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 & Sepulveda, 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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