

**The Role of the Regulator
in Respect of Encouraging Consumer
Choice, Affordable & Quality Services,
Encouraging Investment etc.**

Seminar on Economic and Market Analysis for
CEE and Baltic States

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- 1. Worldwide trend for telecom liberalization and competition**
- 2. The need for regulators in CEE and Baltic countries**
- 3. Key regulatory tasks in the EU framework**
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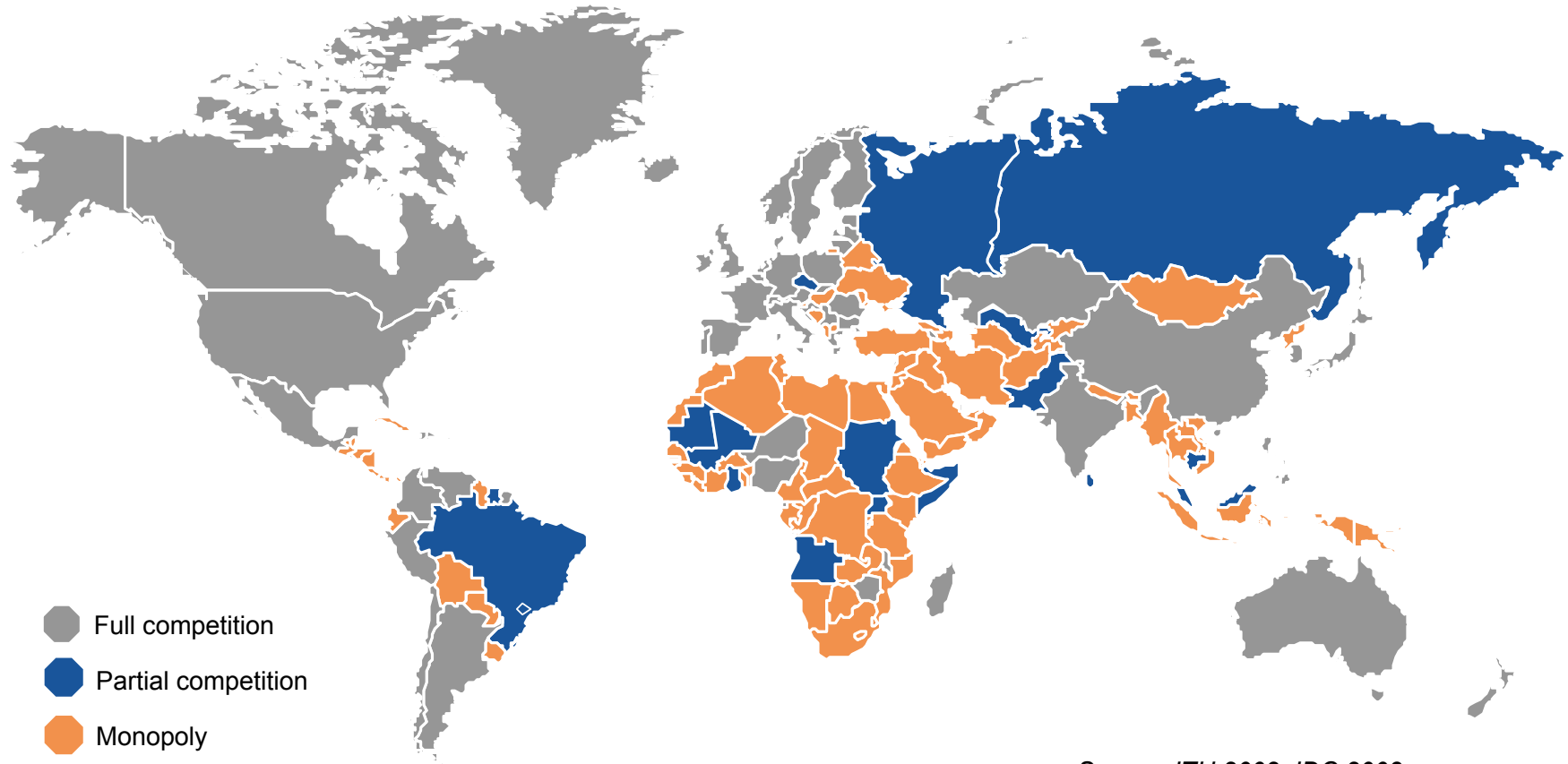
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1. Global Trend for Liberalisation and Competition

There is a worldwide trend for allowing competition in telecommunications sector

Experiences shows that strong regulators are needed to ensure successful transition from monopoly to competition



Source: ITU 2002, IDC 2003
Data for national long distance market

1. Global Trend for Liberalisation and Competition

Rationale behind trend for telecommunications liberalisation and establishing competition

Experiences shows that strong regulators are needed to ensure successful transition from monopoly to competition

Telecommunications services are important input factors for the whole of the economy

