



A presentation by Mr. C. M. Lekaukau, the Chief Executive Officer of Botswana Telecommunication Authority, during the stakeholders' Forum on Further Liberalisation of the Telecommunications Market, held at the Gaborone International Convention Centre at the Grand Palm Hotel on 31 January 2005

A General overview of the Telecommunications Market situation in Botswana

Distinguished Guests
Ladies and Gentlemen
AND ALL Protocol Observed

The day of reckoning has arrived today for us to review the telecommunications environment in a major consultative forum, which has attracted the respective representatives of society from all walks of life in Botswana and our industry counterparts from different parts of the world. It was around 1994 when the then Deputy Permanent Secretary in the then Ministry of Works, Transport and Communications, Mr. M. J. Moatshe and Mr. Claes Rosvall, a Swedish Advisor who came here under the joint partnership agreement between Botswana Government and the Swedish Government (through the Swedish International Development Agency (Sida) toured the length and breadth of the this country to ascertain what developments Batswana wanted to have in place In the telecommunications sector. These consultations led to the Telecommunications Policy of 1995 and later on the enactment of the Telecommunications Act in 1996 and the Botswana Telecommunications Corporation (Amendment Act), 1996 which abolished the monopoly which had been enjoyed by the incumbent fixed line operator, Botswana Telecommunications Corporation. These are the major instruments, which have hitherto to been implemented by Botswana Telecommunications Authority (BTA). Therefore this Forum is geared to examine what has happened in the development of telecommunications liberalisation in Botswana so far and what needs to be done further.

Before I start communicating the subject matter of my responsibility today, may I take this opportunity to thank the Honourable Daniel Neo Moroka, Member of Parliament for Kgalagadi South and Minister of Trade and Industry for gracing this occasion. We thank you, Sir, for your encouraging words and we hope to achieve good results in the Forum in accordance with the guidelines that you have set for us. The subject of telecommunications is relevant to your Ministry because we will be talking about trade-in-services in terms of the 1996 World Trade Organisation (WTO) Telecommunications Agreement as well as the 1996 Reference Paper and the latter set guidelines for telecommunications regulators.

I would also like to thank His Excellency Mr. Joseph Huggins, the Ambassador of the United States of America for also agreeing to be roped in at the last minute as a Keynote Speaker in place of my colleague and friend Commissioner Kathleen Abernathy who was unable to be with us because of other commitments. She had agreed that she would oblige to our invitation during our discussions in Geneva in December 2004 during the Annual International Telecommunications Union (ITU) Global Symposium for Regulators, which she chaired magnificently. However, you have distinguished yourself and I had no doubt that you would just do that because I know that you were quite familiar with matters of trade. Thank you for your wise advice.

The Telecommunications sector started developing in 1980 when a dedicated special purposes vehicle (SPV), Botswana Telecommunications Corporation was set up on 1 April 1980. Guess what – I was there as one of the first board members until 1989. During these nine years stint as a director I was also the Chairman of the BTC Board from 1984 - 1989 and I was responsible for negotiating funding for the Main Development Plan (MDP 1), MDP 2

and MDP 3, which resulted in the backbone ring in the country, which feeds the arterial trunk routes. Prior to this period telecommunications was a portfolio responsibility of the Department of Post and Telecommunications, a government department.

I will take a few minutes of your time to give you a general overview of the development of telecommunications in Botswana and the current market situation in Botswana in addition to what the previous speakers said in order to ensure that we all start the forum on the same wavelength. May be I should begin by explaining why the forum is about **further** liberalisation of the sector and not just liberalisation.

The liberalisation of the telecommunications sector was initiated from December of 1996 after the passage of the 1995 Telecommunications Policy, the Telecommunications Act, 1996 (No 15 of 1996), the Botswana Telecommunications (Amendment) Act, 1996 (No 16 of 1996). The former Act gave birth to the Botswana Telecommunications Authority as the industry regulator while the latter eliminated BTC monopoly in the provision of telecommunications services, which BTC had hitherto enjoyed and also abolished its regulatory powers since it was regulating itself. It is in this context, that we would like to acknowledge that, for all intents and purposes the market has already been opened to full competition subject to identifying other niche markets in the sector and liberalising them and this is why we are here today. BTA advocates orderly and managed liberalisation not acting on the spur of the moment because competition has to be introduced.

Having put the theme of the workshop in its perspective, I would now like to give a brief background of the BTA, its achievements and the challenges it has faced since

establishment in 1996. I wish to refer you to my speech during the 5 April 2004 Stakeholders Reception where I gave a bird's eyeview of our telecommunications plane. The speech is available on the BTA website but it also being distributed during the course of this Forum. As a regulator, the BTA is charged with the mandate of promoting efficiency in service provision by generating effective competition. The regulator is also responsible for spectrum management, dispute resolution, allocation of numbers and licensing of service providers to mention but a few.

