Evolution or creationism?

Ewan Sutherland

http://www.3wan.net/

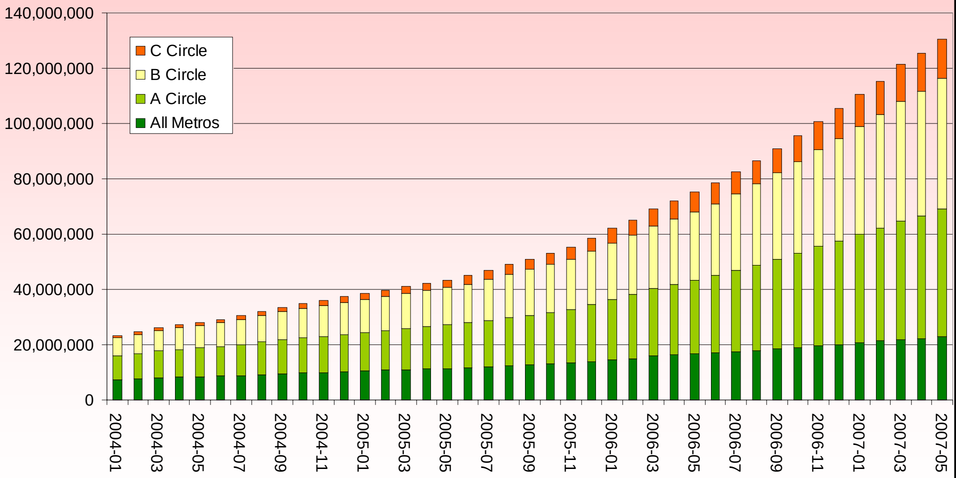
Introduction

- Introduction
- Democracy and regulation
- The European way
- Roaming
- Leased lines
- Broadband
- Separation
- Conclusions

The point of departure

- History
- Culture
- Legal system
- Industry policy:
  - – dominant operator versus “rats and mice”
  - – operators versus manufacturers
- National ICT strategy
- The sequence of past decisions (good/bad)
- Perception(s) of the merits of competition

India – growth of wireless



The nature of the debate

- Liberalisation was to remove government
- Markets were to deliver
- Yet many governments continue to "interfere"
- Often they meddle to remedy the mistakes of their predecessors
- Telecommunications is not an easy subject for political discourse

Who is being consulted?

- Global best practice is to “consult” on proposed policies
- Documents are understood by a few experts
- Incomprehensible to the public and politicians
- A “magic circle” of operators and regulators:
  - symbiosis?
  - capture?
  - where is the democratic oversight?

The intervention of “civil society” appears to be more experts interposed into the policy process. Whom do they represent?

EU 2002 regulatory package

- The 1999 Review of the successes and failures of *ad hoc* measures and “full liberalisation”
- The resulting process is now well known:
  - market analyses
  - designation of SMP operators
  - assignment of remedies
- Really designed for the old EU-15
- No clear statement of the necessary pre-conditions for this approach to work

Application beyond the core

- The 1999 review was about the EU-15
- Limited attention was given to:
  - 10 accession countries (May 2004)
  - 2 more accession countries (January 2007)
- No thought was given to the wider world:
  - France has applied the package in its colonies
- Versions have been adopted in:
  - Burkina Faso
  - South Africa
- Consultants and operators are the vectors

Alignment with competition law

- Real or imagined?
- A “flag of convenience”?
- Good or bad?
- The “insufficiency of competition law”

What happens if a problem is not about dominance and market failure?

International roaming

- Problem first identified in the mid-1990s
- Complaint first made in 1999 to the EC
- Several botched attempts at solutions
- Operators fought a bitter but unsuccessful rearguard action against the Reding Roaming Regulation
- Now wholesale prices are capped with retail margins of 60 per cent
- Still no convincing description in the language of competition law

www.3wan.net 27.viii.07, ACCC 11

Roaming elsewhere

- Celtel:
  - Abolished roaming charges in September 2006
    - Kenya, Uganda and Tanzania
  - Extended in June 2007
    - Congo, DR Congo and Gabon
  - also abolished for GPRS
- 3 (HWL):
  - Abolished across its footprint (Januar
- China and Hong Kong:
  - One SIM card, two numbers
  - Three numbers for gamblers

www.3wan.net 27.viii.07, ACCC 12

Corporate networks

- Buying power is good for Virtual Private Networks in core locations
- Weak on the geographical periphery
- Little buying power on mobile termination rates
- No buying power on:
  - cellular wireless data rates
  - trans-national cellular services
- Internal organisational issues mean that purchasing is not always well optimised:
  - RIM Blackberry, Apple iPhone, etc.
  - Telepresence

