

You have been hired by Kuwait and their PTT (the telecommunications operations of the Ministry of Communications) to work on their liberalization and privatization strategy. Kuwait is an interesting country because it has a tremendous amount of resources (mostly oil) so they are in a good position to have a great deal of government investment in their infrastructure. Furthermore, the government is very interested in making sure its communication system improves for two main reasons:

- 1) the temporary occupation of Iraq in the early 1990s demonstrated to Kuwaiti leaders that communications can help shape defense and increase coordination with foreign countries; and
 - 2) better market information will help Kuwaiti businesses better coordinate their oil production.
- Please help the Ministry of Communications answer the following questions:¹

Technology Choices

Most of the Kuwaiti telecommunications infrastructure was a target of the hostilities in the 1990s. For example, satellite dishes were bombed as can be seen in on the web:

<http://www.geocities.com/SouthBeach/Marina/5599/Kuwait/Damage/SatelliteDishes2.jpg>

1. Describe the relative merits and benefits of rebuilding the telecommunications infrastructure with new technology by filling in the following table:

	<i>Geostationary Satellite</i>	<i>LEOs</i>	<i>Fiber, Coax, and Twisted Pair</i>	<i>Cellular and PCS</i>
Relative costs (i.e. expensive, cheap)				
Ability to serve business customers				
Ability to serve residential customers				
Ability to provide a wide range of services				
Amount of competition among equipment providers				
Scalability in providing service to new customers				
Ability to provide inexpensive service				

2. What technology would you recommend to the Kuwaiti PTT?

Privatization

3. Among the four options of privatization (1. Don't privatize 2. Privatize a minority of the company, 3. Privatize a majority of the company, and 4. Privatize entirely) which do you think is most appropriate for Kuwait?

Liberalization

4. If there would be entry into the Kuwaiti marketplace for telecommunications, who do you think would be most likely to enter? Is there anything that the Kuwaiti government could do to encourage or discourage such entry?

¹ You should not need more information than the material contained in this homework. However, if you would like to read more, you may want to start with a talk given by Dr. Yousef A. Al-Awadi, President of the Kuwait Investment Office, that can be found on the web:
http://www.kia.gov.kw/Archive/1999/March/Seminar_03021999_1.htm