Countries with monopolies fall further behind in international competition

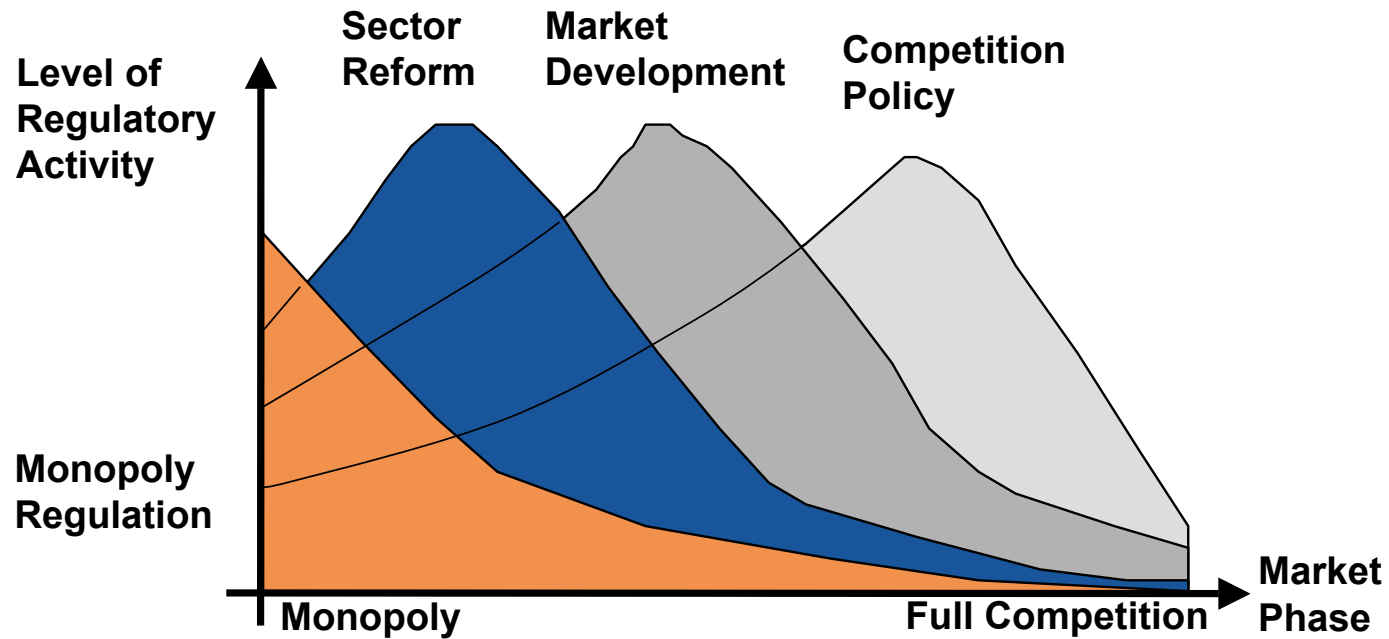
More and more countries successfully liberalize their telecommunications sectors

WTO and EU push for further telecom liberalisation

1. Life Cycles of Regulation

The level of regulation depends on the development of the transition process

The regulatory framework will determine the direction and shape that the market will take



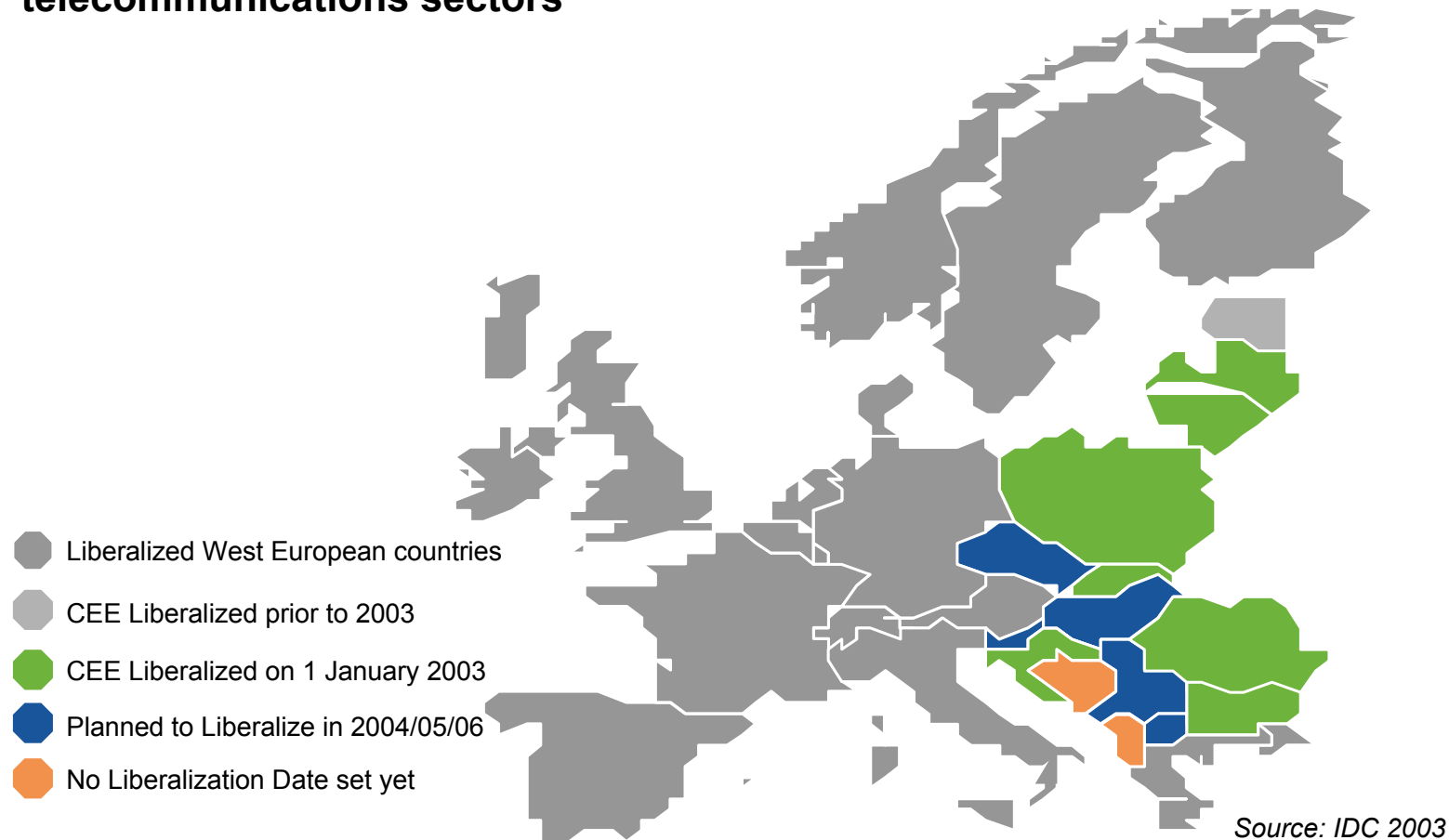
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2. The need for regulators in CEE and Baltic countries

