

# IT Awareness Seminar

---

## COMMUNICATION INFRASTRUCTURE IN CAMBODIA

By

Hamal Anuar bin Md. Ali

Chief Financial Officer

Cambodia Smart Communication Co. Ltd.

---

For third world countries, most of the successes in developing the country depend on three major agendas.

1. Providing training and education to the citizens
2. Providing infrastructure in the country
3. Providing jobs by inviting foreign investors

All the above three agendas are inter-related and what will be discussed this morning will be covering the agenda of providing telecommunication infrastructure in Cambodia. A concerted effort taken by the government to liberalize the mobile networks industry in Cambodia is considered a speedy way towards providing a better communication infrastructure in the country.

When the first mobile networks were launched in 1992, the signs were good but in 1999, average monthly subscriber growth was very slow due to increased competition in the industry. This was contrary to global trends and uncharacteristic for the generally bullish Asian mobile market of the day. In 1999 it might have seemed safe to assume that Asia's 1997 economic crisis would have continued to have a negative effect on cellular growth. However, a little more than a year after the crisis devastated economies throughout the region, Asian operators hit back with a sustained recovery that subsequently turned into a boom. Even mobile markets in a low income per capita country like Bangladesh seemed more dynamic in customer growth. So what was the problem with Cambodia mobile market?

Until the implementation of new regulatory heralded by Ministry of Posts and Telecommunication (MPTC) in 2001, the Cambodian market had been beset by a decidedly unhelpful regulatory climate and seemingly endless legal wrangles between communication operators. More than anything, telecommunication operators needed a stable, forward-looking regulatory environment and this is what MPTC in 2001 appears to have delivered. With the reduced or an abolishment of the interconnection fees between operators, MPTC has introduced a policy's mission statement of 'affordable communication for all'. This is a genuine commitment of creating a modern and efficient communication infrastructure that takes account of the convergence of telecom, IT and media. Quite apart from the inherent revenue generating potential, the move by MPTC was once again perceived as an attempt to fire-up competition. Even though with the existing four operators excluding the state-

owned enterprises, there are plan for the fifth entrant to be licensed in the near future, that will see the launch of Cambodia's first PHS network. It seems likely that the 3G licenses will be awarded soon to any interested party.

The intensity of competition will certainly accelerate growth in subscriber numbers. In the same time, the mood among the private sector operator community has shifted from beleaguered to aggressively optimistic. What will be worrying the industry is that the operators will come out fighting, slashing the tariff of calls and matching each other rental charges while promoting attractive price-cutting packages. This will possibly the radical kick-start the market needed, although in the short-term might prove yet another blow to private operators business models. The decision to allow all four companies to operate in the open market should ultimately benefit consumers as they will be able to choose the best service at the lowest prices and help determine who will survive in the competitive market. The players in the industry are aware of the limited markets and therefore their need to identify marketing niches in the industry. As a result, strategic alliances will likely to emerge. Some foreign companies have entered the telecommunications market and provided much needed capital, investment, management expertise and technology. With aid from these foreign parties, a few of the smaller companies have been able to make significant inroads into the industry. Analysts find it difficult to predict the future of these operators but one thing is certain - market forces will eventually determine which operators will survive in the long run.

While discussing about the infrastructure, it is worth considering the role of data services in an increasingly lively market. In the nutshell, conventional Internet is extremely popular in Cambodia, while PC penetration is fairly low. Phnom Penh boasts numerous Internet cafes and is very popular among the youngsters. So there is burgeoning Internet culture, one that is fed by a very large number of interesting contents providers and fired by a very liberal regulatory environment. The presence of two or three Internet Service Providers is expected to improve and expand the country's Internet service. Internet hosting companies are appearing on the market and are beginning to make an impression in the corporate and entertainment industries but the present usage fees cannot be considered as a cost effective way to disseminate information.

To increase the Internet service subscribers, MPTC should granted more licenses to the Internet Service Provider (ISP) in this country. Nevertheless, this points to make situation of high demand but the likelihood of limited access to fixed-line Internet services in the short to medium term. Cellular operators should be allowed to provide this services through mobile-internet. In addition, it is worth noting that the standard of information available from media is extraordinarily high and matched by a thirst for information amongst all sections of the community. This should be precisely the kind of conditions in which mobile-internet flourishes.

With increased competition, lower tariffs and a progressive regulatory environment, Cambodia's telecommunication infrastructure market appears poised for exponential growth. It is worth reminding ourselves of the size of this

market. It is quite crowded with more than four players. With the introduction of too many players in the industry coupled with what can be perceived as an unfair competition could inhibit progress by curtailing the foreign investment essential to further growth.

There was unanimity of opinion with regard to the role of industry, or the private sector and foreign investment. All of us agreed that the foreign investment provides the energy, the initiative, the entrepreneurial spirit, the innovation, and the investment that is fueling this economic, technological, cultural, and social revolution.

It would be an understatement to say, however, that we disagreed about the role of government. Most of us here will indicate that all we needed from government were highways and a post office. Government can also contribute positively to the development of IT industries. The governments should and must play a role in "realizing the visions" for the new information economies. Among these key roles, governments should ensure equitable access to new technologies; provide a framework for investment, growth, and competition; open markets to international competition; and create an educated workforce that is able to meet the job demands of a digital economy.

It is essential that governments commit themselves to the goal of developing a truly inclusive and equitable national and global infrastructure. Expanding our global information infrastructure is critical, not only because of business imperatives, but also because it will help us meet basic societal needs. New technologies are connecting those who previously had no link to the global economy or to other societies. Remote regions that are not yet wired for telephone service, for example, can now be reached through satellite and wireless technologies. Families in Battambang can sell their homemade goods to consumers in New York through this technology. These technologies are also bringing medical, educational, and economic services within the reach of people whom never before had access to such information. A new project in Malaysia, for example, is connecting seven hospitals so they can engage in joint consultation, diagnosis, and treatment. A small hospital in a rural village, which lacks specialized expertise, can now contact medical specialists in Kuala Lumpur. New technologies are even helping farmers improve their crop yields through new precision farming techniques, combining the Internet, computers, and the Global Positioning System.

We have all heard about the explosive growth of the IT, and we have every reason to believe that its growth will continue. Industry and government must work together to ensure that such growth is equitable. The global infrastructure must reach rural people as well as urban, poor as well as wealthy, and those in developing as well as developed nations.

Again, we believe that private investment and innovation will flourish only in a market-driven, unregulated arena. To the extent government plays a role at all; its role should be focused on establishing a transparent and predictable legal environment to support the future global e-commerce.