

# Regulation of leased lines

Ewan Sutherland

<http://www.3wan.net/>

# Introduction

- Introduction
- International Private Leased Circuits
  - cable landing stations
- Core national networks
- Local access networks
  - highly localised competition
- Conclusions

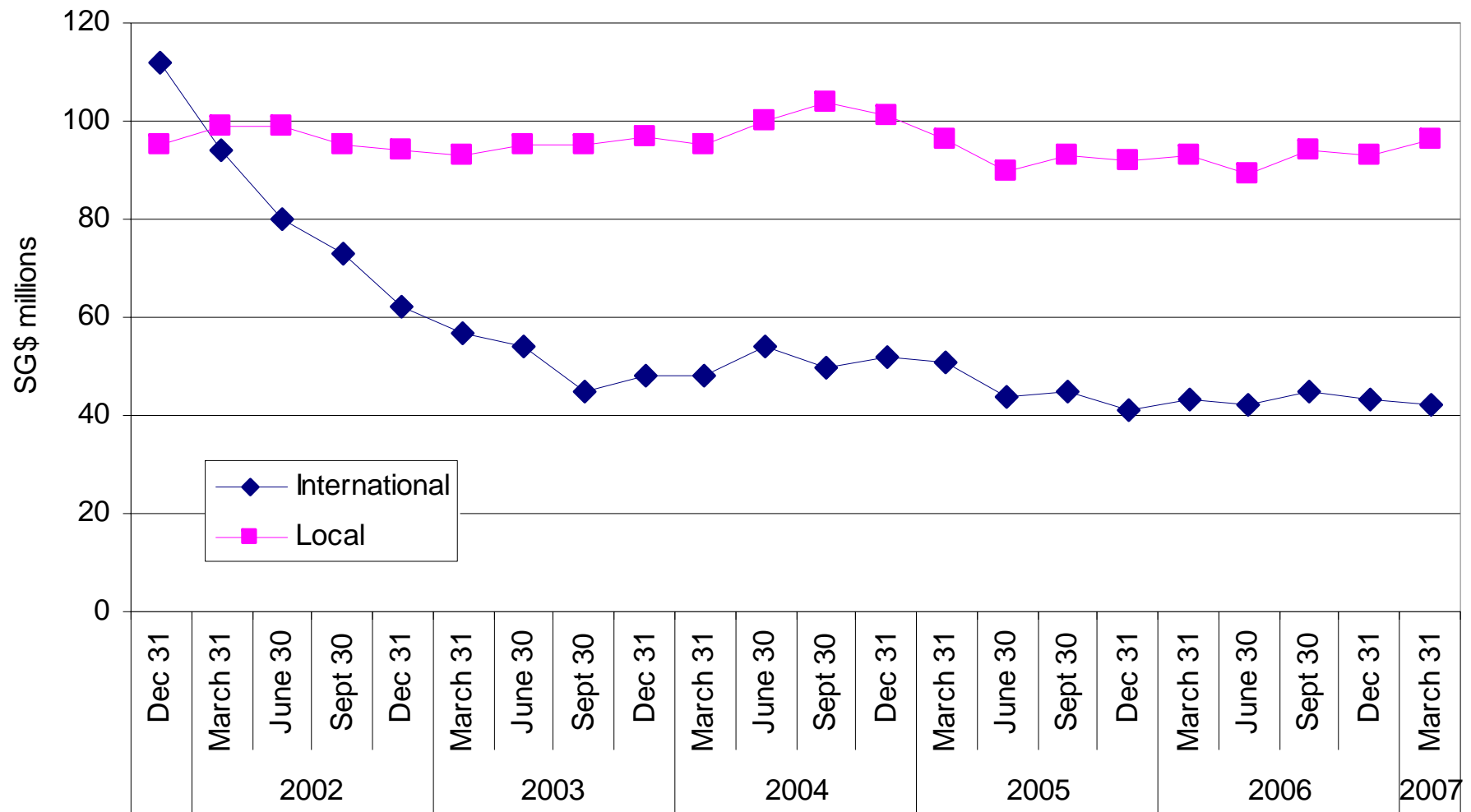
# Stepping stone or ladder model

- Competitors enter at international gateway
- They build out to customers' premises
- Originally for voice
- Then applied to broadband
- Also assumed to apply to leased lines
- Model has not been valid for many years

