

Vanuatu's Experience with Liberalization & Regulatory Reform & the Effect on its Economic Welfare

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The Government
of The Republic
of Vanuatu



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Vanuatu

- Archipelago of 83 islands: lying between New Caledonia and Fiji; (Located in South Pacific) – 63 of which are inhabited
- Total Land Area: 4720 square Km.
- 75% Living in Rural Areas, 25% in Urban Areas
- Total Population estimated to be approx. 270,000
- Main export: Copra, Cocoa, Kava, Beef
- Tourism major contributor to economy
- Official Languages: English, French; with Bislama (Pidgin English) the binding language
- 160+ Local languages & cultures



1. Telecommunications Services in the Monopoly Era



Pre-independence (before 1978)

- Telecommunications in Vanuatu was coordinated & controlled by the Post Office (PTT). An era during which termination & transfer of calls were made manually
- Types of communication at that time included:
 - A telephony system;
 - Radio system; &
 - Telegram services
- Telecom Vanuatu Limited (TVL) was incorporated – First limited telecommunications company for Vanuatu – a French company



Post independence

- In 1989 a Telecommunications Law was established by the Government to govern the sector
- The Law mandated the Minister to be responsible for the implementation of the Law, inter alia, by issuing of licences & managing the spectrum
- In 1992, the Government privatized the market & entered into a Franchise Agreement with TVL



Post independence continued

- **Franchise Agreement established:**
 - Allowed TVL to be the sole telecom operator for Vanuatu
 - Permitted TVL to have the exclusive right to provide telecommunications services in Vanuatu
 - Exclusivity granted to TVL for 20 years
 - Franchise agreement effective until 2012



Post independence continued

Form of telecommunications services: Monopolist

- Fixed services via landlines & public pay phones
- Mobile services
- Internet service (speed from 128 kps to 512 kps)



Post independence continued

Costs of telecommunications service: Monopolist

- Mobile services very expensive. No standard charges. TVL charged 40Vt per minute, & every minute a different charge applied (of up to 300Vt)
- A SIM Card cost 5000Vt (around to US\$50)
- Internet service expensive
- Smartphones cost around US\$800, & very basic mobile devices around US\$200



Post independence continued

Statistics:

- Mobile coverage less than 50%
- Mobile subscribers 27,000
- Fixed service subscribers 8,000
- Internet service subscribers 140
- GDP contribution to total GDP from ICT <4%



2. Towards Liberalization



Government's "Bold Step"

- In 2006 - 07, the Government of Vanuatu took the bold - & *forward looking* step - to undertake a comprehensive economic reform program in the infrastructure sectors; including telecommunications
- The reform aimed to:
 - promote rapid socio-economic development
 - create a more business-friendly environment; &
 - make basic services more affordable & reliable



But How? What did the Government do?

- The Government developed a Telecommunications Policy Statement (in 2007) with an aim to:

“create a favorable climate for stability, predictability and fair competition at all levels, in a manner that not only attracts more private investment for telecommunications infrastructure and services development, but also enables universal service obligations to be met in areas where traditional market conditions may fail to work”.

- In 2007 and 2009, the Government amended the Telecommunications Act to ensure it was harmonized with the new Telecommunications Regulations Act
- The Government also terminated the Franchise Agreement - in December 2007



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Government action continued

- The Government developed a Settlement Agreement, which (among other things) struck a deal with TVL whereby:
 - 1) the Government's 33.3% shares were relinquished to TVL in equal shares between Wireless & Cable & France Cable et Radio
 - 2) The Government paid compensation to TVL for its loss-making customers; &
 - 3) TVL's exclusive licence was revoked



Government action continued

- In February 2008, the Government appointed an Interim Regulator purposely to:
 - Support the policy capabilities of the Ministry of Infrastructure & Public Utilities
 - Recommend to Government policy options in areas of legislation, fiscal incentives, etc.
 - Implement & monitor Government policy reform of the sector
 - Advise on future policies for promoting universal telecommunications service in Vanuatu
 - Establish TRR & provide capacity building to staff



Government action continued

- The Interim Regulator was supported by Grants from the World Bank & AusAid to financially support the set up & functioning of the Interim Regulator's Office
- The Telecommunications & Radiocommunications Regulation Act No.30 of 2009 was enacted & it established the formal Office of the Telecommunications & Radiocommunications Regulator (TRR) – which commenced in November 2009



