voice over Internet Protocol (VOIP) declared illegal
- ① Cellular companies barred from carrying data
- ① Official policy thrust on IT, without suitable telecom infrastructure to support it
- ① Domestic IT industry badly suffering from lack of connectivity
- ① Existence of some broadband network capacities in other utilities such as power and railways
- ① Miniscule number of public telephones (PCO) in the country, one PCO for 32,000 population

## Stakeholders' Perspectives

- Poor Performance of BTTB
- Customers unhappy with BTTB services
- Basic telecom services should be opened to competition
- National and international long distance services must be opened up to competition
- Independent regulatory commission must be established early
- BTTB should focus on maintaining and expanding the network, leaving the services part to private sector investors
- BTTB services part should be sold off
- Domestic VSAT hub and Internet exchanges must be set up without delay
- IP telephony must be legalized
- Customs duty on telecom equipment must be lowered to conform to the IT thrust

## Global Trends in Telecommunications

- ☉ Voice traffic already overtaken by data
- ☉ Mobile phones outstripping fixed line phones
- ☉ Internet access through mobile phones
- ☉ IP telephony replacing traditional Public Switched Telephone Network (PSTN)
- ☉ Meltdown in revenue from voice over the next decade
- ☉ Complete re-structuring of telecom tariff to raise revenue mainly from data traffic
- ☉ Government-owned utilities disappearing fast through privatization
- ☉ Internet and web technologies dominating the world through e-business, education, entertainment, e-governance, and e-health
- ☉ Telecom markets becoming more and more competitive
- ☉ Telecom sector liberalization and reforms sweeping developing countries
- ☉ With greater competition, regulators turning to light-handed regulation
- ☉ Regulators becoming more like umpires in a game, to ensure a level-playing field for all competing participants
- ☉ Increased recognition of convergence of technologies (telecom, broadcasting, and information technology) through multimedia policies and regulatory bodies
- ☉ A country's economic health increasingly dependent on its IT

## Bangladesh Telecom in the context of Neighboring Countries (India, Pakistan, Sri Lanka, Nepal, Malaysia, China, Thailand)

*Bangladesh is unique in many ways:*

- ◆ Bangladesh is the only country (other than China) without a formal regulatory body for telecom
- ◆ Bangladesh will also soon become the only country to have no competition in basic telephony
- ◆ Privatization (partial or full) of government operators has been completed or underway in all the countries (including China) except Bangladesh
- ◆ In Malaysia, China and Thailand, competition is most intense, and IP telephone legal, and these are also the countries with the highest tele-densities

**Strategy Recommendations: Dual Focus**

◆ **Maximizing tele-reach**

**Short Term (0 to 1 Year)**

**Focus on Tele-Reach**

- ☛ Country's interest is recognized to be bigger than BTTB's interest
- ☛ Competition, not public/private ownership, is recognized to be the key success factor for the telecom sector
- ☛ A regulatory commission for telecom and other converging technologies
- ☛ Making *maximization of tele-reach* the key objective in the foreseeable future
- ☛ Franchising out Public Call Offices (PCO)/ Multipurpose Community Telecenters (MCT), and Voice Messaging Services (VMS) to private sector entrepreneurs and educational institutions, using all existing infrastructure facilities
- ☛ Legalizing and granting licenses for IP telephony networks for a very fast expansion of connectivity
- ☛ Setting up internet exchanges within the country, leading to an Internet Backbone Network
- ☛ A modern spectrum management system administered by the new regulatory authority

**Expected Outcome**

- Tele-reach expansion at a fast rate
- Improved national and international long distance calling
- Public access to internet and others tools of IT expanding rapidly
- Thrust on IT policy becoming meaningful
- An independent regulatory body leading to increased investor confidence in the sector
- Domestic internet exchanges allowing more efficient operation of IP services
- Significant economic spin-offs and multiplier effect from all of the above

◆ **Gradually opening up the sector fully to competition**

**Medium Term (1 to 3 Years)**

**Enhanced Competition**

- ☛ An alternate optical fibre network for the country that includes the existing optical fibre facilities belonging to the Power Development Board (PDB) and GrameenPhone
- ☛ Basic telephone services made fully open to the private sector
- ☛ Use of wireless in local loop encouraged, where appropriate
- ☛ BTTB's data services are separated and sold off
- ☛ BTTB's network and services arms are separated and restructured into two autonomous corporations, one for telecom services and the other for network infrastructure services
- ☛ VSAT hub(s) created within the country
- ☛ Lower import duty on telecom equipment, and imposition of a telecom service tax
- ☛ Cellular companies allowed to provide data services

**Expected Outcome**

- The proposed alternate high-speed network leases out dark fibres to all current and potential telecom operators, including BTTB
- Using the available networks, telecom service is expanded at a very fast rate
- Autonomous and corporatized entities of BTTB working more efficiently
- A variety of high-speed data communications services become available from the former data services arms of BTTB and cellular operators
- A domestic VSAT hub reduces cost and improves efficiency of VSAT operations
- Increased competition brings down telecom tariff
- The country gains an IT edge

**Long Term (3 to 5 Years)**

**Full Competition**

- ☛ The telecom services arm of BTTB privatized, and the corporation for network infrastructure forms a joint venture with a strategic partner
- ☛ To increase greater degree of competition in the telecom market, the regulators undertake several exercises including tariff reforms, tariff re-balancing, unbundling of local loop, and enforcement of universal service obligations (USO) for all players
- ☛ Innovative applications of high speed telecom and IT, such as tele-education, tele-medicine, e-business etc. to ensure better standard of living and quality of life for all

**Expected Outcome**

- Ultimately, in about five years, the emergence of vibrant fiercely competitive and innovative telecom and IT sectors
- Consumers and the economy make large gains

