

SamoaTel Cashing in on Deception

Citizens' Coalition for Accountability in Telecommunications in Samoa (CCATS) is a non-partisan group of Samoans whose goal is to provide public awareness on telecommunication issues that adversely affect the public. See their website: www.CCATSamoa.info for more details and contact information

How on earth did we suddenly end up with higher phone rates? Were we given all the facts by SamoaTel before such a weighty decision was made? We believe not!

Most decisions of such magnitude rely on submission of truthful and factual information from statutory bodies such as SamoaTel. What happens when this animating principle, the ethos of truthfulness and the premise of trust is violated?

Case in point: the voice tariff rebalancing, i.e. the recent stark price hike in our phone bills, which SamoaTel audaciously has managed to shroud in congratulatory terms as a reduction of rates and a significant savings to consumers and the country! A recent article in Savali, (1) clearly shows SamoaTel's duplicitous language and skewed statistics.

Let us substantiate: Since 1993 SamoaTel's international voice revenues, which then, represented one-third of the total revenue, have been steadily increasing (2). From an economic standpoint this is a positive trend indeed, which can be factually traced to the present day. However, propelled by SamoaTel's marketing alarmists, endowed with the gift of denying, skewing, distorting or hiding facts to achieve hidden agendas (more below) this increase of revenue is misconstrued as a profitability factor reliance which calls for digging the nails even deeper into to the access and local calling rates, i.e. doubling our monthly rental charges and increasing the rate structure from 11 sene per call to 4 sene per minute! This, unbelievably steep and sudden increase of rates, is further, unjustifiably, rationalized by portraying Samoa's local access and rental charges as one of the lowest in the world: SamoaTel obviously is disconnected from the reality of Samoa and the rest of the world. The local calling rates have been comparatively (3) high considering SamoaTel's unacceptable service level, short distances within and between the islands and the fact that SamoaTel is one of, if not the most profitable telecommunication company in the world. Notwithstanding the disastrous social and economic consequences of such steep price hike for the people of Samoa, and the fact that the per-minute charge structure hampers communication amongst people, lowers business productivity and defies any social-economic development model. This proposed "rebalancing" aims to increase "non-contestable" areas of SamoaTel's business, claims the above mentioned publication. Translation: we will rake in as much as we can since there's no one else to compete with us in the access and local calling arena! An intriguing proposition indeed!

The rest of this, so-called "Voice Tariff Rebalancing" includes changes that appear as advantageous to the consumer and are proposed to be used as a marketing tool to "increase calling behavior". Namely, local calling within the islands, the implementation

of off-peak overseas rates for residential customers, and permanent reduction of overseas rates for businesses (the only partial winners in this whole shebang!) The real facts are: The national call rates across multiple zones were grossly overpriced to begin with, considering the short distances, and extremely low teledensity of about 2% in rural areas. Getting rid of the intra-island calling zones is a drop in the bucket in terms of lost revenues for SamoaTel: for the sake of equity, the inter-island national calling rate (between Savaii and Upolu) should have been abolished as well. The inter-island national calling plan, still in place, is still the money-maker for SamoaTel in this sector. As we pointed out previously, in a fully digitised network, such as SamoaTel, it does not cost a sene more to provide telephone services even to the remotest areas of Savaii. So, this turns out to be yet another marketing opportunity touted as a great accomplishment and big saving for the “people” and the country! And regarding the international call rate change, it was about time for SamoaTel to jump on the bandwagon in providing permanent off-peak rates and lowering overseas call pricing. Despite a rapid and steep decline in overseas rates worldwide, SamoaTel overseas rates, amongst the highest in the world, had not significantly changed since 1989 – this, despite repeated recommendations from expert consultants for many years: the lowering of overseas rates and offering permanent off-peak rates stimulates more usage and thus increases revenues – from the economical standpoint this is really the only way to go and this is exactly what SamoaTel has done, albeit so late in the game – nothing really to brag about!

