

Impact of Floor Rate Concept in Sri Lanka's Telecom Industry



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Introduction

- Price regulation
 - Licence Conditions
 - Section 5(k) of the Sri Lanka Telecommunications Act.
- Market players
 - Five mobile operators
 - Four fixed line operators
- Teledensity
 - Mobile : 91.3
 - Fixed : 17.49
- Total population : 20.2 (Mn)

Services Subject to Tariff Regulation



- Basic Services (Voice , Data, IPLC, DPLC etc.)
- VAS Services
- Premium Services (Reality programs and Entertainment programs)
- IDD/ Roaming services not regulated
 - 2003 international telecommunication market was fully liberalized (33 Licence holders)

Approaches of Tariff Regulation



- Benchmark Approach
- Cost Based Approach
- Hybrid Approach

Benchmark Approach



- Conduct Benchmark Compression
 - Local tariff benchmark
 - International tariff benchmark

Cost Based Approach



- Voice Services :

- Cost based tariffs

- Data Services :

Calculate cost per Mb considering

- Core network cost
 - Access network cost
 - International bandwidth cost

Hybrid Approach



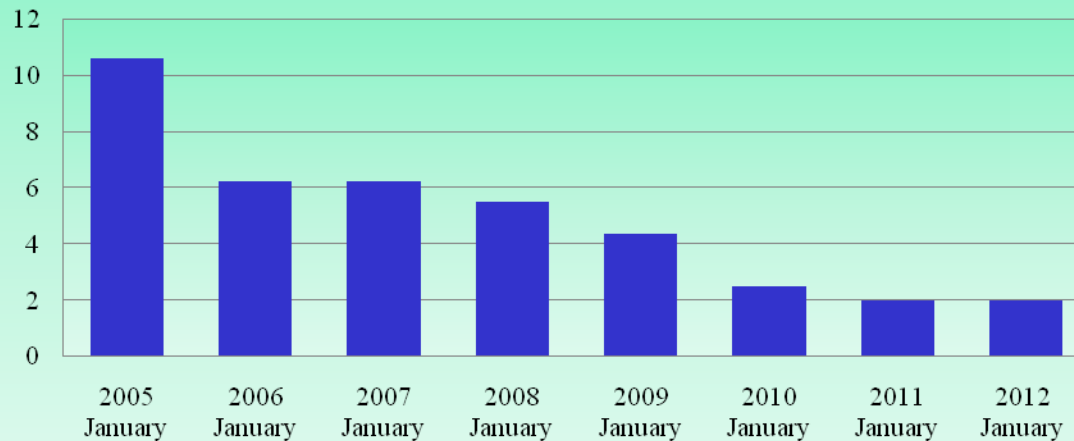
- Combination of Cost and Benchmark
 - New entrant
 - Small players
 - Bundled tariffs

