Wireless carrier-pigeons

Reaching the world's unconnected will require more adventurous carriers.

WHEN Digicel, a Jamaican mobile-phone company, first planned a wireless service in Papua New Guinea, obvious hurdles loomed. The electricity grid reached at most 17% of the country's 6m people. Roads barely extended beyond Port Moresby, the capital. Average incomes were just above $1,000 a year.

Yet a more basic snag emerged. Where to put the phone towers? It was unclear where Papuans lived, since censuses were often incomplete and perhaps meaningless—many Papuans are still migratory. So the company undertook its own census. Helicopters flew around counting people, and a second tally checked if they were still there. This crude count paid off. The 600 towers later built now serve 1.3m people.

Digicel makes a habit of operating in countries with small populations and tough environments. Larger and more predictable markets are often saturated, so it ventures instead into Haiti and Papua New Guinea. The global market for mobile phones is booming: subscriptions more than doubled to 4.6 billion in the five years to 2009. But most of these hookups were in cities. The next frontier will be in less accessible places, such as remote villages, hills and valleys. Reaching them may require unorthodox methods.

When Digicel first considered investing in Haiti, data suggested that people were too poor to afford mobile phones. But a drive around Port-au-Prince, where managers saw wads of cash being exchanged, persuaded them otherwise. Still, price has been central to Digicel's strategy. In Haiti, it sold handsets for $15 and offered SIM cards with a $3 credit. The firm often improvises. In areas without electricity, donkeys haul diesel to generators.

Digicel and other venturesome mobile-phone firms, such as Egypt's Orascom and Kuwait's Zain, have been lucky. Falling prices and recently liberalised markets have boosted their businesses.

Yet bringing wireless to the wilderness has seldom been easy. Incumbent firms jealously guard their oligopolies. In Haiti, Digicel launched a wireless service without an interconnection agreement, which allows one firm's subscribers to speak with another's. The three incumbents relented only after Digicel signed up 100,000 customers in the first three days. Such tactics have not been successful everywhere. Digicel applied long ago for a licence to operate in East Timor, for example, but has not received it. The delay is proving expensive, says Denis O'Brien, the company's executive chairman.

The investment required to reach customers in remote spots is not small—hence Digicel's $4.3 billion debt. And when a brave minnow such as Digicel succeeds, it attracts larger competitors. AmericaMovil, the world's fourth-largest mobile-phone provider, muscled into Digicel's home market in Jamaica in 2007 and vowed to spend $300m there in one year—double Digicel's entire capital spending for 2010.

For now, there are enough small countries to keep minnows such as Digicel occupied. Orascom's Koryolink has signed up 185,000 subscribers in North Korea, of all godforsaken places. Digicel is offering phone banking in Fiji. Some day, it would like to handle some of the estimated $40 billion in remittances that Latin migrants send back home from the United States. That would be a prize indeed.

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