The telecommunications markets are very dynamic in CEE and Baltic countries

A growing majority of CEE and Baltic countries are now fully liberalizing their telecommunications sectors



2. The need for regulators in CEE and Baltic countries

The role model of the EU framework

Learn from experiences of Regulators in Western Europe

As more and more countries will join the EU, the national regulatory models of the CEE and Baltic countries will follow the EU regulatory approach

Telecommunications is a priority when it comes to compliance with the EU regime

The 1987 EU regulatory framework has been a success it sets specific rules but leaves flexibility for national regulations

The 2002 regulatory framework of the EU which needs to be implemented in accession countries consists of five main Directives:

- The Framework Directive,
- The Access and Interconnection Directive,
- The Universal Service Directive,
- The Authorisation Directive,
- Data Protection Directive

2. The need for regulators in CEE and Baltic countries

The status of the adoption of EU regulation to date

Regulators need to be fully aware of the implications of their policies on the market

More than half of the countries in the region have adopted EU regulatory rules as a guideline for developing their telecommunication regulation

Many countries have set up independent regulatory bodies

The major difference between the countries is in the implementation of the law and in understanding the practical implications of the implementation of the regulation

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3. Key regulatory tasks in the EU framework

Telecommunications sector policy requires active regulators

Learn from Experiences of Regulators in Western Europe

Regulatory Goal

Key Regulatory Tasks to develop and implement:

Encouraging Consumer Choice = Enabling Competition

1. Access regime (e.g. Carrier Preselection, Carrier Selection)
2. Interconnection policy
3. Number Policy (including Number Portability)
4. Policy for solving disputes between operators

Ensuring Affordable and Quality Services

1. Price Control Regime
2. Consumer complaint procedures
3. Universal Service Policy

Encouraging Investment

1. Licensing/ Authorisation Policy
2. Stable regulatory framework

3. Key regulatory tasks Regulators have to do:

The Access Policy and Regime

The access regime is key for the speed and degree of competition

**Encouraging Consumer
Choice = Enabling
Competition**

**Ensuring Affordable and
Quality Services**

Encouraging Investment

1. Access regime (e.g. Carrier Preselection, Carrier Selection)

Set ex-ante rules on who regulatory obligation will be triggered

Make Significant Market Power (SMP) or market dominance determinations

Set ex-ante rules what operators are obliged to provide access

Decide what kind of access has to be provided

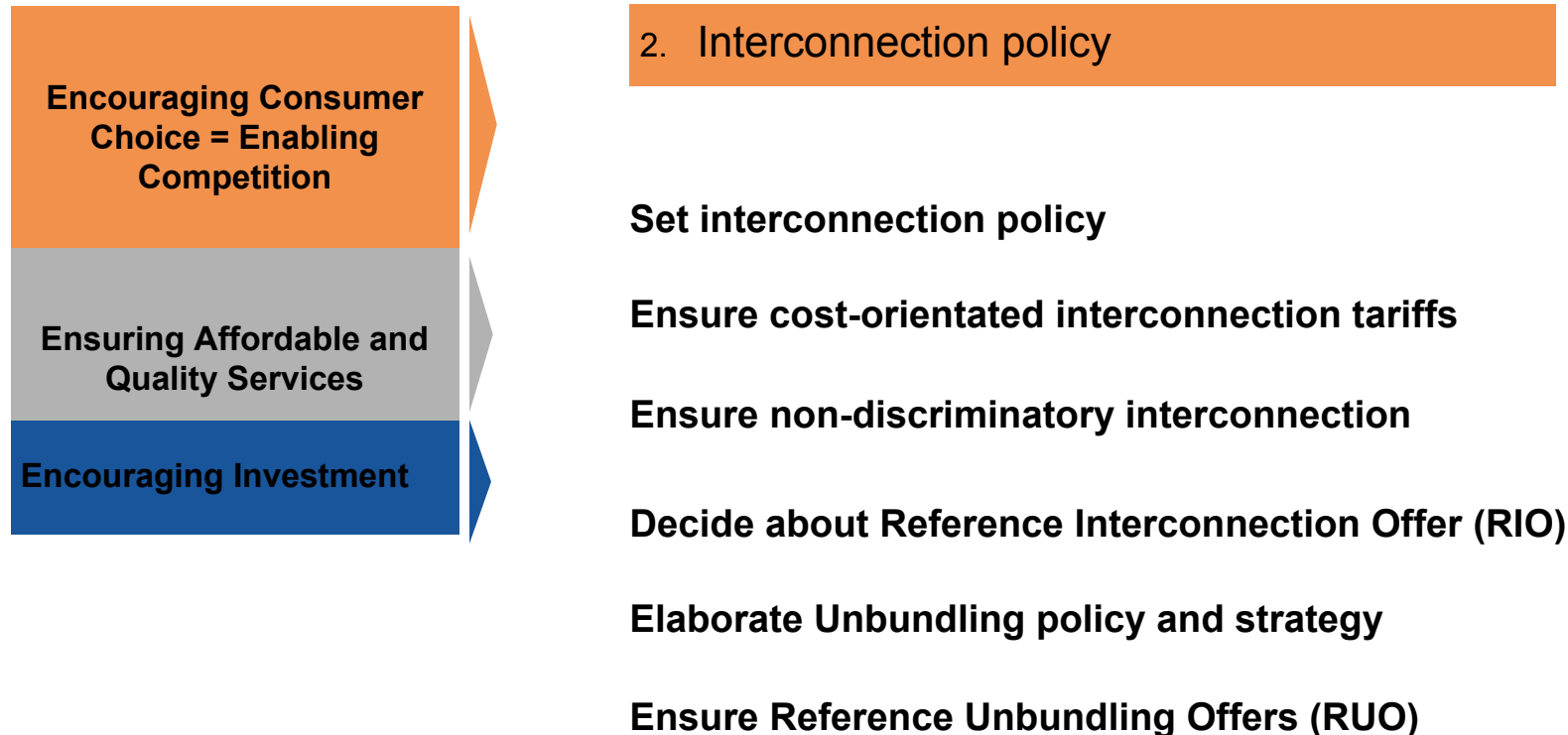
Decide how to implement Carrier Preselection in the Market

