

# Chapter 30

## Liberalization of Telecommunications Sector

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### ABSTRACT

*This chapter discusses telecommunications liberalization. It points out that developed and developing countries alike have started casting aside the view that the telecommunications sector is a natural monopoly and have started to consider telecom liberalization, that liberalization enable telecom users have a wider choice of suppliers of telecommunications services, products and services are provided in close proximity of the customers., provision of good quality product and service by operators, affordable and low prices to their products, improvement and maintenance of standards of products and services. stimulate the growth of the market and the economy in general; that there is need for regulatory involvement to license new competitors and existing operators, ensure interconnection of networks and services, prevent dominant operators from charging excessive prices for services, as well as ensure universality objectives are achieved in a competitive environment; that to ensure successful implementation of liberalization of telecom steps such as getting support from the top, setting clear policies and procedures, drawing up a liberalization and regulatory timeline, setting competitive safeguards, licensing, unleashing the internet, rolling out universal access, removing barriers to international trade should be taken.*

### INTRODUCTION

In an emerging global economy, the ability of telecommunications (also known as telecoms) to provide a competitive network for exchanging information has important implications for

productivity and development. Direct benefits from telecommunications include within-sector increases in employment, productivity and revenue that flow from infrastructure investment. Also, efficient delivery and use of telecom services provide indirect benefits to other sectors of the economy through lower transactions costs, improved marketing integration, and accelerated in-

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formation diffusion. Consequently, infrastructure development, widespread adoption of new telecom technologies, and deregulation of public utilities previously considered national monopolies are a priority for many governments and international development agencies (Savage, Schlottman & Winner, 2004)

Scholars and policymakers in developed and developing countries alike have started casting aside the view that the telecommunications sector is a natural monopoly and have started to consider telecom liberalization (Konan & Assche, 2004). This has led nearly 90 distinct territorial entities countries to have made commitments in either basic and/or value-added services telecommunications services to the WTO (World Trade Organization) Agreement on Basic Telecommunications Services (BTA). The WTO Agreement on Basic Telecommunications Services (BTA), which is an annex to the Fourth Protocol of the General Agreement on Trade and Services (GATS), was implemented on February 5, 1998. Essentially, it improves market access for telecommunications equipment suppliers, vendors and service providers by ensuring that all service suppliers seeking to take advantage of scheduled commitments have reasonable and non-discriminatory access to and the use of public basic telecommunications networks and services (Telecommunications Industry Association, 2009)

Services covered by this WTO agreement include voice telephony, data transmission, telex, telegraph, facsimile, private leased circuit services (i.e., the sale or lease of transmission capacity), fixed and mobile satellite systems and services, cellular telephony, mobile data services, paging, and personal communications systems. Value-added services were not covered in this agreement, but they have since been included in more recent telecommunications services negotiations. By becoming party to the BTA, countries commit to a set of definitions and regulatory principles embodied in the WTO Reference Paper (World Trade Organization, 1996). Also, countries make

specific commitments to open up their telecommunications services markets. These specific country “offers” vary, but the ultimate objective is a completely open market (Telecommunications Industry Association, 2009)

Through liberalization, the government allows many enterprises to compete effectively for consumer demand. (McLarty, 1999). This liberalization of telecommunications markets in different countries was motivated by various factors, which include (Intven, Oliver & Seplveda, 2000):

- Increasing evidence that more liberalized telecommunications markets were growing and innovating faster and serving customers better
- The need to attract private sector capital to expand and upgrade telecommunications networks, and to introduce new services
- Growth of the Internet, which caused data traffic to overtake voice traffic in many countries, and led to the introduction of many new service providers
- Growth of mobile and other wireless services, which provided alternatives to fixed networks and introduced new service providers to telecommunications markets
- Development of international trade in telecommunications services, which are increasingly provided by transnational and global service providers.

Liberalization is driven by the information revolution, dramatic improvements in telecommunications, exponential increases in computing power coupled with lower costs, and developments of electronic communications and information networks like the Internet (Fräser, n.d.).

Liberalization of the telecom market which leads to removal of barrier to entry, coupled with privatization of telecom corporation are precursors to the advent of full competition in the telecommunication sector. The introduction of competition means that a well-established

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