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A Path to Efficiency and Equitable Service Distribution for Telikom PNG Limited

Since the ‘corporatization’ of Telikom Papua New Guinea and separation into a separate entity in 1996, fixed line teledensity is a low 1.3% (2004); public payphones are an estimated 810 (2002) to 6,100,000 people; and mobile phone statistics are 60,000 (2005) which accounts for a mere mobile penetration of 1%. Furthermore, most services are concentrated in urban areas. Telikom’s misleading financial data (though profitable) and inefficient management, suggest poor viability for the long-term to pursue the high cost of investments required for national infrastructure rehabilitation and construction.

Telikom has failed to efficiently provide access to basic telecom services throughout PNG. Most developing countries experience greater inequality because of the lack of access to basic essential services such telecommunications. And it is a contributing factor to poverty and huge income disparities between the rural and urban inhabitants. In PNG, 80% of the population reside in rural areas and are mostly unemployed. 97% of land is customarily owned. Telecommunications is an essential complementery good that can be utilized to transmit timely information in the agriculture industry where rural farmers need to be in contact with middlemen and buyers in distant suburban and urban areas. Considering the differences in consumer surpluses and average incomes for rural and urban users, the objective of this research is to discover how Telikom PNG can efficiently and rapidly promote universal access to basic telecom services (mobile and fixed line telephones).

The research is empirical with the use of 6 indexes that will specify how and why other developing South East Asia economies have succeeded or failed to efficiently and/or equitably distribute basic telecom services. Japan is a developed Asian economy deserving comparison. The choice of sample countries are from Asia: Japan, Philippines, Indonesia and Vietnam. With the exception of Vietnam and PNG, these countries each have semi-privatized public corporations, which will all be used to draw inferences and provide recommendations and strategies for PNG. The privatized entities for study are Nippon Telegraph & Telephone (NTT), Philippines Long Distance Telephone (PLDT), PT Telkom and Indosat, and Vietnam Post and Telecommunications (VNPT). The 6 indicators for comparison are; 1) Efficiency, 2) Affordability, and 3) Accessibility, which are dependent on 4) Governance, 5) Regulatory Framework, and the 6) Legal Framework.

The notion of “efficiency-equity trade-off” greatly applies in this study. Market liberalization and privatization policies lead to greater efficiency but have less spread effects in terms of equal distribution or equitable access. Income disparities have widened and poverty has risen due to lack of access to physical and social services. On the other hand, state-led economies have failed to provide for equitable distribution of services at the cost of efficiency. High internal and external debts have resulted from excessive subsidization of infrastructure projects and redistribution policies. We will look at how the public and private sector can cooperate to promote telecommunications sector efficiency and universal access.
The 4 Asian economies achieved little for universal access in terms of basic fixed line services even though their semi-privatization schemes and competition have brought about greater efficiency and lower calling costs. Vietnam with its public corporation (VNPT) achieved significant growth with at least more than 2 fixed line competitors. But even with the highest number of mobile phone operators (6) Vietnam has shown that complete deregulation does not promote universal access. A major problem is the over-concentration of investments in urban markets and the focus on mobile phones. Fortunately in the early 21st century, a liberal stance towards mobile operators shows that the mobile phone is a faster, cheaper and efficient means to promote universal access. But rural concession schemes should involve competitive mechanisms to increase fixed line access as a matter of consumer choice. Most concessions have failed due to an improper pricing scheme. Utilizing Rate of Return Regulation to cover capital costs and a universal access fund will effectively support the supplier’s cost of service provision and low demand in rural areas. And separate competition authorities or independent regulators can regulate competition more effectively to achieve sector efficiency and distribution.

Major References

- World Bank, 1997-2006. World Development Indicators, Washington DC