

Proving that telecom spells GROWTH

Having established the close link between telecommunications and economic growth, professor Leonard Waverman of London Business School now looks further into the future.

Waverman's research, along with that conducted by other academics, has defined the relationship between telecoms and economic growth: when mobile penetration in a country increases by 10 percent, economic growth rates increase by 0.6 percent over time. And his study finds that the growth effect of mobile communications is twice as large in emerging markets as in mature markets.

Your research has been mainly about the effects of voice telecommunications. Will your results be applicable to broadband technology as well?

"Mobile communications" really means all communications in countries where fixed lines are scarce. Basic voice services provide a variety of functions — some social, connecting with the family, which is very important, and some business, such as getting information about crops and prices. Broadband will probably be less personal and more business oriented. I guess it could also be more entertaining. In the beginning, it will be more a business tool for the early adopters. Importantly, it will drive the internet in emerging economies. Eventually it will also become an entertainment device, as it is in developed markets.

How do you see the role play between regulators and companies?

Regulators should only be responsible for setting the level playing field — liberalizing the telecoms sector, allowing competition, providing licenses and the appropriate framework from which players can operate. And then, get out of the way! Operators decide what services, what products, what prices.

Fixed-line broadband is flat rate, and now mobile broadband is moving in the same direction. Will flat rate affect development when we don't differentiate between fixed-line telephony and mobile broadband?

I think there's got to be a flat package, but with limits. That's because even on the internet they are finding that they must start to have limits, because you don't want somebody paying USD 3 per month and downloading full-length videos to their

mobile phone. That is going to kill the business. I don't think you can have "all you can eat" plans — there has to be some limit because the spectrum is scarce. There are limitations in capacity; it's a different business model and one has to be careful not to crowd out voice, which is going to continue to be profitable.

Can this be connected to the aim of low-cost handsets?

There is a USD 20 phone. It's valid in the struggle for the goal of getting 5 billion people connected. But the next challenge is who can offer the cheapest internet-providing phone, and what that price will be. But I am sure we can have really inexpensive phones soon. I don't know who from, or how exactly, but . . . we will probably have ZTE or some company like that launching a really cheap phone, like a USD 10 phone. It's only a matter of time. Then the next step is people wanting color screens and 2.5G, and what's the price going to be there?

Telecom plays an important part in development. But it's not the only player?

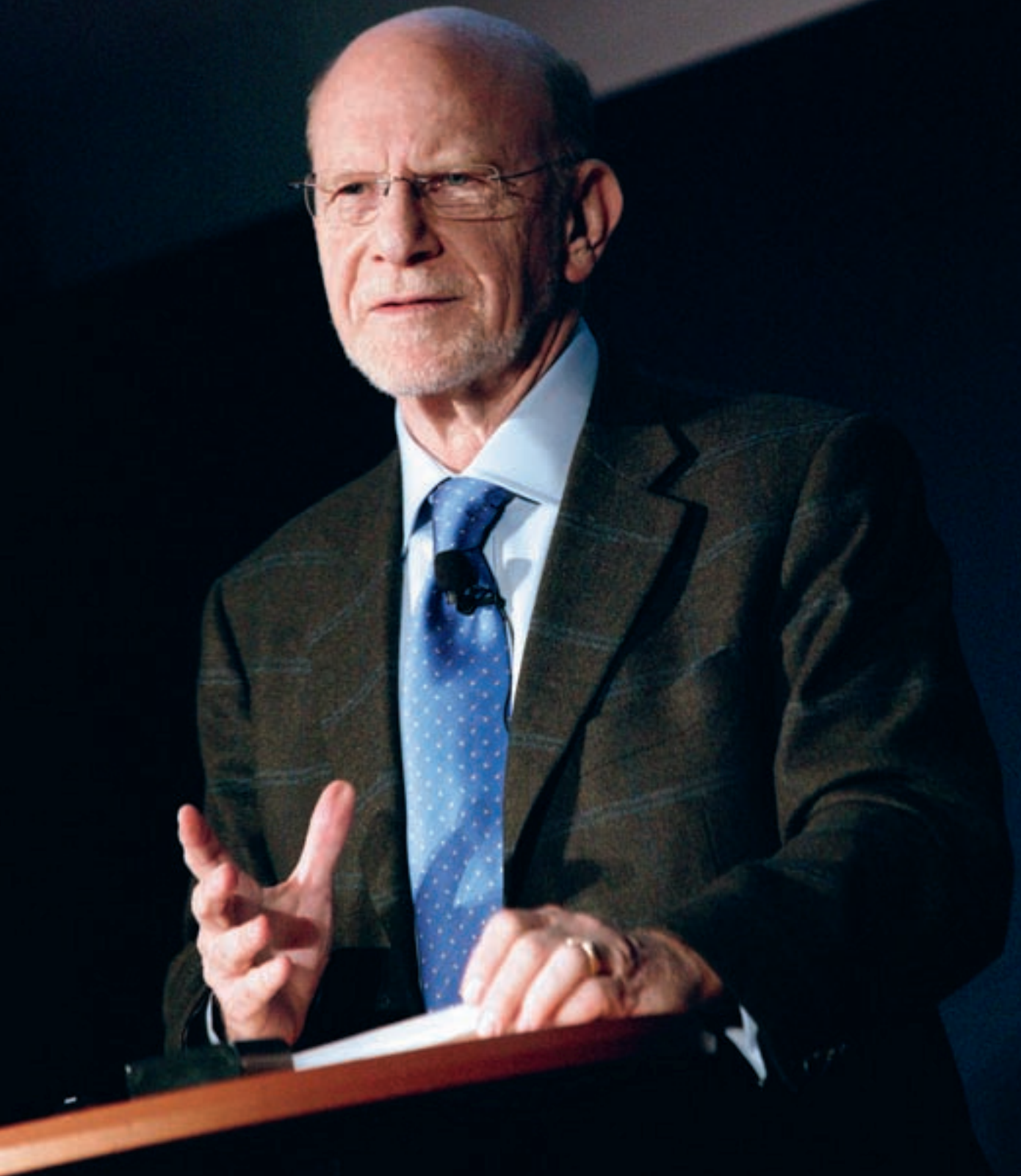
We need electricity and health care, we need roads and other forms of infrastructure, and we need communications of all sorts. We need a whole variety of things. We need to operate where there is no electricity, which is strange and quite difficult.

