

## Performance indicators for effective policy and regulation

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**LIRNEasia**

Learning Initiatives on Reforms for Network Economies

## Plan of presentation

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- ❑ Why benchmarks?
- ❑ Broadband benchmarks South Asia, 2007
- ❑ Next steps



## **Why benchmarks?**



Effective diagnostic and regulatory instrument in a competitive environment

## Monopoly provision

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- ❑ Fifteen years ago, most of South Asia had integrated monopoly suppliers of telecom services, owned by government
- ❑ Now, all countries in South Asia have allowed multiple suppliers to serve the markets
  - though a few residual de jure and de facto monopolies survive
- ❑ In monopoly settings, either
  - The government must directly take decision affecting availability of services, prices, quality of service and choice, OR
  - Government must engage in “command-and-control” regulation of the monopoly supplier, e.g.,
    - ❑ Setting rollout targets
    - ❑ Approving tariffs
    - ❑ Setting quality standards



## Competitive provision

- In the existing (imperfectly) competitive environment, regulation is still needed, but no longer in the classic “command-and-control” form (though we frequently regress!)
  - Focus on incentives
  - “Competition wherever possible; regulation where necessary”
- If multiple, non-cartelized suppliers exist and barriers to switching suppliers are low
  - Publicizing national comparative tariffs and service-quality levels can yield better results than command-and-control
    - Suppliers will take remedial action to prevent loss of customers
- But if all the conditions are not satisfied and/or the number of suppliers is low
  - Threat of regulatory sanction tied to benchmark performance may be the most effective
  - Essential to have international benchmarks



## What benchmarks?

- Natural to look at the regional grouping, but carefully
  - For example, South Africa should be compared with Argentina and Turkey, not immediate neighbors in Africa whose socio-economic levels are not at all comparable
  - In the SAARC region, two kinds of anomalies
    - Operators in India, with a population of 1 billion plus, membership in BRIC, and rapid growth, get better terms from equipment vendors
    - Operators in the micro-states of Bhutan and Maldives (population < 1 million) have additional problems; not fair to compare directly
- EU solution is a model worth considering
  - EU periodically publishes comparative data of indicators from members states
  - But benchmark is defined as third lowest, not lowest



## **Broadband benchmarks south asia 2007**



Getting a start on benchmarking; first step on a long road

## How many use the services?

Countries	Fixed phones per 100 people <sup>31</sup>	Mobile SIMs per 100 people <sup>32</sup>	Broadband connections per 100 people <sup>33</sup>
Afghanistan <sup>34</sup>	0.24 <sup>35</sup>	8.14 <sup>35</sup>	0.00073
Bangladesh <sup>36</sup>	0.61 <sup>37</sup>	12.71 <sup>37</sup>	-
Bhutan	4.5 <sup>38</sup>	11.72 <sup>38</sup>	-
India	3.64 <sup>39</sup>	13.52 <sup>39</sup>	0.1178
Maldives	10.88 <sup>40</sup>	87.88 <sup>40</sup>	-
Nepal	2.46 <sup>41</sup>	4.03 <sup>41</sup>	-
Pakistan	0.61 <sup>42</sup>	31.07 <sup>42</sup>	0.028
Sri Lanka	9.55 <sup>43</sup>	27.27 <sup>43</sup>	0.1258



## Footnotes=limitations

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- ❑ Footnotes show where the data were obtained from, dates, and limitations
- ❑ Data collection is done best by government agencies
  - National Regulatory Agencies
  - National Statistical Offices
    - ❑ A public-interest research organization can only do so much
- ❑ To do benchmarks one must compare like with like
  - Common definitions
  - In fast-growing markets, same time periods
- ❑ Therefore,
  - Broadband subscriber numbers based on obsolete ITU data for 2005
  - Other numbers mostly for end 2006



## Broadband prices (footnotes removed)

Country	2Mbps, 2km DPLC (p.a.)	2Mbps, 100 km DPLC (p.a.)	2 Mbps Broadband business connection (p.a.)	Minimum 256Kbps Broadband business connection (p.a.)	Minimum 256Kbps Broadband Residential connection (p.a.)
Afghanistan	12,000	N/O	N/O	N/O	N/O
Bangladesh	30,446	-	N/O	1,239	2,066
Bhutan	180	1,714	N/O	N/O	N/O
India	412	4,098	717	107	222
Maldives	16,342	40,575	N/O	2,792	112
Pakistan	51	2,528	N/O	2,660	2660
Sri Lanka	3,174	9,261	726	242	242
Benchmarks					
Philippines	392	-	785	N/O	261
Indonesia	4,800	-	N/O	954	254
EU average	358	-	164	119	119

## Price benchmarks

- Most have been fact checked by NRA officials
- But concerns remain, e.g.,
  - Why are Pakistan residential and business prices so much higher than 2 Mbps, 2KM DPLC price? Why doesn't everyone ask for the cheap service to their homes/offices?
  - Why is Maldives business rate so much higher than residential rate?
- We are force-fitting local prices into EU definitions; best that operators and NRAs collectively agree on definitions
- Possible for prices to be given but service to be not available
- Possible that posted price is a fiction, with massive discounting going on



## Next steps



NRAs and their regional associations  
must take the lead

## Next steps

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- As part of its mission to catalyze improvements in the policy and regulatory environments, LIRNEasia
  - has been engaging with NRAs and NSOs on the need to improve the supply of benchmark data; develop common standards; increase reporting frequency, etc.
  - is releasing this set of imperfect benchmarks at the 1<sup>st</sup> South Asia Broadband Congress & Expo, in order to highlight the value of good data
- Stakeholders should make their views known to regulators
- When the NRAs start producing better data, they will need the cooperation of all stakeholders
- With your help, this region too will have good benchmark data → good policy & regulation → good broadband

