Cellular Operators Feeling The Pinch?

Sri Lanka’s long-ailing telecommunications industry, only recently infused with new blood by the private sector, is witnessing many changes. While the cellular companies continue their fierce competition by extending coverage and introducing new packages and features, the wireless local loop (WLL) operators are bringing a new dimension to fixed telephone services. All these developments will go a long way to ensure that the wheels of the economy run smoothly.

The advent late last year of WLL operators Suntel and Lanka Bell ended the monopoly by the state-controlled Telecom (SLT) in supplying fixed telephone services. Their entry also ended the need for businessmen and residents to languish in the long waiting list for SLT services.

These two companies are expected to provide the country with at least 200,000 lines by the turn of the century. Furthermore, as telecommunications experts have pointed out, the entry of competition will improve SLT’s efficiency. Several countries around the world are resorting to wireless local loop technology as the deployment period is less compared to the cable system: it is also more economical in providing services beyond a range of 2km from the exchange.

Currently, the ambitious WLL operators are busy making plans to capture a sizable portion of the telecommunications-market. Suntel managing director Jan Campbell told ‘Business Today’ that their network is presently confined to Colombo city, but will extend to the Greater Colombo region around June. Kegalle and Kandy will also be covered during June, and eventually the Suntel network will cover the entire island. Campbell further said that they are planning to launch high- speed data communications, so that internet services could be accessed. According to him, Suntel will also launch cordless phones during June. These are mobile phones to be used within a residence or an office, and the company expects a good response from high-end residential and corporate users. Thus far, Suntel has installed 3500 lines, claims Campbell. He says they can assure of installing a phone within just three days.

Suntel stated their digital technology provides many advantages over the

conventional system – these include high clarity, privacy and access to the latest technological developments.

Company sources said, ‘Suntel installation charges are extremely competitive and the call charges for local and IDD are similar to SLT. Furthermore, all incoming calls are free of charge.’

But while both Suntel and Lanka Bell are striving hard to upgrade their services, the mobile phone operators who were affected by their entry are complaining that a level playing field doesn’t exist between the WLL operators and cellular companies. They point out that the WLL operators don’t pay interconnectivity fees to SLT, and receive a substantial dis- count in the case of IDD calls, whereas the mobile phone companies have to pay SLT the standard rates for both local and international calls. One cellular operator said, ‘this is totally unfair. We don’t expect the same treatment, but we do expect a better deal. We requesting that the interconnectivity rates we pay be are reduced.’

Sri Lanka’s four mobile phone operators, namely Celltel, Mobitel, Dialog GSM and Call Link together account for a subscriber base exceeding 70,000. According to Mobitel managing director Walter McKenzie, although the WLL operators are not in direct competition with the cellular phone sector, their entry has affected them.

He told ‘Business Today’ that following the formal launching of operations by Suntel in December last year, there had been only a few cancellations but a significant revenue drop had been recorded as cellular phone usage has declined. However, he expects this decline to level off after sometime.

McKenzie said that Mobitel along with the other three cellular operators have jointly proposed to the government that incoming calls to mobile phones should not be charged. He personally feels it unfair that a customer has to pay when someone calls him.

He observed that in Europe and Australia, cellular operators follow the ‘user pays regime’, where only out going calls are charged for. Their proposal is currently under consideration by the Telecommunications Regulatory Commission of Sri Lanka. Says McKenzie, ‘Our challenge is to introduce more cost-effective packages, features, facilities and services to increase our revenue.”

He further states that Mobitel intends targeting a wider customer base and

reducing the entry barriers (ie. the cost of the handset, which ranges from Rs 8900-60,000). The company is also planning to introduce digital services so that they could provide the features Suntel and Lanka Bell can offer. According to McKenzie, a large portion of their profits is being eroded by bad debts. In fact, it is believed that around 10% of the profits made by mobile phone operators is swallowed by bad debts. Now the cellular operators have joined hands and are proposing to form a database of defaulters; this will effectively prevent people switching from one operator to another after defaulting. McKenzie says they have also requested the government for a simplified legal process to recover bad debts. He describes Sri Lanka's legal system as 'cumbersome, too bureaucratic and costly."

He states that hey encourage the success of the WLL operators, as the availability of more fixed phones means more business for mobile phone operators. There will always be a good demand for cellular phones, specially among business people, notes McKenzie. He says, once you get used to a mobile phone, you can't do without it. It makes life easier, business more efficient.' He says that in the West, the trend is to go for mobile phones, and within another five years the 'wireless office' will hold sway.

According to Suntel managing director Jan Campbell, the cellular operators should focus on their niche, which is mobility rather than worry about the impact WLL will have on them. He emphasized that the mobile phone operators should extend their coverage, and pointed out that they are providing the necessary infrastructure for increasing cellular phone usage. Campbell stresses that those possessing mobile phones should in addition obtain a fixed phone, as using the latter will substantially reduce their bills. The cellular phone, he says, should be used when going out.

Chief executive officer of Celltel, Jeremy Huxtable said that if the interconnectivity arrangements with SLT are re-negotiated, the duty on handsets brought down and the BTT reduced, cellular companies can provide services at rates which are competitive with those offered by SLT and the WLL operators. He is of the opinion that controls presently imposed slow the growth of the mobile phone sector.

The future of the cellular industry in Sri Lanka is directly linked to the economy and the strength and independence of the regulator, according to Huxtable. The CEO of Dialog GSM, Ziani Diman told 'Business Today' that the mobile handset should become a consumer item available to a large section of the populace. He points out that in Malaysia, even fishmongers and taxi drivers own cellular phones.

Diman said Dialog GSM recently introduced Automatic Inter- national Roaming (AIR) and is the only cellular operator in the country offering this service. He stated that this Dialog service is presently operational only in Switzerland, but by mid-May would be available in around 15 countries, including Singapore, Malaysia, Australia and Germany. Indeed the face of the island's telecom industry is fast changing. A few issues need to be ironed out, but the healthy competition augurs well for the nation's economic development.

In conclusion, it would be pertinent to mention the observation by reputed trend analyst John Naisbitt in his epoch-making work 'Global Paradox'. He stated, 'telecommunications will provide the infrastructure every industry and every company will need to compete in a truly cosmopolitan marketplace. The telecommunications business will double and redouble as we drive toward global interconnectivity."