Let's say you want to have a new crop and you get more information about prices so you can optimize the pricing. But you have no roads to travel on to get to the market, so then you cannot deliver whatever it is you have, so what's the point? This is why I think we need a complementary infrastructure. With the fishermen it's easier — you don't exactly need a highway. But many other problems remain and have to be solved in one way or another.

Telecom companies are involved in biofuel projects, for instance. Should they really do this?

I honestly think that they should focus on their core business — at least stick to what is clearly related to that. Telecoms

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could maybe deliver telecom devices, for example, but biofuel should be left to, say, BP.

Is a project like that one too small or too experimental?

I must say I am not a great lover of small experiments. Rather, I would like to see a telemedicine service that's running for five years in a village. Don't leave too soon is my message. Give it enough time and you will see results.

With regard to this, I'd like to say that I don't like experiments if that is all that they are: like a short-time showcase. I like it when it's the real thing. And there you can look at the Millennium Villages in Sub-Saharan Africa, because I think that is exactly what they are trying to do there. This is a project with so many important partners involved — local governments, the UN, different companies, a good mix of the private and public sectors — and it is crucial that it has been given time to really develop.

For ages, government monopolies have been essential to establishing the fixed-line networks.

What is now happening is that no central institution runs the infrastructure. Is that a good thing?

I believe it was Mohammed Ibrahim, the founder of Celtel, who said that it took 100 years to provide fixed-line telephones to two percent of the African population. That says it all, doesn't it? Since then, with deregulation and private initiatives from people such as Mr. Ibrahim, the development within the mobile phone arena has been very fast. Competition is clearly much better than a monopoly situation.

If development should be seen as market economy driven, is aid a problem?

Aid or charity has certainly been misused in the past when it's been thrown into places where it shouldn't have been. But when used properly it is important and means a lot — it makes a great difference. I say we need both. I don't think we can develop Africa, or the African countries that are in particular need, without aid. Aid is important, but it has to be targeted; it needs deliverables and key performance indicators, and really all the things that didn't exist before in aid.

Can you give examples of cooperation between telecom companies and other non-business organizations working well?

The Millennium Villages initiative is a very good example. This project is the result of aid plus enterprise. It's a combined effort, and a good one at that.

Where do you see the greatest potential for growth — growth for the population as well as for vendors and operators?

That would be the countries currently most talked about,



namely India and China — India to a great extent because of the enormous number of software engineers in the country and its highly developed IT sector. In India the scope for development can be huge, as well as in China. With the large populations and numbers of highly skilled people, companies such as Ericsson sure won't have any problems recruiting in these countries.

Can you give us concrete examples of where we can see development taking place?

Besides the Kerala example in India, which may be the best one, there are also development projects happening in Kenya, for instance. Then there are developments in Asia, such as the Grameen Phone which began in Bangladesh, and money transfer which began in the Philippines.

Do you think telecom companies really care about more than their own profit?

Of course, we have corporate responsibility, which is bigger than short-term profit, and I really think that is the key here. You must differentiate short-term and long-term profitability. Corporate responsibility is a good way of ensuring, or at least creating, possibilities for the latter. As a company, you can concentrate on maximizing short-term profit and then get thrown out of the country, which is not what you want. The long-term perspective is the way to go. But from this, yes, I think that the companies need to be profit-oriented.

What is your current research about?

My current research is focused on measuring the governance of telecom regulators — regulation is crucial and we need to showcase effective and ineffective regulation.