Government action continued

- The TRR Act 2009 established the independence of the Regulator & mandated the Regulator to regulate the telecom & radiocom sector of Vanuatu
- Much of the Minister's powers including, but not limited to, issuance of licences & making of Instruments were bestowed upon the Regulator under the (new) TRR Act 2009
- TRR's operational independence set up through retention of 2.25% of net revenue licence fees collected quarterly from telecom SPs, as well as from radio licence fees



3. How liberation has impacted – positively – to the Sector & Vanuatu's economy



Vanuatu in a Liberalized Environment

- After the Settlement Agreement was signed, the Government issued 2 telecommunications licences to:
 - TVL (incumbent); &
 - Digicel Vanuatu (new entrant)
- Additional licences were issued in late 2009 & more afterwards
- Vanuatu now has 8 Telecommunications Licensees – with 8 revoked last year



Vanuatu in a Liberalized Environment

	Telecommunications Licences	Date Licence issued	Type of telecommunications provided
1	Telecom Vanuatu Ltd	11 March 2008	Mobile, fixed and internet
2	Digicel Vanuatu Ltd	14 March 2008	Mobile, fixed and internet
3	Telsat Broadband Ltd	22 September 2009	Internet
4	Interchange Ltd	22 September 2009	Internet wholesaler
5	Wantok Limited	22 September 2009	Internet
6	Incite Technology	30 September 2009	Internet
7	Spim	1 April 2011	Internet
8	Global Telecom Pacific Ltd	6 March 2015	Internet



Vanuatu in a Liberalized Environment

Economic Impact: affordability & Price Reduction

- Prices have dropped significantly:
 - Mobile services – standard price now: 26Vt/m (average) – no additional price applies per each minute as occurred during monopoly
 - Internet prices have dropped by 70%
 - Mobile SIM card price has dropped by almost 90% - from 5000Vt to 500Vt
 - Smart phones (devices): now cost as low as US\$20 per device



Vanuatu in a Liberalized Environment

- **Social Impact: access**
 - Subscriber base increased:
 - Mobile subscriptions increase: over 130,000
 - Internet subscriptions increase: over 40,000
 - Mobile coverage rapidly increased from <50% to >90%
 - Most rural areas have access to a Mobile telecommunications service
 - Enhanced communication & investment
 - Facilitated development in other sectors