Leased lines

- Competition on core international routes
  - no competition in remote locations
  - cable landing stations are still a bottleneck
- Competition on domestic core routes
- No competition in local access:
  - requires continued regulation for local access
- Operators are trying to use migration to NGN to suppress competitors

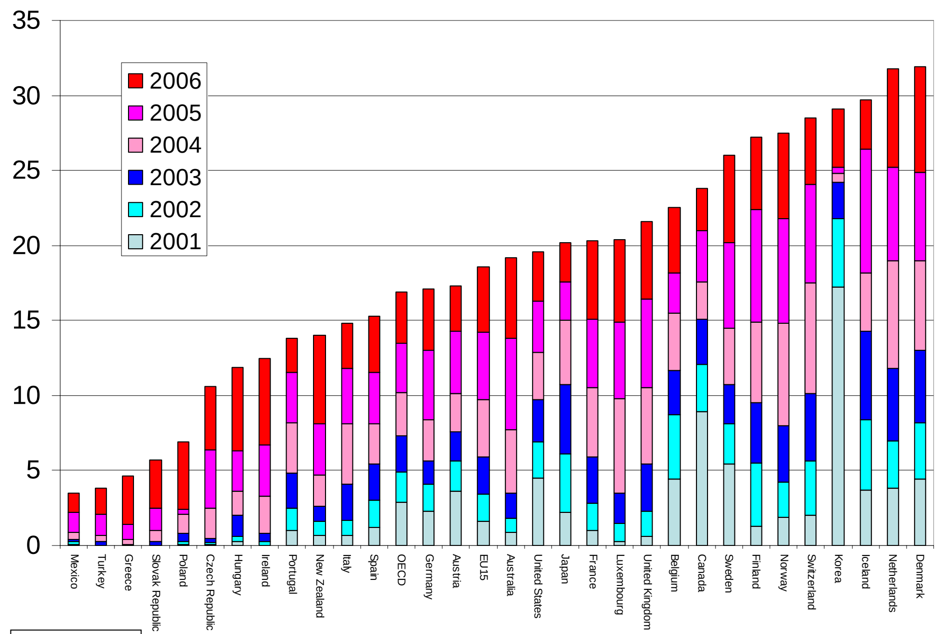
Broadband and Multiple-play

- Bandwidth continues to rise:
  - ADSL 2+, VDSL, etc.
  - HKBN launched 1 Gbps in June 2005
  - more fibre being deployed
- Operators prefer to compete by bundling:
  - calls to the fixed network (in several countries)
  - television channels
- Regulation has had to expand to include:
  - unbundling
  - line sharing
  - wholesale line rental
  - bitstream access
  - duct sharing

Please sir, may I have some more?

- France – Free.fr
- €29.99 = AUD 46.58
- unlimited calls to fixed networks in:
  - France
  - Australia
  - 47 other countries
- 100 TV channels
- ADSL2+ 24 Mbps

www.3wan.net 27.viii.07, ACCC 17



Source: OECD.

www.3wan.net 27.viii.07, ACCC 18

Information asymmetry

- More complex services
- Less clarity in marketing:
  - – more complaints that adverts are misleading
  - – “up to”, “free” and “including”
    - ADSL2+ (how far from the exchange?)
    - HSDPA (loading on a cell?)
- UMA:
  - – but do all networks charge the same rate?

Directory service: Can I connect you to that number?
No mention of the charge.

Conclusions

- Little sign that regulation is diminishing
- Little evidence of survival of the fittest
- Copying of regulatory fashions between countries, even if inappropriate
- Creative deployment of latest economic fads, since they are harder to refute
- Liberalisation was supposed to get governments out of telecoms markets

Thank you

Ewan Sutherland

http://3wan.net/

3wan [@] 3wan.net

+44 141 416 0666

skype://sutherla