

## 1.6 INVOLVEMENT OF THE TELECOMMUNICATIONS INDUSTRY

As at the date of this Study, it is fair to state that the vast majority of both incumbent and competing telecoms operators are strongly opposed to the emergence of local open access network initiatives. The reasons for this are rooted in the fundamentals of the underpinning business model that has supported the telecoms sector for over a century and the manner in which the digital technologies of abundance, effectively annihilate this business model – grounded as it was upon generating revenue by the orderly allocation of a scarce resource (network capacity) which is no longer the case. This opposition is most visible in the US where telecoms operators have expended considerable effort and finance [x] in an attempt to halt the further deployment of local open access networks by seeking to prevent local referenda which might facilitate their initiation.

It is not difficult to see why the telecommunications industry should be so "fearful", if indeed that is the right word, of the development of local open access networks. Millions of individuals are employed around the world within the conventional telecommunications sector – most of them in supporting and maintaining the local 'copper' access networks. Given that the rapid or sudden replacement of this ultimately obsolete local infrastructure, with modern fiber or wireless technologies operated on an open access basis, will suck traffic away from these incumbent operated networks, it could mean that most of these 'copper' jobs could become redundant. Not only would the impact of this upon the telecoms operators themselves be substantial, but, it is argued, so would the impact on local economies. Hence the strong political lobbying from the industry arguing from a slower, migratory path to what it calls 'next generation networks'. As already discussed, this ignores the potentially even greater local economic and social benefit that is likely to develop as a result of serving the growing end–user demand for "more–for–less" which the free market deployment of these open access networks addresses.

The issue of the involvement of the telecommunications industry is somewhat differently shaped in emerging markets and the developing world where, although there is no immediately overt end–user demand for open access network development, nevertheless there is a growing awareness that maybe such deployment of digital technologies will be the only way to accelerate the closing of an otherwise ever–widening 'digital–divide'. However, the importance of the international accounting rates regime to many countries means that, although it is under increasing stress, the prospect of anything which accelerates its early demise tends to be resisted. Most developing countries are net receivers of international telephony settlement payments (approximately 70% of US settlement payments go to developing countries). For many developing countries settlement payments remain a major source of hard currency and indirectly of fiscal revenues since telephone operators have traditionally been highly profitable. The development of local open access networks affording global IP connectivity across the internet clearly threatens these revenues. It is therefore not surprising that innate telecoms–sector opposition to these networks in developing nations is likely to meet sympathetic political ears when the full potential implications of the loss of conventional telephony settlement payments is understood. The World Bank report of 1998 on the topic of the accounting rates regime rightly concluded in our opinion, [xi] that the proper reform of this accounting regime affords the developing world with a substantial opportunity. As the report rightly concludes, technology dictates that this demise of the accounting rates regime is inevitable. However, the key to ensuring that the current importance of this to many developing nations does not result in a flawed attempt to try and ensure it persists, is to embark upon a substantial positive programme of enlightenment and education amongst political leaders of the potentially even greater social and economic benefits that will accrue from the full deployment of digital technologies around an open access strategy which, as well as giving rise to new wealth creating opportunities, will bring connectivity to large swathes of the population not reached by the earlier telecoms infrastructure.

Clearly, such programmes of education need to be undertaken on a long timescale and on a country by country basis – recognising the potential for considerable internal opposition from the incumbent telecoms operator. What needs to be clearly and persuasively communicated is that in the realities of the new digital world, the continued well-being of the incumbent operator, structured as it usually is, and the widespread benefits of the new digital technologies of abundance throughout the nation, are likely to be mutually exclusive. The role of institutions such as the World Bank in enabling governments to make an irrevocable commitment to this transition without demurring or deferring it in favour of the preservation of conventional settlement payments as a major source of hard currency, cannot be overstated.

Nowhere is the relentless disintegration of traditional international accounting rate regime more evident than in the threat posed by VoIP (voice over internet protocol). As Michael Powell is quoted as saying about Skype (the most pervasive VoIP application to date), "...The world will change now inevitably." That the world will change for telecoms operators as a result of the possibility of digital technology enabling 'voice telephony' to be mutated from a multi-billion dollar investment in an entire telecoms network to a small software application that can be downloaded 'free' from the internet, is self-evident. That it will also now change inevitably for the economies of numerous developing nations may be a little harder to digest.

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## REFERENCES

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[x] [http://www.saschameinrath.com/2005nov08remembering\\_the\\_municipal\\_broadband\\_alamo\\_aka\\_why\\_are\\_the\\_telecom\\_incumbents\\_so\\_scared](http://www.saschameinrath.com/2005nov08remembering_the_municipal_broadband_alamo_aka_why_are_the_telecom_incumbents_so_scared)

[xi] Developing Countries and the Telecommunications Accounting Rates Regime: A Role for the World Bank February 23, 1998; prepared by Prepared by: Carlos Braga, Emmanuel Forestier, Charles Kenny and Peter Smith