One of the first challenges that BTA faced shortly after its establishment was the licensing of the two mobile operators – a process which started in 1997 when the Authority was still finding its feet and both Mascom and Orange (then Vista) were licenced in February 1998.

At that time Botswana Telecommunications Corporation was the only telephone operator in the country with approximately 54 000 subscribers. I am gratified to mention that following the licensing of the two mobile operators in February 1998 there has been significant growth in the subscriber base for both fixed and mobile segments. BTC currently has 136 752 customers while the joint customer base for the two mobile operators stands at 601 091, which translates to a teledensity of 8% and 35% respectively in a population of 1.7 million. It means that 8 people in a 100 people have access to a fixed telephone a similarly 35 in 100 have access to a mobile phone. The mobile telephony has in particular experienced phenomenal growth over the years and outperformed fixed telephony within the first few years of operation.

Apart from the licensing of the telephone operators, the BTA has made significant strides in the licensing of other value-added service networks, which include Internet

Service Providers, Data Service Providers and Private Network Operators. To date the Botswana telecommunications market enjoys the fruits of competition with 22 Internet Service Providers, 11 Data Service Providers and 11 Private Network Operators. It is estimated that about 40 000 people have access to Internet services and email services. However, there are flexing issues pertaining to interconnection of networks, as Botswana Telecommunications Corporation is sometimes not able to provide the necessary capacity to the respective telecommunications operators on request. For instance, the mobile operators have repeatedly approached the BTA complaining about BTC's failure to either provide the necessary capacity or to provide the transmission links on time resulting in loss of revenue for the competing networks. This scenario is not healthy for competition let alone for a vibrant telecommunications infrastructure, the latter being a necessary condition precedent for a viable information communication technologies (ICT) hub. The Internet Service Providers (ISPs) have also voiced their complaints about the unreliability and the slow speed of Internet connectivity in Botswana and consequently some of them have resorted to self-provision of transmission links at a high cost. The mobile operators are also agitating for licensing of their own international exchanges which would assist BTA from being thrown from pillar to post in interconnection matters whereby operators pass the bug between each other.

Distinguished Delegates

The logical question that one might be tempted to ask at this juncture is: If the BTA has made so much progress in facilitating this phenomenal growth of the market, with all these players in the market, why further liberalisation? I am sure that Mr. Bill Wiggelsworth will cover this matter in

his presentation later, but I hope that I can also hazard some observations, if I may.

There are a number of regulatory constraints in the market, which need to be looked into. For example, BTC has a de facto monopoly on a number of services including –

- international infrastructure used for voice;
- the provision of all international voice services at wholesale level;
- national infrastructure used for voice at wholesale level; and
- internet service providers (ISPs) and data network operators are not allowed to provide Voice Over Internet (VOIP) services.

These services need to be extended to other operators in order to have meaningful competition. The whys and hows of the devolution of these services to other operators will come from the consultations with you over the next three days and your inputs.

Furthermore, the level of fixed line penetration is low by international standards compared to other countries with similar Gross Domestic Product. Perhaps the low population density of Botswana is responsible for this low penetration. I will not attempt to come up with any answers, as all these issues will be dealt with more elaborately in the next two days.

Ladies and Gentlemen,

It would be an omission on my part if I could conclude my presentation without talking about our contribution as the regulator towards the achievement of the goals of Vision 2016. The Vision calls for an educated and informed society. The Information and Communications Technologies (ICTs) are an integral component of the information revolution in which all human beings utilise

knowledge for the enhancement of their economic, social, cultural and political well-being. In this vein, the BTA continually strives for the expansion of service provision beyond the cities and major villages of Botswana. As part of this revolution the BTA has prepared a policy strategy on universal access for telecommunications, which has been with the Ministry of Communications Science and Technology since April 2004. The strategy assesses the different options for rolling out the Information and Communications Technologies to reach all citizens of Botswana and thereby close the digital divide facilitated by Fund, which would be created. Any decision reached as to how universal access is achieved would enable players in the market to contribute to such a Fund to facilitate provision of services to the underserved areas like the surplus funds, which BTA generates on an annual basis.