Decide how to implement Carrier Selection in the Market

3. Key regulatory tasks Regulators have to do:

The Interconnection Policy

Interconnection regulation is main regulatory challenge for all regulators



3. Key regulatory tasks Regulators have to do:

Number Policy

Regulators have to allocate numbers and ensure number portability

Encouraging Consumer
Choice = Enabling
Competition

Ensuring Affordable and
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Encouraging Investment

3. Number Policy (including Number Portability)

Telephone numbers are national resources that are needed by every telephone user

Regulators have to allocate numbers

Regulator have to ensure sufficient numbers are available for new competitors

They must provide future proof numbering plans

Terms and conditions for number portability must be clear

Without number portability competition is unlikely to develop and consumer have high barrier to choose between operators

3. Key regulatory tasks Regulators have to do:

Dispute resolution procedures

Dispute resolution will be a continuing task for regulators

**Encouraging Consumer
Choice = Enabling
Competition**

**Ensuring Affordable and
Quality Services**

Encouraging Investment

4. Policy for solving disputes between operators

Efficient dispute resolution procedures need to be set up

Disputes between operators have to be solved in specific timeframes

Dispute resolution should be conducted in open, transparent and fair manner

Consultation with operators for solving disputes are essential

Disputes often concern complex competition issues

3. Key regulatory tasks Regulators have to do:

Price/ Tariff Control

Price Cap regulation should be implemented and monitored



1. Price Control Regime

Establish Ex-ante and Ex-post price regulations

Determine Price Cap regulation regimes

Prevent margin squeeze, predatory pricing or other unfair pricing behaviour

Provide stable framework for price approval

Not hamper competition

Allow tariff rebalancing

3. Key regulatory tasks Regulators have to do:

Dispute resolution procedures for consumers

The aim of the regulation should be to have knowledgeable consumers

**Encouraging Consumer
Choice = Enabling
Competition**

**Ensuring Affordable and
Quality Services**

Encouraging Investment

2. Consumer complaint procedures

Consumer need information about their rights

**Consumer should have inexpensive and easy accessible
means for solving disputes with operators**

**Quality of Service Standards ensure basic consumer
protection rights**

**Internet is key source of information for consumers
today in Western Europe**

3. Key regulatory tasks Regulators have to do:

Universal Service Policy regulation

**Encouraging Consumer
Choice = Enabling
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**Ensuring Affordable and
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Encouraging Investment

3. Universal Service Policy

Decide who is responsible for Universal Service Policy

Set realistic Universal Service Policy goals

Establish Universal Service Policy funding mechanism

Avoid market distortions

3. Key regulatory tasks Regulators have to do:

Licensing/ Authorisation Policy

Licences have to be set and conditions to be enforced



1. Licensing/ Authorisation Policy

Establish licensing policy to encourage investment

Avoid increasing barriers to entry for new market players

Ensure efficient allocation of scarce resources (frequencies)

Avoid unnecessary licensing and licensing requirements

Monitor compliance with licence conditions

3. Key regulatory tasks Regulators have to do:

Stable legal and regulatory framework

A fair level playing field promotes investment and confidence in the market

**Encouraging Consumer
Choice = Enabling
Competition**

**Ensuring Affordable and
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Encouraging Investment

2. Stable regulatory framework

**Telecommunication specific primary and secondary
legislation has to be drafted**

The regulation should be technologically neutral

**Regulators should avoid unnecessarily changing rules
and legislation**

3. Summary: Key regulatory tasks Regulators have to do:

List of regulatory roles

Regulators need to develop sector specific knowledge and tasks to ensure competition

