Article by the PDHR, Donald Hays on Telecom Liberalisation

The debate concerning how best to provide BiH citizens and companies in this country with competitive telecom services at competitive prices – has now been engaged. I think this is a good thing, the people of this country need to be better informed about all aspects of this issue. Telephone calls made in and from this country are too expensive for the customer and too expensive for businesses trying to make a profit. We all know that has to change if the economy is going to recover. Consumers are paying much more than they need to and more than any of their neighbours elsewhere in Eastern Europe for these services. As the VW director recently pointed out cost differentials such as the one faced here in Bosnia are one disincentive to investment and job growth – without affordable and efficient telecom services businesses won't invest here. Telephone companies everywhere provide a service that is indispensable to just about every company and every aspect of commercial development.

Let's be clear. Regardless of what some may say to the contrary, the three telecommunications providers in BiH operate hugely lucrative monopolies in their respective areas and they do this at the expense of their subscribers – you, the average citizen and the small and medium businesses that are critical to the economic health of this country.. In 2001, the three telecom operators together recorded total profits in excess of 150 million KM. While I do not take issue with the need for any company to make a profit in BiH, I do think it is worth asking the government's that control these companies what they do with those profits. One question we should all have is – at a time like this when we need economic growth why

should the government be ranking in the profits? Would it not make more sense to lower costs for the average citizen and investor so that the money could be spend on growing the economy – not the government? On creating new jobs not just more bureaucracy that clogs the economic arteries of this country?

In an advertisement published last week, BH Telecom acknowledged that the high cost of telephone calls here has deterred investment in BiH and made it harder for BiH businesses to be competitive.

BiH Telecom argued that the 50,000 businesses that subscribe to its services are not its priority. Individual subscribers are. This is their point of view and on the surface it sounds rationale, however, in fact it is nonsense. Let's look at the facts –if each of those 50,000 businesses, whose competitiveness is diminished because of the high cost of phone calls, were to create just one new job, there would be 50,000 fewer BiH citizens out of work. Those companies cannot create new jobs as long as they are not competitive. And one of the reasons they are not competitive is that utilities such as telecoms in BiH overcharge and underserve. But even if this wasn't true, do they really help the average citizen subscriber with their poor service and subsidized rates for local calls? Think how expensive your mobile phone costs are – the highest in Europe!, think about the lack of internet support and the fact that it is difficult to get phone service. So if one believes their argument, where are they spending their 150 million KM that "benefits the citizens?

BH Telecom also claims that the telecom market in this country has already been liberalised, and that the three telecom operators do not enjoy monopoly status in their respective markets.

Well, the facts speak for themselves, can you choose from three providers or only one? If you have no choice then it

hasn’t been liberalized and they still hold a monolpy hold on the region.

Telekom Srpska offers the cheapest call rates to Serbia. Try taking advantage of these cheap rates from Sarajevo. Sign up with Telekom Srpska. Can you? No, you can’t. Try signing up with BH Telecom, which has the cheapest services to Croatia, in either Mostar or Banja Luka. You can’t because they have a lock on that region and are uninterested in openning up the market country wide.

The rates that the three operators charge for calls inside BiH vary widely. In a liberalised market, they would be forced to compete and therefore would be close to each other in cost. That is because if one company charges a lower rate then consumers will flock to that company and abandon its more expensive competitors. But the three operators in BiH don’t have competitors in their respective markets, so their pricing is most often arbitrary.

Elsewhere else in Europe, the mobile-phone sector is a profitable, expanding, competitive free-for-all. Just to get you to sign up as a subscriber for six months, operators will offer you attractive cut-rate pricing packages – and a free or almost free mobile phone! Anything like that happening in BiH? No. Why not? Because the three telecom companies enjoy monopoly status in their respective markets. They don’t *need* to offer you anything, because you don’t have a choice. There is only one service available in your area.

Fully liberalising the market obliges operators to change the way they do business. They have to become more efficient and more transparent. They have to be able to account accurately for every unit of value in their service. For example, they have to know the exact cost of a call from A to B. In BiH, the telecom operators do not have the proper systems in place to do that. When they talk about services being delivered “below cost” they are guessing at what the cost actually is. This is

why the CRA has obliged the telecom operators in BiH to introduce proper cost accounting systems within the next three years. In a liberalised market it isn’t necessary for the regulator to stipulate something like this – companies do it anyway because it is a basic component of operating efficiency.

The debate is now up and running with regard to liberalising utilities companies in BiH. That’s a good thing. The object of this debate is to ensure that the government understands that it must begin to deliver better services to BiH consumers – including the small and medium-sized businesses that are the key to generating wealth and creating jobs. I don’t doubt that the telecom operators will very quickly see that their profitable future depends on delivering competitive and competitively priced services to their customers. In the meantime, they are charging too much and delivering too little. Don’t let them fool you, they are making a profit but it isn’t going to you.