

# Investment options for local telcos

Anne Renzenbrink

WITH Myanmar's telecom industry showing signs of gradual opening, operators in Cambodia's overcrowded telecom market see opportunities for potential investment.

But in stride with the market's latent potential come challenges, industry experts say, and lessons learned locally need to be applied overseas.

"Myanmar remains one of the last frontiers and least touched telecom markets," said Anthony Galliano, CEO of Cambodian Investment Management. "The mobile market presents both tremendous opportunities and challenges. Network and infrastructure development has been severely lacking, penetration levels are extremely low at less than 9 per cent, and there is little or no competition."

With a low penetration rate and a population of about 54 million, Myanmar's telecom industry stands in stark contrast to that of Cambodia, where the number of SIM cards sold has reached more than 20 million last year, overtaking a population of about 15 million, according to the Ministry of Posts and Telecommunications.

According to statistics from Cambodia-based Social Media Plus, Cambodians have, on

average, 1.3 mobile subscriptions, and Cambodia was the first country in the world with more mobile phones than fixed line phones.

According to Ashraf Mokhtar Sahab, chief commercial officer at Beeline, the firm would not relocate to Myanmar and believes in the Cambodian market, but a possibility would be to extend the business.

"Myanmar has a much bigger population, so that is actually a quite significant opportunity right there," he said.

The Myanmar government has asked interested parties to submit an expression of interest for two nationwide telecommunication licences.

According to the Myanmar government, 91 entities submitted their expression of interest.

One of them was Axiata Group Berhad, the owner of Cambodian provider Hello.

"Like many other telcos, we feel it is a logical and interesting market to consider investing," Simon Perkins, CEO of Hello, said.

"It represents a strategic market given its high growth potential. However, it is still an interesting time for the telecoms industry in Cambodia. We will further re-affirm our commitment, and in the same time, will increase our investment in the Cambodia market to meet the ever increasing demands."



A man speaks on a mobile phone in front of a Hello mobile service centre in Phnom Penh's Chamkarmon district. HONG MENEA

But with more than 90 groups interested in licences in Myanmar, it remains to be seen whether any awardee will see a favourable business proposition in the market, Galliano said. "The ultimate cost of the licences, the terms and conditions, the regulatory environment, and how many additional licences are awarded in the short and medium term

will determine whether an operator can run a feasible and profitable business in the market," he said. "Another potential unknown will be local partners. It is likely the government will partner with some foreign operators, including the military."

According to Sahab, the political situation in Myanmar is a potential risk for operators expanding into the country.

He also said the local market could provide a number of lessons in what not to do in Myanmar. "One is the crowdedness, two is the price dumping," he said.

Galliano also said Cambodia is a market with a lesson learned. "Too many licenses were awarded, creating an oversupply of operators, relentless competition, and ultimately

unsustainable business models. The mergers, bankruptcies and acquisitions of operators over the last two years is a testament ensuring the right balance of number of operators in the market," he said.

Local telecoms operator Mfone, part of the Thaicom group, filed for bankruptcy last month. Cambodian mobile operators Smart and Hello have announced that they will merge in a \$155 million deal, the *Post* reported in December.

Galliano said he expects further consolidation in Cambodia's mobile market. "The fact is, the population is relatively small, the market is already saturated, and the failure of global operators to build successful models here will likely deter further entrants," he said.

"Most small to middle-sized markets are basically controlled by two to three operators, and that will likely be how the scenario plays out here. The opportunities in Myanmar do not have any correlation with potential new operators entering the market here; we are already at capacity."

Galliano added that Myanmar's potential development of the mobile market and opening to foreign investors could result in significant benefits for the country, with a possible direct contribution of \$1 billion in the first three years. ■

## Recommendations given to farmers to increase rice yields

Danson Cheong

CAMBODIA could drastically improve its rice yields by improving its irrigation infrastructure and convincing farmers to adopt modern agriculture practices, researchers said in a study.

The paper – published on Monday in *Rice Science*, an agriculture journal – was conducted in Kampong Chhnang in 2011 by agriculture expert Dr Volker Kleinhenz and the Provincial

Department of Agriculture. Executed correctly, Dr Kleinhenz argues that the paper's suggestions could potentially double rice yields in some areas.

Researchers made several recommendations, including the movement of irrigation systems for rain-dependent farmland away from rivers and encouraging farmers with land along rivers to plant an additional crop a season. Farmers should also switch to

planting higher-value rice varieties.

"Right now, what some farmers do each season is they save a portion of their seeds to replant the following season – and some of these seeds were developed in the 1960s," Dr Kleinhenz told the *Post*.

Because of genetic erosion, seeds that are continually replanted eventually lose their yield, Dr Kleinhenz explained. "These are basically only good for [private]

consumption and not for selling."

According to UN Food and Agriculture Office statistics, the Kingdom's annual average rice yield of 2.8 tonnes per hectare is way below the world average of 4.3 tonnes per hectare.

Yang Saing Koma, president of the Cambodian Centre for Study and Development in Agriculture, said the recommendations were a step in the right direction, considering the target Prime Minister Hun Sen has set for

Cambodia – to export a million tonnes of milled rice by 2015.

But Koma added that it was important to let farmers know that producing rice commercially needs a different approach to those presently used.

"Farmers should become more market-oriented and switch to high-value varieties," he said.

"It's about changing attitudes – and transforming a subsistence farmer into a commercial farmer." ■



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