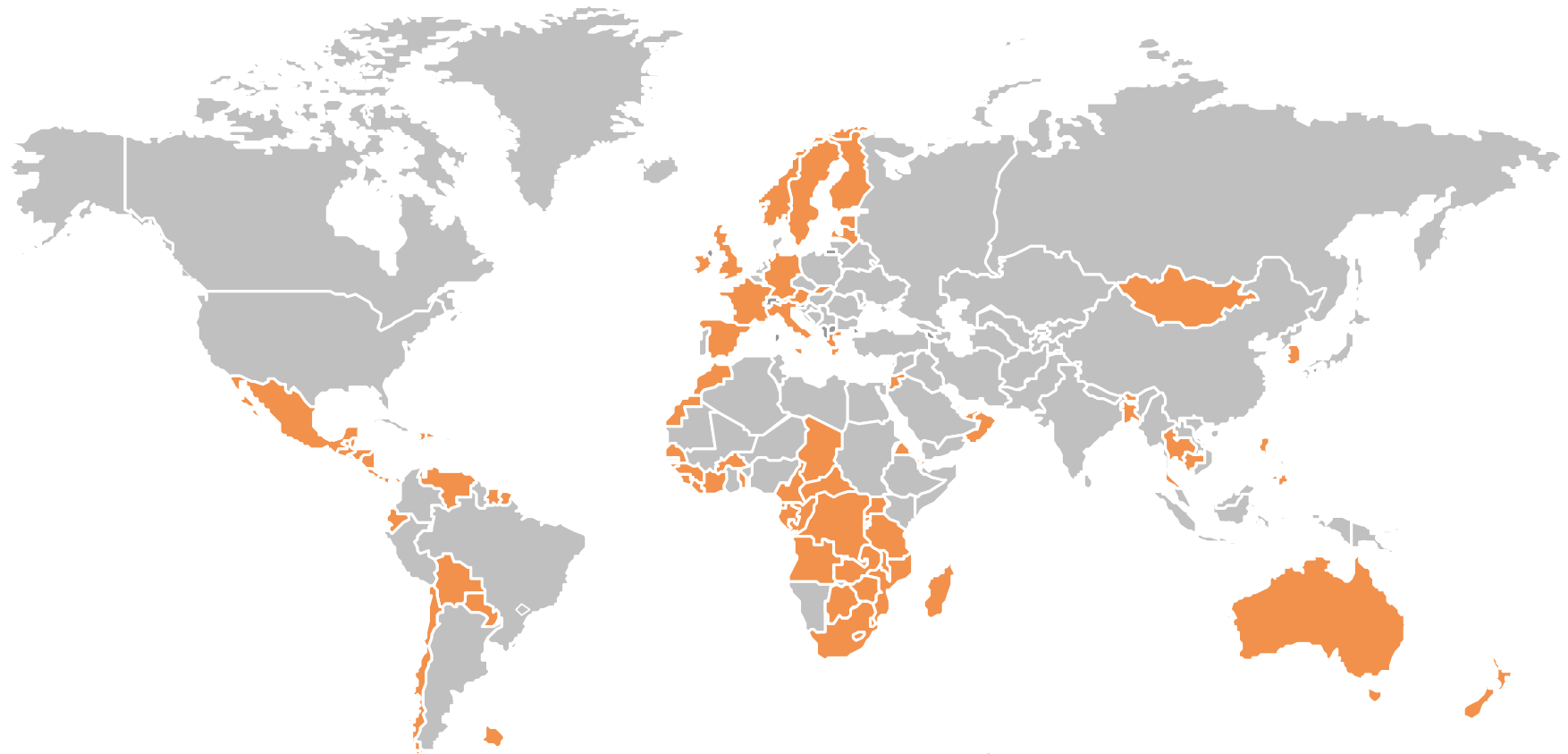
	Regulatory Authorities, Governments			
Sector Reform and Strategy	Review Current Market Situation	Analyse Liberalisation Experience in Other Countries	Examine Political and Economic Implications	Elaborate Implementation Guidelines for Sector Reform
Communication Legislation	Analysis of Existing Legal Situation	Design and Draft Legislation	Support Legislative Process	
Strengthening Regulatory Authority	Define Regulatory Functions	Review Existing Public Communications Organisations	Design and Implement Organisation Structure and Processes	Develop Human Resources
Regulatory Policies and Procedures	Licensing	Tariff Policy & Tariff Regulation	Interconnection	Universal Service
	Numbering	Access Policy	Dispute Resolution	Consumer & Data Protection
Facing New Regulatory Challenges	Regulate the Mobile Sector	Regulate E-Commerce & E-Government	Regulate Convergence	UMTS Frequency Spectrum Allocation & Management

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4. Mobile are overtaking fixed subscribers in countries worldwide

Regulators move attention to mobile regulation



- Countries with more fixed than mobile phones
- Countries with more mobile than fixed phones

Source: ITU at 12/ 2001
World Telecommunication Development
Report (2002)

4. Mobile Regulation

Issues of concern in mobile regulation for regulators in Europe

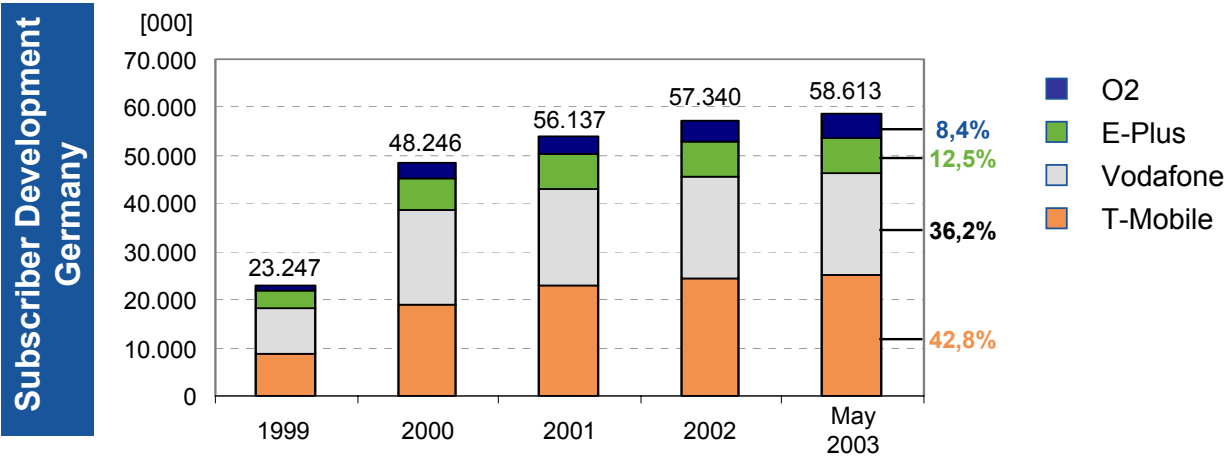
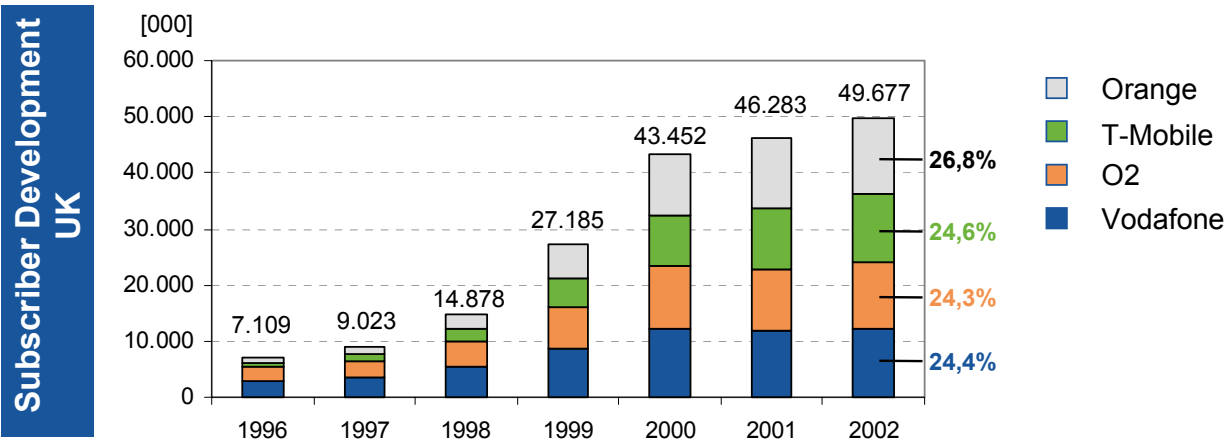
More and more issues concern regulators regarding mobile regulation in the EU

