

Telecom Liberalisation in a Transition Country: Pitfalls and Solutions

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Situation at the end of 2000

- Interregnum: Incumbent lost monopoly - but no liberal Telecom Act in place
- In December 2000 new government was formed
- Jan. 2001 a Draft Act was submitted onto fast track
- May 11 Telecom Act entered into power

Quick but not easy

- The Incumbent in the past very successfully delayed all liberalisation attempts
- President of the Incumbent a high level politician
- Used political pressure to minimise the liberalisation
- Included Unions and Workers Council in the lobbying efforts

Main concerns of the incumbent

- Local loop unbundling
 - Entered into power on January 1st
- Sharing of the resources
- Cost based prices
- No cross subsidy
- Prices of the local telephony

Telecommunications Law

- Contains all the elements of the EU telecoms environment
- In places goes one step further:
 - Sharing of instalations and objects (ducts..)
 - Stiff penalties for companies and managers
- Requires authorisations for fixed and mobile telephony - to be changed

Key reasons

- Urgently needed for our own sake
- Stagnation in telecoms developments
- Expectations of the business community
- Requirements by the EU

Decrees

- 25 by the Ministry
- Additional 20 by the Regulator
- Roughly 60 % passed, the rest in the works

The Regulator

- Crucial element of the liberalisation
- Independently financed
- Established in July 2001
- Found a strong and independent director
 - (Opinion of the first Author - [T.K.]
- Appointed by the Government
- 5 year term

NRA: Issues on the table

- Staffing
- Cost based accounting
- Interconnection charges
- Fixed to mobile termination charges
- Leased lines market
- New operators

NRA Staffing

- NRA adopted the staff of the former Telecommunications Office
 - Technical regulatory issues
 - Frequency management and supervision
 - Numbering space management
 - Terminal equipment approval
 - Head count end 2001: 42 employees
- Planned staff head count in 2002: 68 employees
 - Telecommunications market regulation: main tasks
 - Price calculation and supervision
 - Cost accounting
 - Legal support

Cost based accounting

- Twinning light project with RegTP (Germany)
 - Training of the staff for cost based accounting
 - Adoption of the model for the cost based accounting
 - Supervision of the Incumbents and SMP operators
 - Preparation of data for the cost based calculation for:
 - interconnection charges
 - local loop unbundling
 - assymetric interconnection charges
 - definition of the SMP operators

Interconnection charges

- Presently the interconnection charges are one of the biggest obstacles for the liberalisation
- Some price categories until May 2002 under government regulation (local call, subscription fee, international calls)
- NRA is training the staff for the calculation of the interconnection charges
- Prices will be calculated:
 - First step: international benchmarking (benchmark fo CE countries not ready yet!)
 - Second step: theoretical model of an ideal network

Fixed to mobile termination charges

- Problem: SMP mobile operator owned by Incumbent of the fixed telephony
- Highly asymmetric interconnection charges requested by other operators (1:20)
- No progress between Incumbent and mobile operators in this field
- NRA has been requested to define the final date for the definition of charges and to solve the disputes

Leased line market

- Three main leased line operators:
 - Telekom Slovenije, ELES, Railway
 - Prices about 30% above the EU average
- Problem: Only Telekom Slovenije has fully developed network
- Leased line market will probably be the first one deregulated

New operators

- About 100 announced the service
- About 12 requested the service access codes
- Mostly service providers (VoIP)
- Only two applied for the network operators, none started
- Incumbent extremely incooperative
- Lots of black traffic routing, significant decrease of the quality, severe disturbances of network
- Several new operators heading to bankruptcy

Mobile telephony

- GSM 900 since 1997
- DCS 1800 licenses awarded this January
- Three operators for 2 Million inhabitants
- Penetration > 70 %
- GPRS offered by 2 operators
- UMTS "auction" - two attempts
 - Three licences offered, two/one proposals Min.
 - License fee ~ 100 M each
 - One licence awarded !!!!

Privatisation

- Not in hurry
- Looking for a strategic partner
- Sale + investment
- Telekom Slovenije as whole
- No plans for an early IPO
- Proceeds toward reduction of the Public debt

The Future

- We are confident to:
 - Experience problems
 - Still a long way to go - many very impatient
 - But will succeed to open the market !