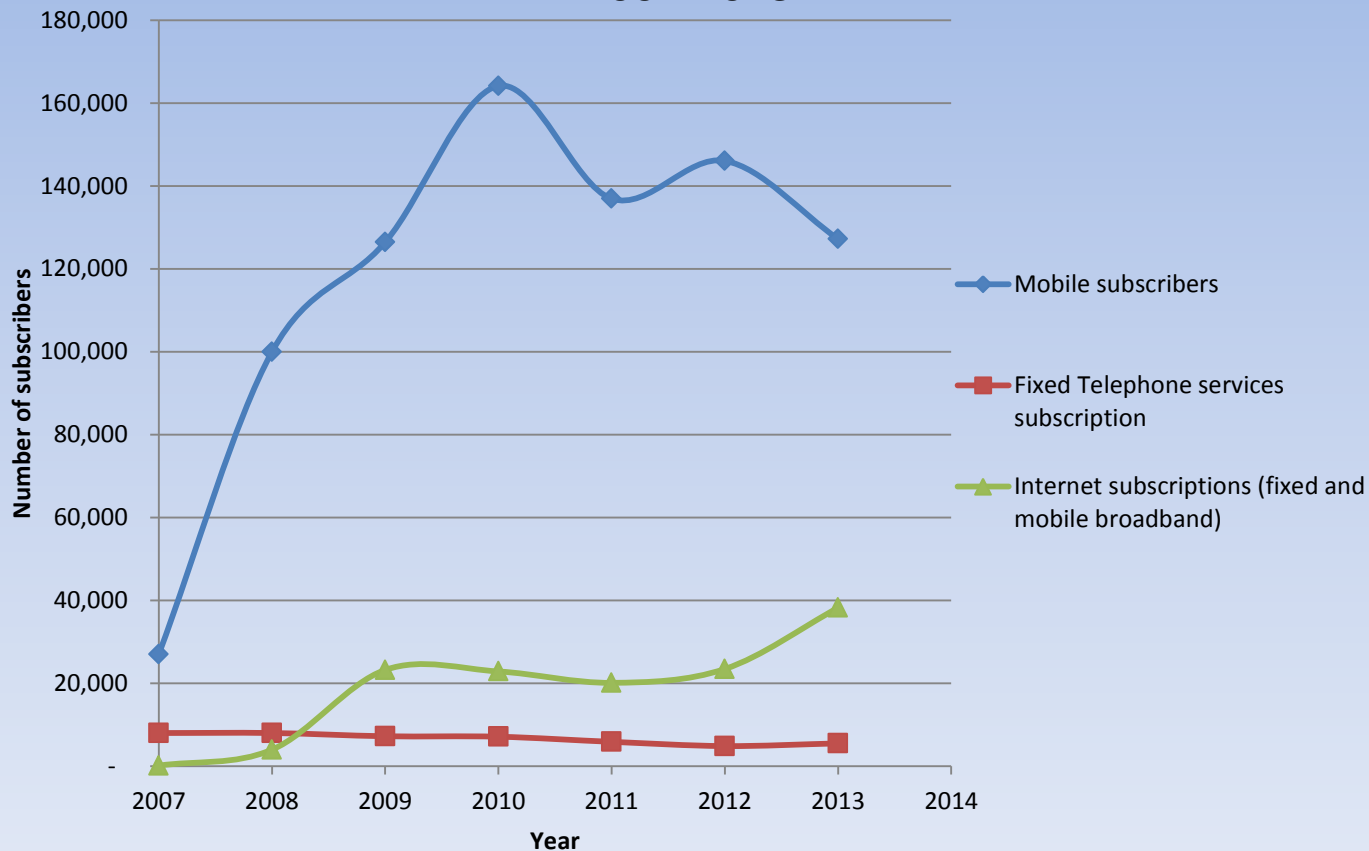


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Vanuatu in a Liberalized Environment

Subscriptions after Liberations for mobile, fixed and internet Services 2007-2013



Government Tax

For the Past 5 years, the sector has contributed over USD\$5million into the country's economy

GDP contribution

Increase from 4.2% to 5.3% contribution to total growth of GDP (2012 figure)



Challenges

- Vanuatu has a small Market - 2 mobile operators have market share – but provision has been made for a 3rd entrant
- Prices offered have dropped significantly & are still dropping, however, not to an extent so as to be proportionate to the minimum wage (around 300USD per month) & are therefore still too high for the local population
- Demand side remains an issue for use of the services offered



Challenges continued

- Because of Vanuatu's topography & spread, it is costly to roll out services to & within the islands; especially rural areas due to size, remoteness & isolation
- The digital divide & how to bridge it; especially those in remote parts of Vanuatu? BUT the Government has developed a UAP to address this challenge
- The telecom sector is a fast growing, ever changing & evolving sector, & policy & regulatory frameworks must adapt to & meet change - technology & regulatory wise – in the best interests of consumers



How will/are the challenges being met?

- TRR has made spectrum & regulatory provision for a new (3rd) mobile entrant
- The Government has developed a National ICT Policy, a UAP & a Cybersecurity Policy; it also has set an E-Gov approach for all Government services to be online
- These support the Government's Millennium Development Goals – set by UN - & its Priority Action Agenda (PAA) 2006 – 2015
- The Government's innovative & forward looking UAP will meet & address the digital divide challenge
- The UAP extends & improves telecommunications services, including broadband internet, to areas not adequately service or unserved areas by existing services



How will/are the challenges being met?

- The UAP is aimed at reaching the last milestone: unserved & underserved areas from current telecommunications operators. It is a 'gap' bridger
- By January 2018, 98% of the Vanuatu population will have (& continue having) access to the following telecommunications services:
 - Voice
 - Narrowband data services, including text messaging
 - Broadband internet services that enable a download speed of at least 21 Mbps & upload speed of at least 12 Mbps



How will/are the challenges being met?

- By January 2018 these services must be available at all:
 - Primary, secondary & tertiary schools, vocational training facilities as well as early childhood education facilities
 - Health facilities, including hospitals, health centers & dispensaries
 - Public offices
- The level of access to telecommunications services achieved prior to the Policy, as well as in the course of implementation of the UAP, cannot be decreased



How will/are the challenges being met?

