

Overview of the Economics Research Conference on Pacific Telecommunications

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On 10–11 July, the Crawford School, The Australian National University, held a conference at the National University of Samoa in Apia, Samoa, on Pacific Telecommunications. The conference was funded by the Australian Government's aid program AusAID and was held in collaboration with the Samoan Ministry of Communications and Information Technology and the National University of Samoa.

The AusAID (2008) *Pacific Economic Survey: connecting the region* highlighted the importance for the region of developing efficient communication services, including in telecommunications. As well, several Pacific island countries have recently made significant advances in opening up their telecommunications sectors. Therefore, it was thought worthwhile to hold a conference to review the advances that had been made and to see what lessons could be learned from privatisation of telecommunications sectors in the Pacific and elsewhere. It was also of interest to discuss what changes, particularly technological changes, may soon be influencing the provision of telecommunications services.

The papers presented covered areas including the impact of developments in technology on the sector and the

possibilities for offering new services that are becoming available; the appropriate design of regulation for the sector; the initiatives that the World Bank has taken to promote reform in the sector in the Pacific; the experience to date in liberalising telecommunications sectors in Papua New Guinea, Samoa, and Tonga; the difficulties facing the development of the sector in Pacific island countries with their often difficult topographical and geographical features; and concerns about privatisation and the possibilities for meeting universal service obligations in small states. Selected papers from the conference are published below, including the opening address by the Samoan Prime Minister (page 66).

Most progress in liberalisation of the telecommunications market has been made in the mobile phone segment. Samoa and Tonga have the longest experience with the opening of this market. Samoa now has virtually 100 per cent mobile phone coverage and around 60 per cent penetration (teledensity). Papua New Guinea, Vanuatu, and Fiji have issued private mobile phone licences only over the past 12 months. Digicel Pacific has been given mobile phone licences in the five markets opened so far, and is discussing the possibility of entering other markets such as Kiribati and Solomon

Islands. Hence, the possibilities for cheaper, more efficient, and more diverse Pacific-wide telecommunications have rapidly improved.

Siope 'Ofa's paper (page 69) describes the initiatives that the five countries, that have issued licences to private mobile phone providers, have undertaken with respect to regulating the sector. So far these are all individual country initiatives. The papers by Seini O'Connor (page 101) and Natasha Beschorner (page 112) discuss how best to provide regulation in the Pacific context of a large number of small states, given that regulation of this sector is very demanding of skills that are in very short supply and given the difficulties experienced in achieving good governance in countries with very small populations. Lois Stanley addresses the challenges in Papua New Guinea (page 135).

An important lesson for those countries developing their regulatory framework is that government should not be both a provider of services and a regulator. Preferably, even the natural monopoly segment of the industry should be privatised and the government focus on the provision of regulation. How regulation can most effectively be provided in the Pacific context appears to come down to some form of regional arrangement whereby countries adopt common practices, share knowledge, or share resources.

The paper by David Ma'ai and David Leeming (page 141) from the People First Network discusses the difficulties facing the adoption of advances in telecommunications given government monopolisation of the sector and the physical difficulties of many small islands spread out over a large area of ocean. The People First Network has done an incredible job in making modern telecommunications services available to remote areas under these very difficult circumstances. The difficulties facing

delivery of telecommunications and other services to populations widely dispersed over difficult terrain are often used to justify continued government provision of these services. But government monopolies have had many years during which to improve the provision of such services but have done very poorly. There is no reason to expect that they would do any better in the future.

In fact, one of the interesting facts from the country experiences is that even the announcement of the opening up of the mobile phone segment led to improved services at lower cost by the government monopoly provider. Costs continued to decline after the entry of the private suppliers. The economists' argument that even the possibility of contestability in a market will be beneficial to consumers has been justified in this case.

Two other important conclusions coming from the papers and discussion were the following. First, provision of broadband infrastructure (optical fibre by submarine cable, satellite, microwave, fixed line) is very expensive in the Pacific and is likely to remain so. The 'extra mile' infrastructure (i.e., delivering services to remote areas) is also going to remain very costly. However, these high costs do not justify governments building and controlling this infrastructure. Governments have a poor record in investing in infrastructure, particularly in a sector such as telecommunications where technological changes happen so quickly. Therefore, it is better to leave infrastructure provision to the market—which is much better than governments in adopting new technology and bearing investment risks—and for governments to focus on effective regulation.

The 'infrastructure' to deliver telephony, data, media (audio/video) in the future will be the Internet. This means that there will be a convergence of services, so that distinctions between 'telephony' and the Internet, and

between 'networks' and 'services' will disappear. Optical fibre is capable of providing for infinite services, so that once the infrastructure is in place the marginal cost of delivering services is effectively zero. Use of Voice over Internet Protocol (VoIP, e.g., Skype) means that prices charged for basic telephony will be driven to near zero. Therefore telephony service providers will have to generate revenue from 'content packaging' e.g., music/video downloads, SMS, business information (stockmarket, commodity prices) advertisements, weather information, sports information and even remittance transfers. The rapidly growing availability of cheaper mobile phone services throughout the Pacific should ensure that its people will be able to enjoy the diversity of services becoming available.

References

- AusAID, 2008. *Pacific Economic Survey 2008: connecting the region*, Commonwealth of Australia, Canberra.