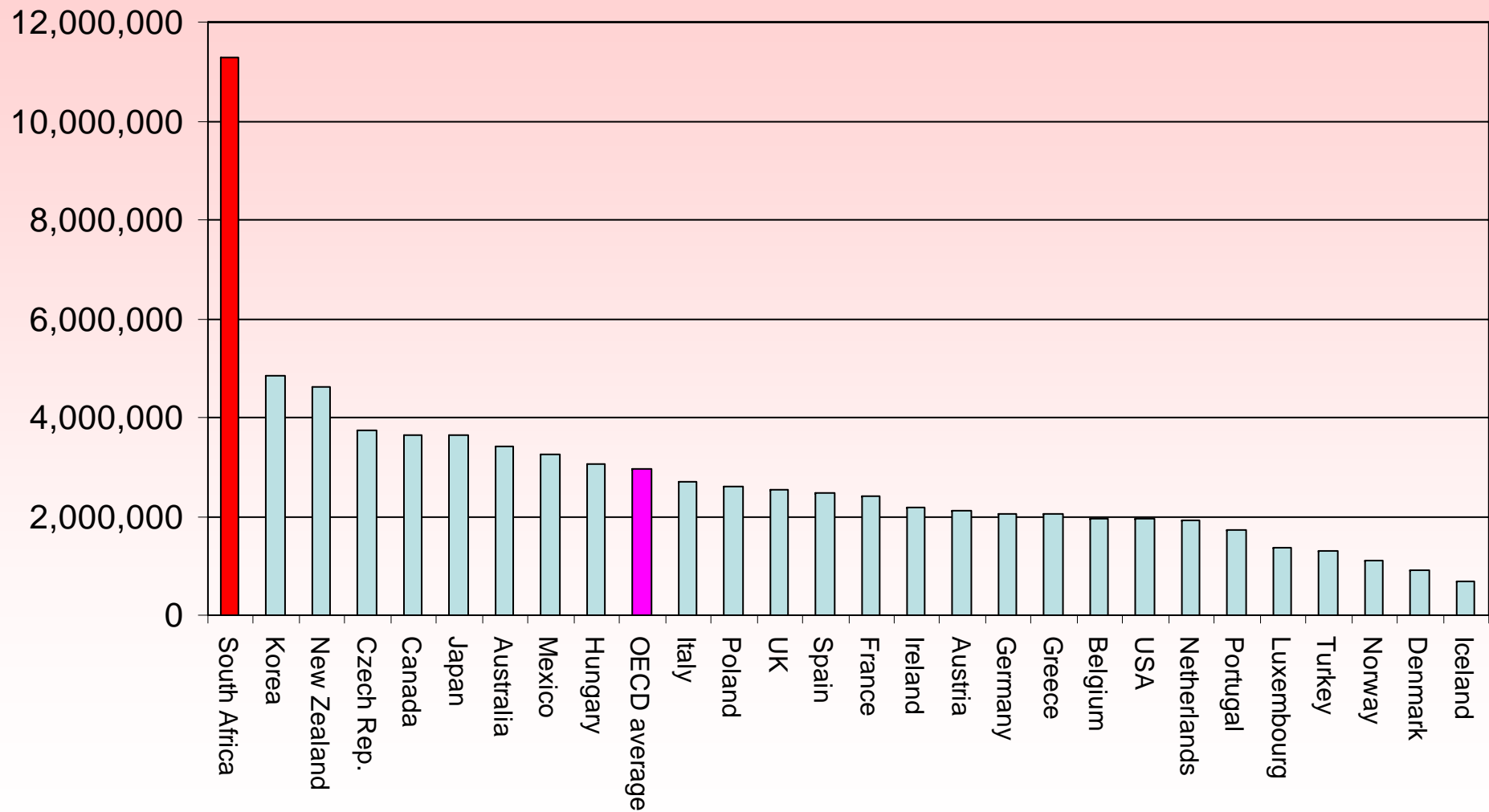
# Business requirements

- Access circuits for VPNs
- Service Level Agreement (SLA)
- Diverse routing
- Low latency
- 4 or 5 “nines”
- To geographically specific locations

