

Wireless in Vietnam

A. Lee Gilbert

Nanyang Business School, Singapore

INTRODUCTION

Although every infant industry is risky, investors are attracted by the growth potential for wireless data services in emerging economies. Access to these markets demands substantial investment capital and scarce skills, plus a solid relationship with a local player able to bring the relevant organisational and political resources into a long-term venture. Even with these assets, many new entrants fail.

Telecommunication is difficult in Vietnam, a narrow mountainous coastal nation of 330,000 square kilometers sustaining most of its 83 million people in rural towns and villages (CIA, 2004). Demand increased with the shift from isolation and central planning to a market

economy under the Doi Moi policy. By separating regulation from service delivery, and decentralising local operations, the sector attracted foreign capital. The result is rapid introduction of new technology and accelerated fixed line capacity growth. Today, the national system uses advanced technology to optimize limited physical network capacity. In rural areas, low-cost digital technologies extend network reach at reasonable cost. Despite such successes, mobile services have not developed as expected since their 1992 debut. Even though both competition and private sector participation are allowed, Vietnam has one of the lowest ratios of mobile to fixed line subscribers in South East Asia (Elmer, 2002).

BACKGROUND

By the mid-1990s wireless telecommunications appeared to be an effective solution to both rural and urban connection needs. Implementation required substantial investments in infrastructure, new working relationships among foreign sources of technology and capital, local organisations able to bring political and organizational resources into a long-term venture, and a favorable policy climate.

The industry is volatile, with many potential players courting the few local organisations capable of obtaining government approvals and operating a complex system. Regulators, coping with a rapid transition to a liberalised policy regime, struggle to develop new legislation to govern the sector and meet rising expectations. Foreign suppliers enter any relationship governed by a contract executed in an emergent commercial legal system cautiously. To mitigate these inherent risks, new entrants must select a partner with compatible interests, then formulate market entry and development strategy which will be robust in all likely future contexts.

Demand Factors

Current demand for wireless services stems from a rising number of subscribers, mostly living in

Figure 1. Vietnam and its neighbors



urban areas, and a strong national economy. Export growth accelerated from about 11% in 2002 and 21% in 2003. While official per capita GDP is less than U.S. \$500, (Economist, 2004) purchasing power is perhaps five times this, and in major cities is far higher (Worldfacts, 2003).

Projected additional demand-around 13 million terminals equally divided between the Hanoi and Ho Chi Minh regions by 2010-continues to rise in a rapidly developing nationwide market (MPT, 2004). A younger generation perceives the handphone not only as a normal tool to stay in touch, but as a convenient lifestyle symbol. Pager use is declining from the 1997 peak of 120,000 users to less than 10,000 users by late 2003, and state-owned VNPT will suspend service by early 2005. Most pager subscribers will upgrade to handphones as these become affordable (Vu, 2004).

Cellular service subscribers reached 2.3 million in mid-2003 (Economist, 2004) and mobile market growth averages 50% annually. Nation-wide teledensity approaches nine lines per 100 people, with 2.8 mobile users per 100 people. The government recently extended its target date for telephone services in every village from 2000 to 2005 (Economist, 2004).

Even for experienced foreign operators, entering Vietnam's wireless market has not been simple. A new entrant, well-armed with advanced technological skills and access to capital, must select the right technology, identify market factors, attract strong local partners, then work with them to put operations in place. These tasks require a good understanding of the rapidly evolving structure of the national telecommunications policy environment.

Policy Environment

Telecommunications sector regulation falls under the Ministry of Posts and Telecommunications (MPT), formerly the Directorate General of Post and Telecommunications (DGPT), which in 1990 relinquished operational responsibility to state-owned Vietnam Posts and Telecommunications (VNPT). MPT is directly responsible for national policy, frequency management, and technical standards, carries out policy research, and oversees all telecommunications-related joint-venture manufacturing and business cooperation contracts (BCC). The BCC was until 2003 the only legal form for telecommunications services delivery available to foreign investors (Gilbert, 1996).