Downward Trend of Tariffs

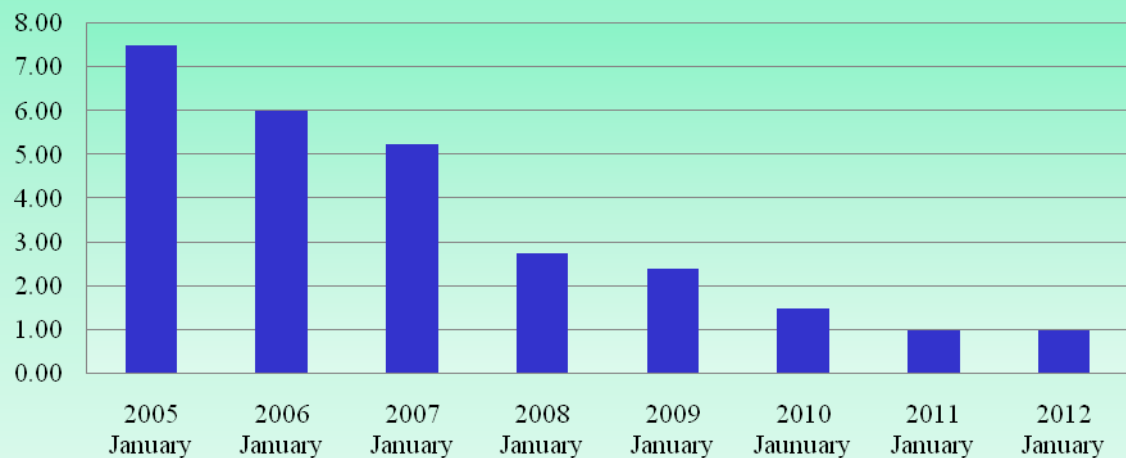


■ Voice

Mobile Offnet Tariff Trend



Mobile Onnet Tariff Trend



Industry Performances

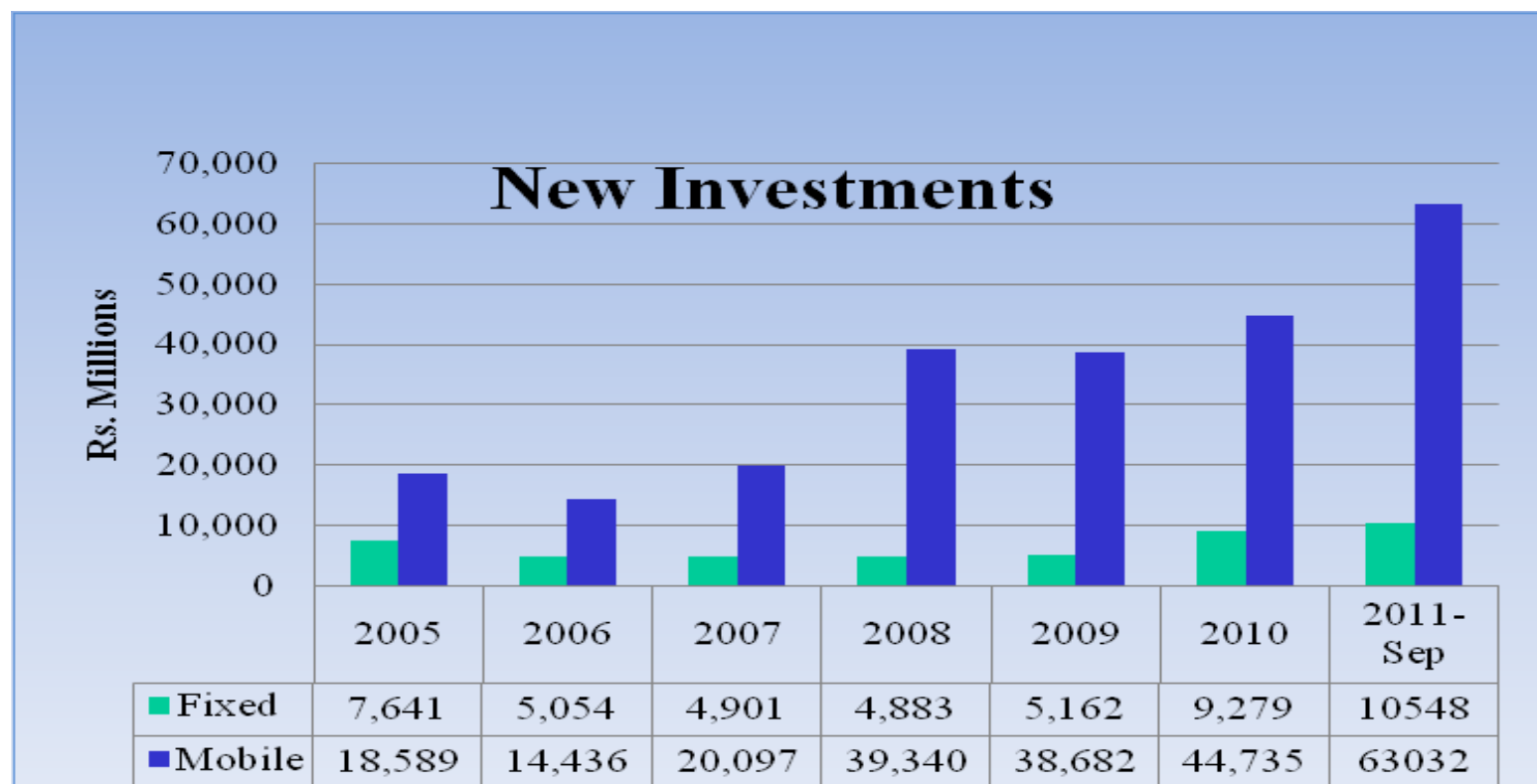


- Financial performances of The Mobile the Industry

Year	Net Profit (LKR Millions)
2007	11,837
2008	(3,847)
2009	(21,082)
2010	(2,345)
2011	3,425

1 US\$= 130 LKR

Industry Performances Cont....



Reasons for Downfall



- Entrant of new mobile operator
- Price war situation
- Making losses and diminishing investments
- Industry uncertainty

Recovery Measures



- Introduction of floor rate by the regulator
- Cost cutting by the industry
 - VRS for employees
 - No bonus
 - Reduce advertising budget



Floor Rate Concept

- The floor rate values
- 2009 June
 - On net –0.49 LKR cents
 - Off net – 2.00 LKR
- 2010 July – revised
 - On net –1.00 LKR
 - Off net – 2.00 LKR
- 2011 July - revised
 - On net –1.00 LKR
 - Off net – 1.50 LKR

1US\$= 130LKR

Impact of the Floor Rate



■ Increase Investments



Impact of the Floor Rate Cont...



- Recover Losses in the industry (Mobile)

Year	Net Profit (LKR Millions)
2007	11,837
2008	(3,847)
2009	(21,082)
2010	(2,345)
2011	3,425

1 US\$= 130LKR

Impact of the Floor Rate Cont...



- Competition
 - No further reduction of Call charges.
 - Compete with quality
 - Product differentiation
 - Offered Bundled tariff plans
 - Loyalty programs



THANK YOU