- Services must be provided at geographically uniform prices
- TRR is implementing & enforcing the Policy
- TRR will actively monitor achievement of all UAP objectives & goals
- The UAP proposes a 'Pay' (collect a levy) or 'Play' (agree with operators on an approach that will achieve Policy objectives) approach: 3 Players
- Not just service provision – includes hardware & software: tablets, laptops, etc; through UAP ICT Programs/project – Government initiative



How will/are the challenges being met?

- Government Initiative – using UAP Fund to fund projects identify by Government, Regulator & Donor partner (AusAID):
 1. Connecting 15 Schools with Broadband internet;
 2. Providing up to 1000 tablets to 7 schools; and
 3. Provide UAP subsidy to 3 beneficiaries (entrepreneurs) to operate internet café in rural areas.
- Connecting the Community through Schools.
- Other projects include APT J3 Project & ITU satellite project currently underway
- It is an innovative approach to UAP – stimulus & encouragement - not yet undertaken anywhere else in the Pacific; or World-wide



How will/are the challenges being met?

- Competition between service providers will continue to drive price down
- TRR must be proactive & not await licencees' action to reduce price & 'look after' consumers
- Consumers must become educated, assisted, made aware & protected: TRR has key role here & finalized a Consumer Protection Regulation, & deploys regular, ongoing consumer awareness initiatives; including a "Consumer Champions" initiative – a first in the Pacific & elsewhere in the World
- Through 'light touch' but 'firm & fair' regulation with intervention only where necessary, & innovation & new services promoted & encouraged



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How will/are the challenges being met?

- The positive impact of the Submarine cable arrival in January 2014 is evident & profound
- Connection to the submarine cable in the retail services market has meant internet speeds, capacity, & subscriptions have increased significantly, & broadband internet prices have dropped by 70%
- In 2014: more & wider services & upgrades have been made within the internet market. Mobile retail services have increased by 13% compared with 2013, along with a 20% increase in internet services



Other Achievements to date

- 93+% mobile coverage to many islands of Vanuatu
- Telecom infrastructure improved – 4 International gateways (3 via Satellite & 1 cable) – enhances investment & tourism activities
- Vanuatu has an IXP – the first in the Pacific; local traffic kept local; costs down & efficiencies gained
- TRR has trained staff & a well-structured Office, & will recruit a local Regulator before December 2015
- TRR maintains a very good relationship with the industry & a close but independent relationship with the Government through OGCIO
- TRR's independence is well respected & protected by the Government



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Does Liberalization work & is it effective?

- For Telecommunications – **YES** – World-wide proof
- Other services – questionable – at times - & not assured
- Electricity – benefits not always assured, & lower prices do not always eventuate
- Water – similar to electricity
- Gas - similar to electricity
- For Telecommunications (ICT's) there has been unparalleled positive effects, outcomes & benefit – social, economic & business

BUT

- Liberalization requires an independent & effective Regulator



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Key takeaways

- ICT's are enablers that drive the economy & create wide-spread benefit & economic growth
- The spread & increase in ICT use in Vanuatu will effectively & efficiently assist achievement of an *educated, healthy & wealthy Vanuatu*
- ICTs “supercharge” economic development, facilitate citizen to Government interaction, are vital to e-commerce & e-government, & are essential to our children's futures
- ICTs are “force multipliers” that allow people to become much more effective in their jobs
- ICTs promote openness & transparency in Government, & an increase of ideas & information sharing in the marketplace



Key takeaways

- ICTs directly & indirectly create new jobs, increase education, & increase health & wealth
- Liberalization works – definitely in the telecom sector
- The Road to liberalization:
 1. Must be driven by Government
 2. There must always be *political will* to ensure change happens & a consistent approach is taken
 3. Once the market is liberalized, the continued independence of the Regulator is a must – there can be no political interference OR market failure can be assured



Key takeaways

The Regulator must:

- Be approachable, listen, understand, be firm, fair, consistent, transparent, adaptable, open, ethical, honest, trusted, be able to hold & maintain confidences
- Facilitate development of the telecom sector to promote national, social & economic development
- Encourage sustainable market competition & protect consumers
- Provide advice & support the Government in the implementation of its ICT/Telecom policies/plans
- Support & promote sustainable telecommunications growth for the benefit of the nation



Tankio Tumas! Thank you!



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