

# ***The Process of Changing Telecommunications Markets***

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# ***The Process of Changing Telecommunications Markets***

- ◆ The Change Process
- ◆ Setting Priorities
- ◆ Licensing
- ◆ Interconnection
- ◆ Price Regulation
- ◆ Competition
- ◆ Universal Access & Service
- ◆ Law & Regulatory Reform

# ***The Change Process***

- ◆ Use public processes
- ◆ Develop “consultation papers” to focus comments
- ◆ Use web sites - make the dialogue global
- ◆ Don't re-invent the wheel: adopt accepted international practices
- ◆ Get help from parties - ask major operators, potential competitors & others to provide specific data & comments

## *Setting Priorities*

- ◆ Key Priorities
  - Introduce competition early
  - Establish interconnection policies & procedures
  - Rebalance rates (to permit economic competition)
  - Establish fair competition rules
  - Refine UA/USO approach
  - Enact laws and regulations to codify reforms

## *Licensing New Competition*

### **Key issues/good practices:**

- ◆ What objectives: \$, sector development, service?
- ◆ Take time to “market” licensing opportunities well
- ◆ Publicity & transparency are key
- ◆ Retain professional advisors - add objectivity & professionalism
- ◆ Clarify the environment (interconnection, competition policy, rebalancing schedule, etc.)
- ◆ Beware the hazards of auctions!

## *Interconnection*

### **Key issues/good practices:**

- ◆ Negotiated or regulated approach?
- ◆ Do not rely on negotiations alone
- ◆ Provide *ex ante* guidelines - at least general ones
- ◆ Focus on interconnection with dominant operators
- ◆ Publicize RIOs and/or interconnection agreements with dominant operators
- ◆ Aim for cost-based interconnection in the long run; use benchmarks in the short run
- ◆ Promote local loop unbundling for high speed access

## *Price Regulation*

### **Key issues/good practices:**

- ◆ What and how to regulate?
- ◆ Rebalancing should be a priority
- ◆ Focus on dominant operator: deregulate other rates
- ◆ For dominant operator, use price cap regulation
- ◆ Establish price cap base rates through benchmarking of costs or rates to similar operators
- ◆ Consider cost separation (dominant v. more competitive services) or structural separation, in order to deregulate dominant operator's rates

## *Competition*

### **Key issues/good practices:**

- ◆ Whose job: NRA or competition authority?
- ◆ Telecom regulator is closest to market & most capable of detecting/preventing abuse
- ◆ Key issues:
  - cross-ownership (including M&A)
  - self-preferences (capacity, quality, timing, etc.)
  - cross-subsidies (dominant to more competitive)
  - vertical price squeezing - imputation test

## *Universal Access & Service*

### **Key issues/good practices:**

- ◆ Establish reasonable universal access goals
- ◆ Do not rely solely on incumbent operator to provide universal access
- ◆ Establish universality fund
- ◆ Collect funding from range of sources - e.g. levy on all operators' revenues, licence fees, international development agencies, etc.
- ◆ Use competitive bidding for right to receive subsidy to provide universal access services

## *Law and Regulatory Reform*

### **Codify reforms**

- ◆ Use laws & regulations to implement policy in priority areas (listed above)

### **Key Legislative Issues**

- ◆ Independence of Regulator (from Operator)
- ◆ Checks & balances between Ministry & Regulator
- ◆ Permit judicial appeals - but limit time
- ◆ Regulation of spectrum & numbers
- ◆ Access to property/Infrastructure Sharing
- ◆ Consumer Protection

## *Law and Regulatory Reform (2)*

- ◆ Key Legislative Issues (cont'd)
- ◆ Convergence of Broadcasting & Telecom
- ◆ Laws to facilitate E-commerce:
  - Facilitate secure electronic contracting
  - Consumer protection, fraud & privacy rules
  - Protect copyright & domain names
  - Regulate criminal content
  - Cybercrime treaty

## *Conclusion*

- ◆ There is an increasing body of “know-how” on sector reform
- ◆ The Web has revolutionized sector reform regulation - wealth of information on good regulators', legal & policy web sites
- ◆ International & regional bodies - ITU, OECD, etc.
- ◆ Literature:
  - World Bank & OECD publications
  - ITU - “Trends” & other reports
  - Telecom Regulation Handbook

### *Further Information*

Regulators & Policy Officials may obtain copies of the  
*Telecommunications Regulation Handbook*  
from the *InfoDev* program of The World Bank by contacting  
**[jdubow@worldbank.org](mailto:jdubow@worldbank.org)**

Electronic copies of the *Handbook* may be downloaded at:  
**[www.infodev.org/projects/314regulationhandbook](http://www.infodev.org/projects/314regulationhandbook)**

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