Sri Lanka's data prices among lowest in world: What more can be done about affordability?

BY SHAZNA ZUHYLE

At the World Telecommunication/ICT Symposium held in Geneva in December 2018, there was a panel dedicated to the affordability of ICT services. The conversations were centred on the price as a key driver for adoption and use of information and communication technologies (ICTs).

Price isn't everything. But it is the most notable and distinguishable factor when purchasing a good or service and therefore, is paramount. It is also the perception and value of a specific service that affects the rationale for spending.

According to LIRNEasia's recent multi-country surveys, lack of affordability is among the top three reasons that affect the consumer's choices of getting online and staying online. With the ubiquitous nature of the Internet and the increasing dependence of services offered via mobile networks, it is important to analyse the pricing of mobile broadband plans.

The International Telecommunication Union, the UN apex body on ICTs, annually benchmarks the prices for voice and SMS, fixed and mobile broadband for its member states.

Sri Lanka has among the lowest prices in the world, ranked 4th for mobile broadband options with minimum 1 GB data allowance monthly out of 181 countries, based on the price in US dollar (including taxes) as a percentage of gross national income (GNI) per capita. It has the lowest prices among SAARC countries in terms of absolute prices as well as price as a percentage of GNI per capita despite the third highest income (Table 1).

"Price" and "affordability" are terms often confused and used interchangeably. Affordability is impacted by the variations in price and income, among other things. In theory, the underlying costs of providing a service tend to decrease with time (as the capabilities of newer technologies afford higher levels of efficiency). However, this may not always be reflected in the final price the consumer pays.

But how low should the prices go to be affordable? According to the new targets set in 2018 by the UN Broadband Commission for Sustainable Development, "entry-level broadband services should be made affordable in developing countries at less than two percent of monthly gross national income (GNI) per capita by 2025."

While Sri Lanka is well within the target (Table 1), a country-level average of GNI per capita does not really represent the ground reality. Further analyses on price as a percentage of household income per capita (and considering the average size of a household as 3.8 persons, based on the data published by the Census and Statistics Department), by decile (Table 2) paints a clearer picture of affordability.

As Table 2 shows, for the poorest in the country, 1 GB of data will cost approximately 8 percent of their monthly income. Although the Broadband Commission target is not met across all income deciles, the prices in Sri Lanka are still a lot more affordable than, for example, in India. Based on the published household income quintiles, the prices in India range from 3 percent to 15 percent of monthly income per capita, per quintile (from the highest to lowest, respectively).

There is no doubt that the low prices allow for greater adoption and use. The prices that are too low, however, can threaten the long-term sustainability and are detrimental to the market. Given the capabilities of newer technologies, such as 5G that promise greater speeds at lower levels of latency [illegible], while dealing with the current [illegible] competition that the current networks face, operators should be incentivised to invest. Without the regulatory certainty, it is unlikely that the significant investments that are required will be made.

If the government wants to make Internet access more affordable, it should consider [illegible] taxes, which are third highest in the region, below only Pakistan and Bangladesh. If the government wants to address the needs of those in the poorest deciles or specific market segments, it should use the resources collected from [illegible] and design targeted subsidies, without harming the already problematic investment environment.

(Shazna Zuhyle of LIRNEasia was appointed Chair of the sub-group that was tasked to propose revisions to the International Telecommunication Union's ICT Price Basket in 2017. The revised methodology was adopted in 2018 for all member states)

Table 1: Mobile broadband prices (for data-only plans with minimum 1GB allowance) across SAARC, 2018

Country	Service Provider	Price of plan (local currency, incl. tax)	Tax %	Price (basket) (USD)	Price (basket) as % of GNI per capita
Afghanistan	Roshan	[illegible]	[illegible]	[illegible]	[illegible]
Bangladesh	GrameenPhone	[illegible]	[illegible]	[illegible]	[illegible]
Bhutan	Bhutan Telecom	[illegible]	[illegible]	[illegible]	[illegible]
India	Bharti Airtel	[illegible]	[illegible]	[illegible]	[illegible]
Maldives	Ooredoo	[illegible]	[illegible]	[illegible]	[illegible]
Nepal	Ncell	[illegible]	[illegible]	[illegible]	[illegible]
Pakistan	Zong	[illegible]	[illegible]	[illegible]	[illegible]
Sri Lanka	Dialog	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

Table 2: Mobile broadband basket (1 GB, 2018) price as a percentage of household income per capita, by decile

Income decile	Mean monthly HH income by decile (LKR)	Mean monthly HH income per capita by decile (LKR)	Mean monthly HH income per capita by decile (USD)	Mobile BB (1GB) as a % of HH income per capita
Decile 1 (lowest)	[illegible]	[illegible]	[illegible]	[illegible]
Decile 2	[illegible]	[illegible]	[illegible]	[illegible]
Decile 3	[illegible]	[illegible]	[illegible]	[illegible]
Decile 4	[illegible]	[illegible]	[illegible]	[illegible]
Decile 5	[illegible]	[illegible]	[illegible]	[illegible]
Decile 6	[illegible]	[illegible]	[illegible]	[illegible]
Decile 7	[illegible]	[illegible]	[illegible]	[illegible]
Decile 8	[illegible]	[illegible]	[illegible]	[illegible]
Decile 9	[illegible]	[illegible]	[illegible]	[illegible]
Decile 10 (highest)	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]