

INTUG

Lessons from liberalisation

Ewan Sutherland

Executive Director

International Telecommunications
Users Group

ewan@intug.net

CUASA, Jo'burg 18 Feb 2003

www.INTUG.net

INTUG contents

- about INTUG
- global best practice
- phased liberalisation
- conclusions

CUASA, Jo'burg 18 Feb 2003

www.INTUG.net

INTUG what is INTUG?

- members
 - national associations
 - corporations
 - individuals
- activities
 - ITU and WTO
 - OECD
 - APEC TEL, CITELE and EU

INTUG our aims

- real and effective competition
- genuine choice for users
- lower prices
- higher quality
- more innovative services
- constructive co-operation with
 - international bodies
 - governments
 - regulators

INTUG global best practice

- many lessons to be learned:
 - the good, the bad and the ugly
 - increasingly from Asia
- everyone needs to share experiences
- NRAs have fewer resources than operators so they can easily be picked off
- too little time to make mistakes

INTUG customisation

- culture(s)
- population and income distribution
- economic growth
- strength of:
 - competition law
 - consumer protection law
- vitally important to be realistic

Telecoms is always “national” regardless of the size of the country.

INTUG phased liberalisation would

- introduce incumbent operators to competition
- give customers time to adjust to choice
- allow new entrants to build up their businesses
- allow NRA to develop expertise and reputation
- avoid unnecessary unemployment

INTUG European Union

- liberalisation of CPE market
- number portability
- carrier selection
- carrier pre-selection
- billing for new entrants
- local loop unbundling
- structural separation

INTUG European Union

- major liberalisation at the end of 1998
- forced PTTs to sell their cable networks
- new legislation from 25 July 2003 can remove regulation in competitive markets
- annual reports from Commission
- enforcement proceedings against member states
- benchmarking for *e*Europe

