Telecommunications Market in Fiji: Is there Competition?

By:

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A. Introduction

- The state and level of the technological development of telecommunications infrastructure plays a very important and critical role in the growth and development of contemporary economies.

- Countries who do not have the required level and technology of telecommunications infrastructure are struggling to keep pace with the rapidly changing market economies and thus have difficulty in maintaining their competitive edge in the global market.

- As a result, the past three decades have seen a remarkable transformation in the state and structure of the telecommunications market throughout the world.
Innovations in the field include:

- the introduction of fibre optics,
- the development and launch of new generation of networks and satellites,
- advancements in mobile communications with all these contributing to significant increases in transmission capacities, effective data services and substantial direct and indirect cost savings.

All these reforms and developments in this sector have seen unprecedented growth in the industry as well as the economies.
Prior to these, for the greater part of the twentieth century, telecommunications services were offered by the state via state monopolies.

The rationale for state ownership rested on two assumptions:

- that the objective of a universal service could best be met through state ownership of services and products; and,
- that the development of infrastructural services such as electricity, water and telecommunications could be most effectively fostered via government management and control.
Introduction Cont…

- However, there were several shortcomings with state control, particularly inefficiency build up and the lack of business acumen setting in the departments.

- Gradually, as the market developed, the liberalization of the telecommunications sector saw a gradual corporatization and privatization of this sector (see Figure I).
Figure I: Transition to Monopoly to Competition in Telecommunications Sector

- **Public Monopoly**
  - Limited Regulation because government is the sole monopoly operator and the regulator itself

- **Private Monopoly**
  - Increase in regulation because the private operator needs to now its rights and obligations and the government needs a regulatory framework to facilitate oversight over the monopoly operator

- **Partial Competition**
  - Greater need for regulation as regulator must implement tools to foster and sustain a new competitive market (e.g. Rules regarding potential anti-competitive practices, licensing frameworks, setting tariffs, universal service)

- **Full Competition**
  - Decrease in regulation as competitive market largely regulates itself, representing a shift to ex-post regulation

Source: ICT Regulation Tool Kit.
B. Fiji’s Telecommunications
Market Structure

- Fiji’s market is following a similar path.
- Prior to January 2007, Fiji had three telecommunications operators in Fiji.
  - Vodafone (Fiji) Limited (“Vodafone”), a mobile network operator;
  - Telecom Fiji Limited (“TFL”) a fixed line network operator; and,
  - Fiji International Telecommunications Limited (“FINTEL”), the international gateway operator for voice and data.
- These three operators are also part of a Holding Company, Amalgamated Telecoms Holdings Limited (“ATH”).
- Vodafone Fiji Ltd is a joint venture between ATH (51%) and Vodafone International Holdings BV (49%).
- TFL is a 100% owned subsidiary of ATH.
ATH had the rights to manage the Government’s 51% shareholding in FINTEL, which is a joint venture between the Government (51%) and Cable & Wireless (49%).

On 17 January 2007, the Government concluded a Deed of Settlement with Amalgamated Telecoms Holdings Limited ("ATH") and its related companies, namely Vodafone (Fiji) Limited ("Vodafone"), Telecom Fiji Limited ("TFL") and Fiji International Telecommunications Limited ("FINTEL"), that liberalized the telecommunications sector in Fiji.

The conclusion of the Deed of Settlement enabled the Government to license Digicel (Fiji) Limited ("Digicel") to operate public cellular mobile telecommunications systems and associated networks and to provide public cellular mobile telecommunications services in Fiji.
Market Structure Cont…

- Digicel entered Fiji’s market on 1st October 2008, thereby effectively ending Vodafone’s fourteen year monopoly over its mobile telecommunications network in Fiji.

- Prior to Digicel’s entry, Vodafone launched Inkk Mobile Limited (“Inkk”) on its network.

- While Vodafone and Digicel have each deployed a national mobile network in Fiji, Inkk does not have its own mobile telecommunications network in Fiji.
Market Structure Cont...

- Vodafone and Digicel each operate a mobile telecommunications network based on the Global System for Mobile Communications (GSM) standard.

- Digicel and Vodafone each provide a full range of retail mobile telecommunications services, including offering users the ability to send and receive voice calls, text messages and data.

- Vodafone provides such services using a combination of 2.5G GPRS and 3G WCDMA technology, while Digicel provides them using 2.75G EDGE technology.
Market Structure Cont...

- Both operators subsidize to varying degrees mobile handsets, thereby promoting the affordability of handsets.

- In March, 2012, another major change in the market took place, which was the acquisition of 49% of the Cable & Wireless share in FINTEL by ATH.

- This now implies that ATH has effective total control of FINTEL and TFL and has controlling interest of Vodafone Fiji Ltd given that it has 51% of the shares of Vodafone Fiji Ltd.
C. Market Anomaly and Price Control

- Market Share (August 2012)
  - VFL has an estimated voice subscribers of XXX,XXX (75% in the mobile market)
  - DFL has XXX,XXX (25% of the mobile market).

- In the fixed line market, TFL has 138,944 voice subscribers.
Market Anomaly (cont..)

- **Data:**
  - TFL offers fixed line data service
  - Digicel has purchased offers unwired services
  - VFL offers unwired services
  - FINTEL offers unwired services (Kidanet)
Market Anomaly and Price Control

- Commission is regulating wholesale voice and data prices;
- Voice termination rates are determined using benchmarking rates to countries similar to Fiji who have forward looking cost based termination rates;
- Wholesale data rates are determined based on cost;
- Both rates have adopted a glide path for the last three years.
Opening up of Fiji’s International Gateway

- In 2010, based on a major study, the Commission opened up the FINTELs Landing station thus allowing anyone to procure data from the Southern Cross Cable.

- Following this opening, TFL procured data from the SC Cable directly thus raising competition at the wholesale level as well.

- This equation is quite likely to change now given changes in market.
D. Market Structure: Is there a Need for Continued Regulatory Intervention

- What we note is:
  - In the Mobile Voice Market, there are two operators with one having 75% market share and therefore substantial market power;
  - With SMP, the operator can abuse the market power and thus unilaterally change prices and decide areas of supply;
  - The operator can engage in predatory pricing and thus derive the other player out of the market;
  - In the fixed line market, we only have one player.
  - In the data market, apart from Digicel, all are within the ATH group thus posing serious threat to any competitive outcome.
  - Under these circumstances, regulatory oversight is needed now more than ever.
E. Fiji Commerce Commission

- FCC is currently regulating the market with respect to prices (in the wholesale market) and conduct.

- The PCO for Telecommunications sector has been extended for another three years till 2015.

- The Commission intends to carefully monitor this sector, undertake detailed scientific research and make decisions and submit for policies which will ensure this sector lives up to its expectation from all stakeholders.
F. Summary and Conclusion

- Fiji’s Telecommunication market is far from being a Competitive market;
- Regulatory oversight is critical to ensure the various stakeholders, households, education and business sector and the others are not strangulated with high costs of this essential mode of communication and data storage.
- Fiji Commerce Commission is investing significant amount of its resources to undertake research to feed in to the policy making process.
Thank You !!!