# SingTel in Singapore



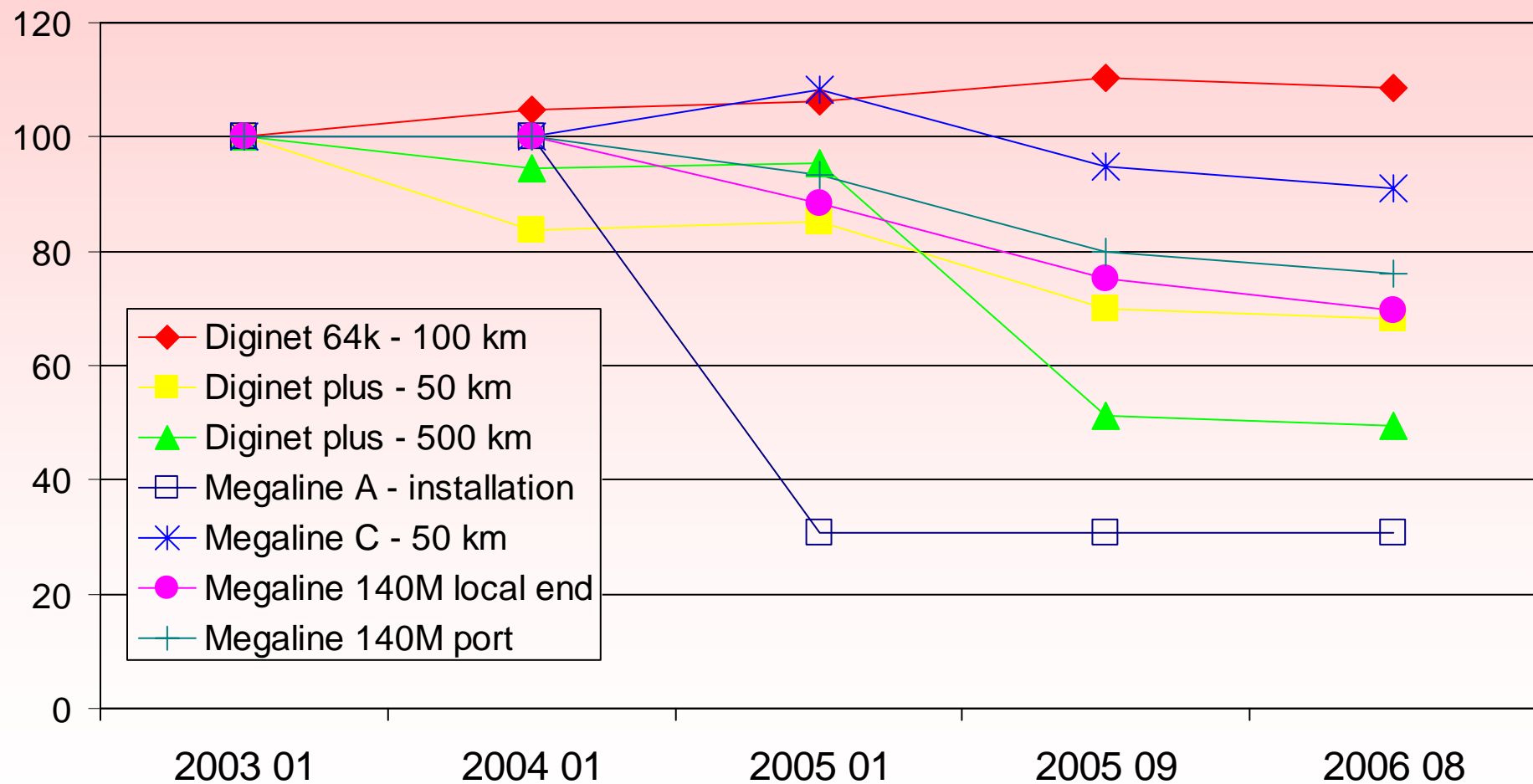
# Leased lines basket in 2004



# South Africa

- *de facto* monopoly of the incompletely privatised operator:
  - International Private Leased Circuits (IPLCs)
  - core national routes
  - local access tail circuits
- Price cap:  $CPI - X\%$ 
  - $X=1.5\%$  until recently
  - no competition, so no pressure to reduce prices
  - now *may* be replaced by LRIC prices
- In recent weeks, some competition in national long distance routes from Neotel (VSNL/Tata)
- CLS may be opened in early 2008

# Leased lines prices



# United States of America

- Telecommunications Act 1996
- FCC sought actively to withdraw regulation
- Dedicated access was a candidate
- Metropolitan Statistical Areas (MSAs) chosen as the geographical unit
- Collocation of equipment chosen as the proxy for competition
- Sunk investment, therefore operators would build out

# USA – revisited

- There being no competition prices did *not* fall and frequently went up
- Evidence of market power of the four ILECs
- New entrants could only justify construction of links at high levels of capacity
- Mergers of AT&T/SBC and Verizon/MCI removed a large part of the competing infrastructure
- FCC has been criticised by:
  - Ad Hoc Committee of Telecommunications Users
  - Government Accountability Office (GAO)
  - it needs to go back and re-examine the de-regulation

# Conclusions

- An old problem but still proving difficult
- Competition in IPLCs, if CLS opened and resale allowed
- Competition in long distance if allowed
- Much talk of alternative technologies in local access, but extremely limited effects
- Geographical market may be a single line:
  - hence thousands of separate markets

# Thank you

Ewan Sutherland

<http://3wan.net/>

3wan [at] 3wan.net

+44 141 416 0666

<skype://sutherla>