- **Dominant Mobile Operators**
- **Mobile Termination Rates**
- **International Roaming**
- **Mobile Number Portability**
- **Mobile Access and Calls**
- **Mobile Service Provisioning**

4 Mobile Market Overview United Kingdom and Germany

Subscriber Development of Mobile Network Operators in UK and Germany

In the UK mobile subscribers are almost equally distributed between Mobile Operators whereas T-Mobile and Vodafone are dominant in Germany



4. Mobile Service Provider Regulation in the UK

Historical Development

The level of regulation has been gradually eroded over time in the UK ...

Level of regulation



2 Mobile Operators

Separation

Historically, the Mobile Market had been separated in two segments:

- 1) Mobile Operators as „Wholesalers“
- 2) Mobile Service Providers as „Retailers“

4 Mobile Operators

MI Regulation

Service Provider regulation until April 2002

No Regulation

1983

April 2002

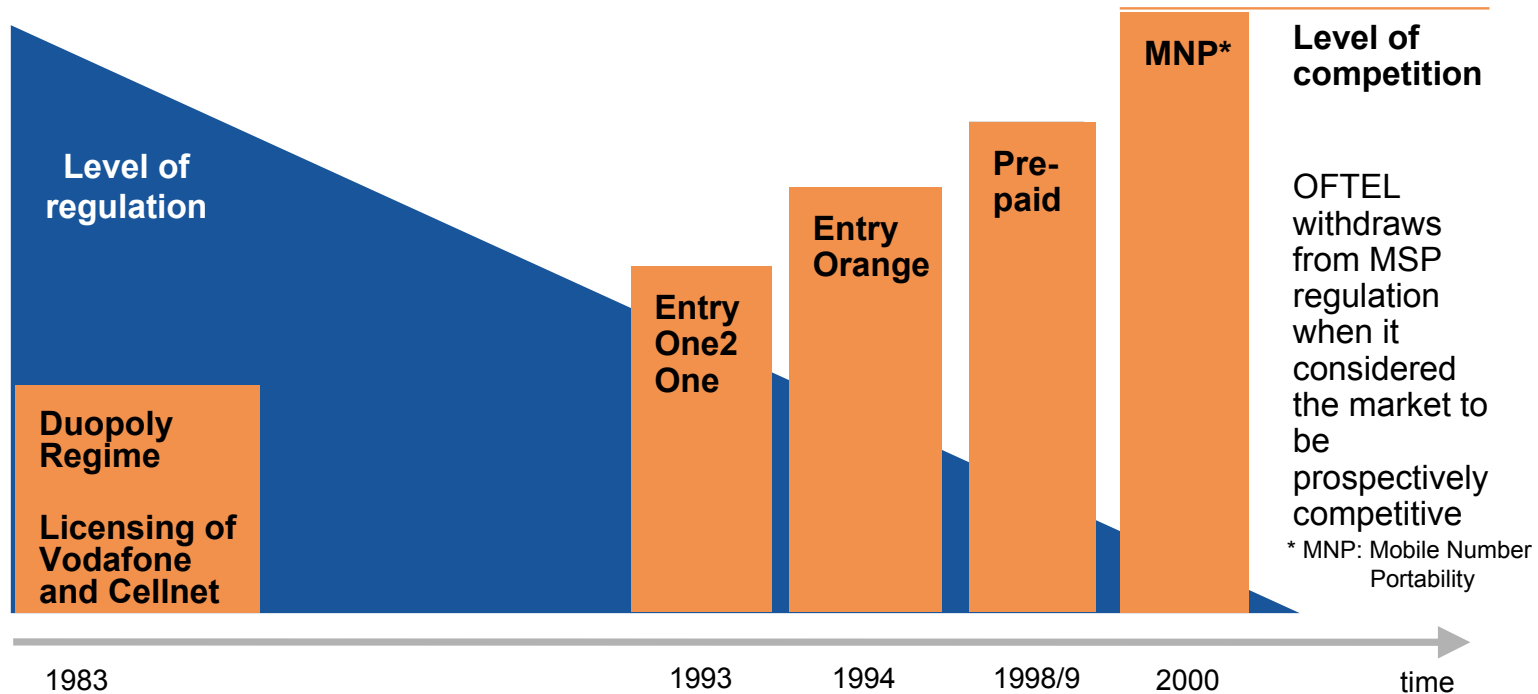
time

Over time OFTEL has lifted the regulatory obligations for Mobile Service Provider Regulation in the UK. Established Mobile operators have bought (independent) Mobile Service Providers and/or set up own (tied) Service Providers in the UK.