My view is that these surplus funds should be channelled to those who contributed to them being primarily the consumers and secondarily the service providers. We have a precedent in point in Botswana, whereby Botswana Meat Commission (BMC) surpluses are ploughed back to the farmers who supply livestock to the BMC in the form of bonuses in good years. The bonus as far as the Fund is concerned would be to open access of telecommunications to all in our country. However, as I have always cautioned that time is not on our side. We are not moving as fast as the telecommunications technology moves or even as near as it moves. We need to be more proactive in this fast moving technology. This technology does not respect any boundaries and it does not need passports to compete with our industry from outside e.g if we continue to give sub-standard service to our customers who would like to call other countries, our residents would request those outside to ring them rather than the calls originating from Botswana and we lose revenue in the process.

Whilst we try to harmonise rules and practices in Southern Africa Developing Commission (SADC) countries through the Telecommunications Regulators Association of Southern Africa (TRASA) in order for the fourteen countries to achieve complementarity in the provision of services to ultimately create a one stop-shop market in the region, competition among these countries is also inevitable. South Africa, for example took a bold step last year to introduce further liberalisation measures effective tomorrow 1 February 2005. These measures, which were announced by Hon Ivy Matsepe-Casaburri, Minister of Communications, on 3 September 2004 are as follows:

- In terms of section (37(2) of the South African Telecommunication Act, 1 February 2005 shall be the date from when Mobile Cellular Telecommunication Service licencees may utilise any fixed lines which may be required for the provision of the services, including fixed lines made available by Telkom South Africa or any other person providing a public switched telecommunications service;
- In terms of section (39)3 of the Act, 1 February 2005 shall be the date from when persons may apply for a licence to provide public pay phone services in any area of the Republic of South Africa of South Africa;
- In terms of section (40)3 of the Act 1 February 2005 shall be the date from when valued added network services may carry voice using **any protocol**;
- a In terms of section 40(2) of the Act, 1 February 2005 shall be the date form when value added network services may also be provided by telecommunications facilities other than those provided by Telkom South Africa and the Second National Operator or any of them;
- b) In terms of section 40(4) of the Act, 1 February 2005 shall be the date from when a person who provides a value added network service shall be

entitled to cede or assign the right to use, or to sublet or part with control or otherwise dispose of the telecommunications facilities used for the provision of the value added network service;

- In terms of section 41(5) of the Act, 1 February 2005 shall be date from when a private telecommunications network operator shall be entitled to resell spare capacity and facilities or to cede or assign his or her rights to use such facilities or to sublet part with control thereof.

The Honourable Minister's determinations are being circulated in the Forum. This is a serious challenge to us if we are striving to be an ICT hub in the region.

We have a team of robust players in the market from outside Botswana who have graciously accepted our invitations to be facilitators at the forum and I thank them for honouring our invitation from their commitments. Some of them are independent consultants who have opted to lose their fees from consultancy services for their respective companies in order to be with us. This is indeed a sacrifice and we sympathise with them. This is a result of the respect, which BTA has earned internationally and they readily accepted to assist us when I invited them in Geneva and through contact for those who did not attend the Geneva forum.

Director of Ceremonies,

The challenges facing the BTA are numerous and we are bound to be on our toes as we regulate a fast evolving industry which is technology driven. By and large, the efficiency of a regulator depends on its ability to respond adequately and timely to the demands of the market. Regulators often need to strike a delicate balance between the conflicting demands and expectations of different stakeholders. Such challenges may include the

high pressure on the regulator to rapidly transform a well-established monopolistic environment into a fully competitive market. Both the consumers and the new entrants into the market are usually impatient with the pace of liberalisation and the process of transforming the industry.

There have been other tangible benefits to the nation as a result of liberalisation in 1996. I have earlier mentioned a significant rise of customers with a choice of service from several service providers. However on the financial side, industry turnover has short from P200 million in 1996 when BTC was the only player to about P1.5 million presently. This is acknowledged all over as standing performance because of the relative independence that the Authority had been enjoying. Hon Stephen Timms M. P. the U.K. Minister of state for Energy and e-commerce had to say at the 2003 World Telecom Forum in Geneva “Botswana attracted investment and improved services by pursuing unwavering sector reform in the 1990s and by empowering an effective and independent regulatory body, the Botswana Telecommunications Authority. BTAs effectiveness has been backed up by full licensing authority and financial independence from government.” The Minister further said, “Investors will avoid markets where there is lack of clarity and transparency. Where the environment is more predicatable, investment will flow and private sector investment will always amount to more that aid finance can ever be.”

It is against this background that occasions such as this one, are a welcome move as they allow regulators and other stakeholders an opportunity to exchange ideas and experiences between, and among themselves on matters of national interest. In conclusion I would like to invite all of you to work together in this forum and critically look at the consultant’s report with an open mind and see how further

liberalisation should be conducted. I would like to encourage robust debates on issues raised in the report, as such interaction would enrich the forum and assist the BTA and the Ministry to make informed decisions by taking the stakeholders' views on board.

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