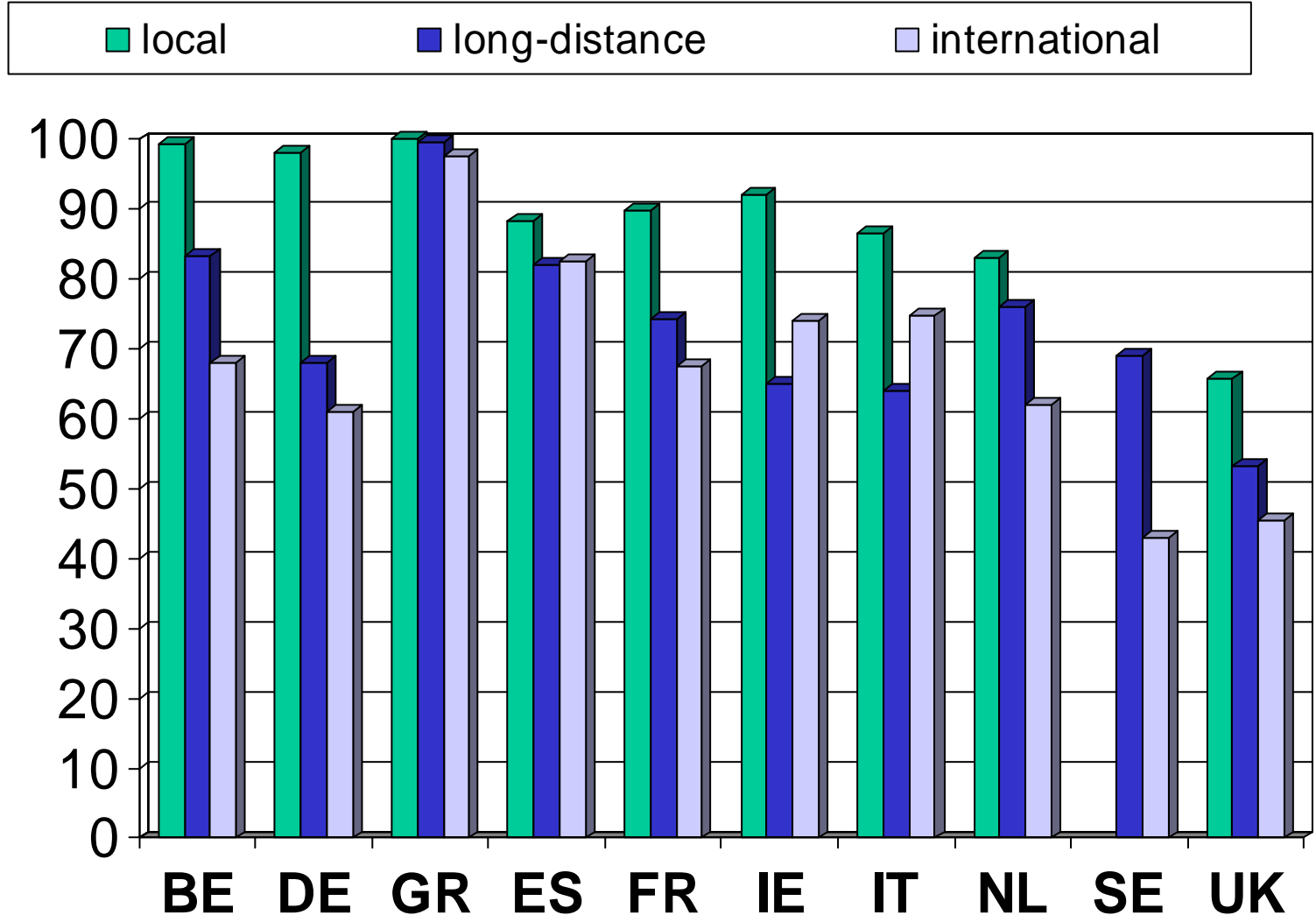
INTUG 8th Report

CUASA, Jo'burg 18 Feb 2003

www.INTUG.net

- telecommunications services market is estimated to be growing at between 5% and 7% in 2002, down slightly from 9.5% in 2001 (actual average EU GDP 2001 = 1.5%).
- carrier pre-selection has proved highly successful, with twice as many (224) operators as last year using it to provide local calls to residential users and 27% more using it to provide long-distance and international calls.
- for consumers, there has been an overall fall in prices. Tariff rises for line rentals have been balanced by a 5% fall in the cost of national fixed calls provided by incumbents, and a 4% fall in international call prices since last year.
- the overall reduction for national calls has been around 50% since 1998, and for international calls around 40%.
- prices charged by new entrant players are significantly lower than those of incumbent operators, with new entrant tariffs for national calls up to 56% lower and for international calls up to 65% lower in some countries

INTUG incumbent market shares



CUASA, Jo'burg 18 Feb 2003

www.INTUG.net

INTUG GSM in Europe

- 900MHz
 - incumbent plus another
- 1800MHz
 - one or two new entrants
- rapidly consolidated to:
 - Vodafone and Orange (FTel)
 - a few regional groups (DTAG, mmO2, TIM, Telia-Sonera)
 - only 1 or 2 entrants left

INTUG incumbent operators have

- made lobbying a core competence
- manipulated the liberalisation process, controlling the pace and direction
- obscured real costs and profits
- killed off new entrants
- failed to develop effective international businesses and so have been withdrawing from rather than entering foreign markets

INTUG USA e-rate

- added to US telecoms legislation to boost support from Congress
- washes vast sums from callers through the government to:
 - operators
 - manufacturers
- avoided finding the money for the education budget

INTUG financial markets

- liberalisation occurred during the telecom stock market bubble
- created massive distortions
- mobile even worse than fixed
- now the markets are almost dead

ITU World Telecommunication Development Report 2002

- privatization without competition is good, but privatization with competition is much better
- introducing private sector players is good, but allowing them the freedom to compete is better
- creating regulators is good, but giving them adequate powers and independence is better
- creating a duopoly is good, but allowing open competition is better
- introducing competition is good, but introducing it at an early stage of market development is better

INTUG regulatory best practice

- accounting separation
- long run incremental cost (LRIC)
- local loop unbundling
- reporting to public
- statistics, benchmarking and peer review
- formal relationships with competition authority

INTUG independent regulators

- independence from the vested interests
- regulatory certainty
- hard work to achieve independence
- must consult everyone
- vital role to play as neutral sources of information
- must not be by-passed or delayed for months in the courts

INTUG politico-regulatory game

- regulation creates a game of influence
- sometimes it is easier to “compete” in the regulatory space than on the market
- operators have strong interests and are never shy to express them
- overall objectives should be:
 - economy
 - society

INTUG conclusions

- all countries:
 - have made mistakes
 - have lessons to teach others
- good regulation is:
 - flexible
 - predictable
 - fast
- it attracts investment:
 - domestic
 - foreign

INTUG thank you

Ewan Sutherland

International Telecommunications Users Group

Boulevard Reyers 80

B-1030 Brussels

Belgium

+32.2.706.8255

<http://www.intug.net/talks.html>

CUASA, Jo'burg 18 Feb 2003

www.INTUG.net