4. Mobile Service Provider Regulation in the UK

Historical Development

... only when the market became more competitive.

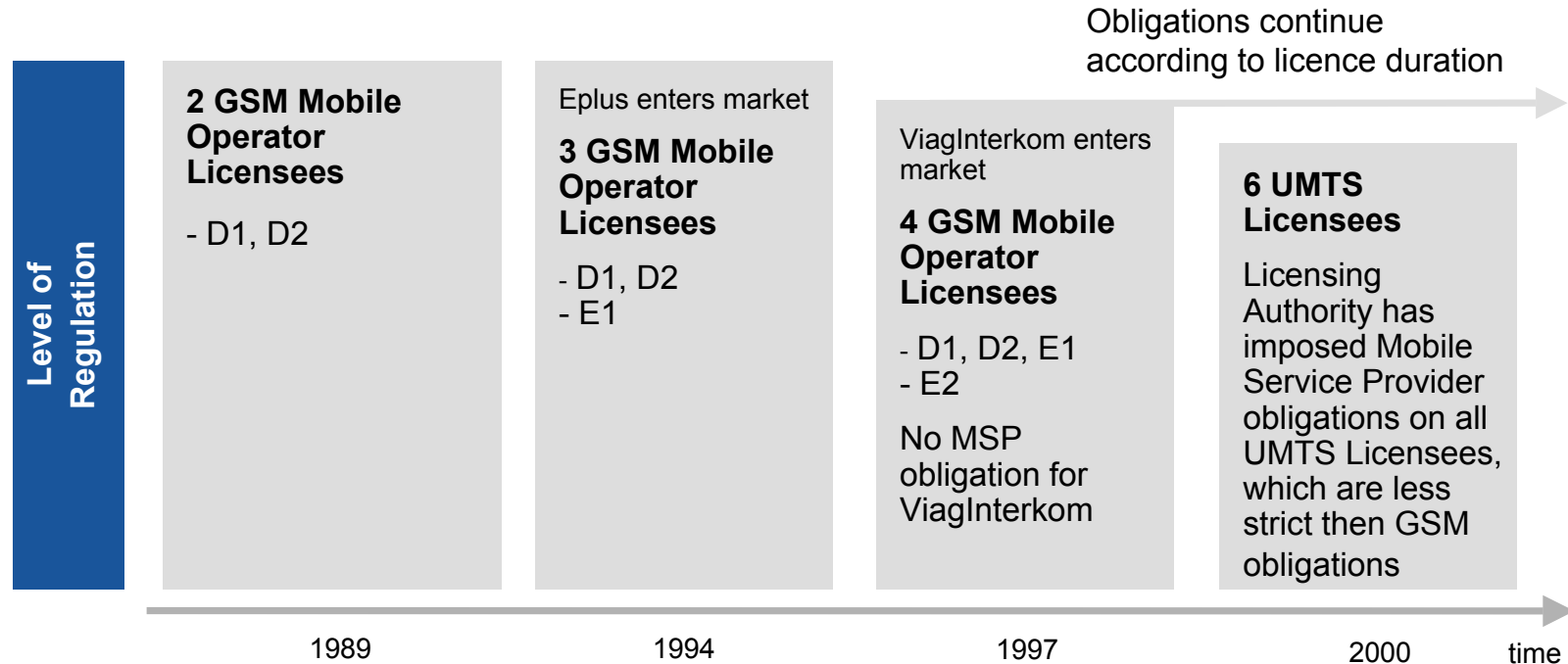


Today, mobile subscriber shares are almost equally distributed between the four Mobile Operators.

4. Mobile Service Provider Regulation in Germany

Historical Development

The German Regulatory Authority will continue to regulate the Mobile Service Provider Market.