State-owned VNPT operates a national backbone network interconnecting 53 provincial operating companies, over which it has influence. Separate VNPT subsidiaries provide mobile telecoms (GPC and VMS), domestic long-distance (VTN), data (VDC), and international services (VNI). Despite high tariffs for over-

seas calls, the major source of VNPT revenues, annual traffic growth exceeds 75% (Economist, 2004).

Under its bilateral agreements, companies based in countries which have trade agreements with Vietnam will be permitted to form joint ventures with local partners to provide value-added services from December 12, 2003, provide Internet services from late 2004, and basic telecoms and mobile phone services from December 2005. While MPT is responsible for technical issues, the decision path for controversial issues leads to the Communist Party Political Bureau, which provides conceptual direction, then through the Prime Minister's office, which examines economic issues and prepares implementation guidelines. Local operations are also subject to influence from the military, People's Committees, and other political actors (Von Richter, 2002).

Success is possible: Australian carrier Telestra recognized the emergent demand for an international gateway, linked up with VNPT in 1986, installed an earth station and infrastructure for less than one million dollars, and recouped this modest investment in less than a year. Despite the many potential risks, the Telestra case illustrates the mutual benefit flowing from a correctly structured joint venture, with capital commitments exceeding 200 million dollars governed (until recently) only by a well-drafted memorandum of understanding and carefully aligned interests (Joseph, 2003).

Access to the wireless service market requires meeting four major conditions: adequate financing, appropriate technology, access to national infrastructure and the radio frequency spectrum, access to the wireline network, towers, and underground cables, and finding a local business partner with the appropriate political and organisational assets to sustain project approval, implementation, operation, and expansion over the life of the venture. A foreign operator is expected to package the first two elements, and to team up with a local organisation for the latter. Political influence is the primary means of rivalry for important resources such as frequency allocation, key staff, and capital.

Equity joint ventures are permitted only for equipment production, and until December 2005, service delivery must be carried out through contract joint ventures, which must be approved both by MPT and MPI. MPT and local P&T organisations allocate frequencies only to Vietnamese enterprises, which can pass them to ventures with foreign partners.

Recent Initiatives

The pace of development has been steady, but lags China and Thailand. Land line network operations are fully automated nation-wide, and all urban networks are digital.

4 more pages are available in the full version of this document, which may be purchased using the "Add to Cart" button on the publisher's webpage: www.igi-global.com/chapter/wireless-vietnam/11473

Related Content

Modelling Urban Environments to Promote Ecosystem Services and Biodiversity: Case of Stockholm

Anna Kaczorowska and Meta Berghauser Pont (2019). *International Journal of E-Planning Research* (pp. 1-12). www.irma-international.org/article/modelling-urban-environments-to-promote-ecosystem-services-and-biodiversity/230901

A Transdisciplinary Inquiry Into Sustainable Automobility Transitions: The Case of an Urban Enclave in Cape Town

Elizabeth Henshilwood, Mark Swilling and Marjorie L. Naidoo (2019). *International Journal of E-Planning Research* (pp. 13-37). www.irma-international.org/article/a-transdisciplinary-inquiry-into-sustainable-automobility-transitions/230902

Extracting Citizen Values as Inputs for Designing Citizen-Responsive Urban e-Planning Services: The VOICE Approach and a Demonstration in the Healthcare Context

Na Liu, Alex Gavino and Sandeep Purao (2015). *International Journal of E-Planning Research* (pp. 1-25). www.irma-international.org/article/extracting-citizen-values-as-inputs-for-designing-citizen-responsive-urban-e-planning-services/128242

The Role of Industrial Development in Nigeria's Transformation From Oil to Cities: The Case of Birnin Kebbi

Rabiu Abdullahi Bena (2019). *Industrial and Urban Growth Policies at the Sub-National, National, and Global Levels* (pp. 320-341). www.irma-international.org/chapter/the-role-of-industrial-development-in-nigerias-transformation-from-oil-to-cities/222085

Evolving Urban Understandings: Cultures, Economies, and Everything as Ambient

(2019). *Ambient Urbanities as the Intersection Between the IoT and the IoP in Smart Cities* (pp. 105-132). www.irma-international.org/chapter/evolving-urban-understandings/226453