For the cost saving statements (4) contained within the above-mentioned document and the official SamoaTel written rate change announcement – we request SamoaTel for a public statement detailing these “cost saving” figures. Stretching and manipulating data and statistics seem to be a forte of SamoaTel. We restrain ourselves from exposing the frivolous mathematics involved – we think everyone is smart enough to see it. But then again, all you need to do is to look at your bill at the end of this month – this, despite the restraints that we now are putting on our time to converse on the phone or to be online!

(5)

So far, we have shown SamoaTel’s cunning scheme to increase its revenues at our cost. This is nothing new! So, what is the hidden agenda? Well, one that is not that hidden is to jack up the prices of local calls as fast and as high as possible to be comparable with the upcoming GSM mobile rates – it appears that the GSM market is where SamoaTel sees its ultimate fulfillment. Presumably, once the landline call rates rise to the vicinity of falling mobile rates, then there is a whole new arena of business opportunity for SamoaTel and for other operators (who ultimately pay back to SamoaTel). Isn’t SamoaTel already dismissing landline basic telephone services as antiquated and expensive to set up, and with 95% network coverage soon, as claimed by SamoaTel, encouraging us all to jump on the bandwagon and get the latest mobile technologies. Yes, and pay through our nose! Clever indeed, but not without dire consequences for the economy of Samoa as whole - we believe this signals a grim outlook for the social-economic development of Samoa long term.

We ask the public to respond to, or comment on these issues and thus start a public debate on the subject.

Notes and References:

- 1) Voice Tariff Rebalancing – Savali, 31 May 2006 – see our website soon for a copy of the article.
- 2) Savali Article 19 Mar 2003: SamoaTel briefs Business Community on progress.
- 3) Comparative analysis takes also factors such as economic base, trends, outlook, region, currency and other aspects – not just numbers - thus comparing Samoa with USA or New Zealand is simply wrong!
- 4) Exact quote from the Savali article: “Samoatel is cutting phone bills by an average of \$194 per year – that’s \$3.5 million in savings to the country; SamoaTel is committed to providing real value to the people of Samoa.”
- 5) Have you noticed now the uncomfortable feeling talking to friends and family or customers with the relentless meter running in the back of your mind, constantly adding 4 sene per minute? Also, let’s put things in perspective: even after much public outrage and the resulting revised 1 sene per minute ISP access charge, your 30 hour ISP plan (the most commonly used plan) will incur \$20 tala charge on your phone bill – incidentally, with the original SamoaTel rate of 4 sene per minute it would have been an outrageous \$80 tala - vs. only \$5 tala with the old 11-sene-per-call rate (based on 40 connections)!

Appendix:
(not published with the above article)

Voice Tariff Rebalancing

Cabinet has approved voice tariff rebalancing as recommended by the Board of Directors of SamoaTel

The profitability of SamoaTel is currently almost totally dependent on voice, and in particular international inbound and outbound traffic. At the same time access and local calling rates are amongst some of the lowest in the world, meaning that low usage customers are not profitable and the access and usage charges simply do not cover the cost to connect and serve these customers.

The Tariff proposal is a rebalance that increases non-contestable areas of our business, whilst at the same time giving headline rate reductions that will sell the propositions and increase calling behaviour.

The package includes: halving the cost of international calling from home phones on weeknights and weekends; reducing all other international rates by 30%; getting rid of toll boundaries within islands - now all calls within an island are local calls; charging all local calls at 4 sene per minute rather than 11 sene; increasing monthly rentals by \$10.00 for residential and \$16 for business users.

This package has a financial cost of \$3.5 million per year - although it is expected with increased customer usage, the costs will be reduced to \$2.2 million. The marketing of this significant rebalancing will be multifaceted and based on these key messages: SamoaTel has halved the cost of international calling; call any fixed phone in an island and it's a local call; SamoaTel is cutting phone bills by an average of \$194 per year - that's \$3.5 million in savings to the country; SamoaTel is committed to providing real value to the people of Samoa.

The voice tariff rebalancing will be made effective on 01 June 2006.

Voice Tariff Rebalancing – Savali, 31 May 2006