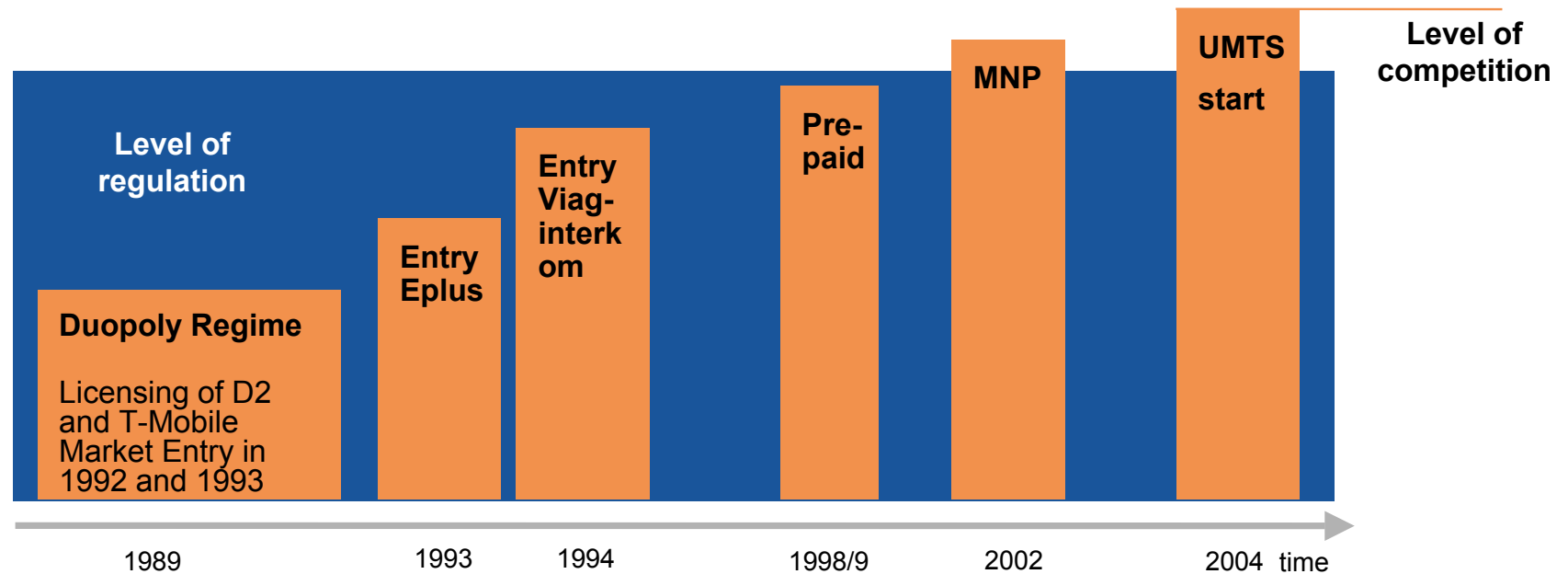


The Licensing Authority in Germany has imposed obligations regarding the provision of services for Mobile Service Providers for GSM Licensees which will continue for the validity period of the Licences. Contrary to the UK obligations are also imposed on UMTS licensees

4. Mobile Service Provider Regulation in the Germany

Historical Development

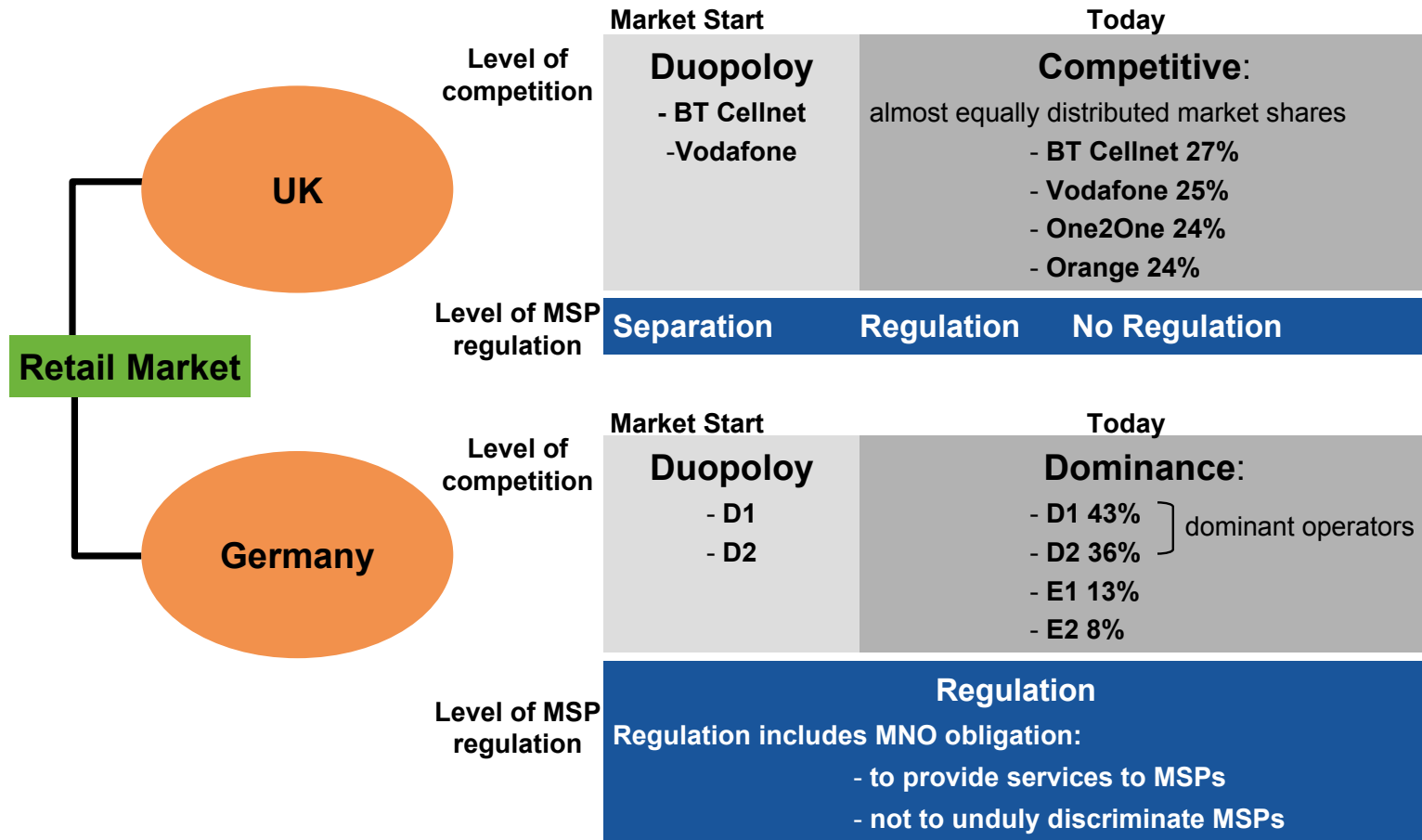
The level of regulation sustains despite an increase in competition.



Agreements between Mobile Service Providers and Mobile Operators are footed on regulatory obligations in Germany. Today, there are still significant differences in mobile subscriber shares of the four Mobile Operators in Germany. Market power in the retail market is more evident in Germany than in the UK which might be the reason for sustaining regulatory influence on the MSP market.

4. Comparison of regulation for Mobile Service Providers (MSPs)

In light of dominant operators regulation appears to be necessary in Germany whereas the UK regulatory authority has abolished the regulation



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5. Summary and conclusions

Regulators are not means by themselves or simply EU requirements

Regulators are needed to ensure development and competition in the market

CEE and Baltic states will continue to focus on the adoption of the EU framework

Key regulatory roles encompass: access policy, interconnection, pricing, licensing, authorisation, numbering, dispute resolution, universal service policy and consumer protection

Regulation should have strong economic focus

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