



ITU TELECOMMUNICATION DEVELOPMENT BUREAU (BDT)

**REPORT ON THE ITU REGIONAL ECONOMIC AND FINANCIAL FORUM OF
TELECOMMUNICATIONS/ICT FOR ASIA AND PACIFIC (REFF-ASP)
ORGANIZED IN COORDINATION WITH THE MEETING OF THE ITU-T STUDY GROUP 3 REGIONAL
GROUP FOR ASIA AND OCEANIA (SG3RG-AO) AND THE ITU-T FOCUS GROUP
ON DIGITAL FINANCIAL SERVICES**

KUALA LUMPUR, MALAYSIA 28 SEPTEMBER - 2 OCTOBER, 2015

Final Report of the Forum

The International Telecommunication Union (ITU) *Regional Economic and Financial Forum of Telecommunication/ICT for Asia and Pacific (REFF-ASP)* organized by the Telecommunication Development Bureau (BDT) in collaboration with the Malaysia Communications and Multimedia Commission (MCMC) was held at the Millennium Hotel in Kuala Lumpur, Malaysia the 28 September 2015. The Forum was followed by the meeting of the ITU-T SG3RG-AO (29-30 September) and the ITU-T Focus Group on Digital Financial Services (1-2 October).

The REFF-ASP counted with the participation of 57 delegates from 17 countries, including Ministries, National Regulatory Authorities, operators and service providers, academia, industry and invited experts. The complete list of participants as well as all the presentations and material presented during the Forum are available at the event website: www.itu.int/en/ITU-D/Regulatory-Market/Pages/Events2015/Malaysia/Home.aspx

OPENING

Mr Byoung Nam Lee, SG3RG-AO Chairman, welcomed all delegates to participate to these very important events which address topical and relevant issues for the Asia and Pacific region and expressed the importance to share points of view and experiences on ICTs regulatory, economic and financial issues. The Representative of the International Telecommunication Union, Ms Carmen Prado-Wagner highlighted that an enabling environment with targeted policies and effective regulations remains key to address the emerging economic and social imperatives of the digital world. An enabling environment makes broadband roll-out more affordable by reducing the cost of deploying ICT networks while encouraging investment and growth. Ms Laila Hassan, on behalf of Ms Norizan Baharin Chief Officer of the Malaysian Communication and Multimedia Commission (MCMC), did a presentation of the content of the Forum and highlighted that this Forum will support national expertise in the Malaysia ICT environment as well as at regional level. She highlighted that these meetings will allow not only the exchange of experiences but also the communication between nations. She officially opened the Forum by encouraging Asia and Pacific regional collaboration.

The Forum was chaired by Ms Laila Hassan, Senior Director Market Regulation Division, MCMC.

SESSION 1: COMPETITION AND TARIFF REGULATION IN A CONVERGED BROADBAND WORLD

RELEVANT MARKET DEFINITION AND IDENTIFICATION OF OPERATORS WITH SIGNIFICANT MARKET POWER (SMP): METHODOLOGICAL ASPECTS AND COORDINATION WITH COMPETITION AUTHORITIES

Ms Arisa Siong, Research Director from DotEcon, presented about SMP definition, the evolution of ICT and converge of markets. For defining relevant markets, it is important to focus on demand and supply substitutability of the services consumed. She highlighted that it is important that substitutability is assessed from the perspective of comparability of services to the end user. It is also important to assess vertical agreement or other commercial strategies that might limit the scope of services available to consumers. In terms of assessing SMP, the core principle is to judge whether the service provider is able to act independently of competitive constraints imposed by competitors or potential new entrants. Here it is important to recognize that in a converged broadband world, new modes of competition may develop. For instance, if broadband providers may gain significant marketing value from investing in excess capacity, they may compete in acquiring excess capacity and the presence of excess capacity may not necessarily indicate a lack of competition in the market as might have traditionally been the case. It was concluded that regulation in a converged broadband world should be dynamic, flexible, pro-innovation and pro-investment. This is precisely why there is a need for the regulatory framework to deal with a variety of issues, not solely on ensuring that prices set by operators are fairly competitive but also to encourage investment in technological updates or new infrastructure in order to allow more (new) services to be accessed by consumers at affordable prices. It was highlighted the importance of having high level coordination between NRAs and NCAs.

Mr Amine Mcharek, KAIST, Korea presented a comparison between the different regions on market dominance based on data from ITU Regulatory Survey, specifically about the criteria used in determining the significant market power (SMP) by regions and countries. Mr Mcharek concluded by explaining that a more dynamic approach in regulation in order to address increasing complexity of broadband convergence is becoming necessary. Cooperation should be stronger at regional and global levels in order to exchange experiences and best practices, and consider ITU studies and recommendations on SMP at national level.

ECONOMIC REGULATION, COSTING METHODOLOGIES AND TARIFF REGULATION FOR BROADBAND SERVICES – BEST PRACTICES IN THE ASP REGION

Ms Carmen Prado-Wagner, ITU/BDT presented the [ITU ICT Regulatory Tracker](#): Uptake and evolution of telecommunication/ICTs regulatory frameworks. ITU has developed this tool, as a new evidence-based analytical tool to pinpoint the strengths and weaknesses of regulatory interventions. As featured in the 2015 Trends report, the Tracker has shown that the combination of a handful of regulatory measures is closely associated with a catalytic effect on market take-up. The Tracker covers 157 countries for a period of 11 years, showcasing regulatory progress within the same country, amongst regions and worldwide. This Tracker was established by assessing the various dimensions of the regulatory environment: the regulatory authority itself; which segments and services that are regulated; the scope and direction of the regulations; and the enabling of a competitive environment.

Mr John Ure from TRPC presented on Economic Regulation and Tariff determination. Mr Ure treated the economic regulation and the different costing methodologies that could be applied for broadband services by considering the regulatory, economic and technological aspects. He presented the results from the ITU Tariff Policies survey for 2014 on costing methodologies applied by the different regions, focusing on the Asia and Pacific situation. In conclusion, Mr Ure explained that economic regulation often seems like having to square a circle to encourage investment in networks (supply) by keeping markets competitive (options) and prices affordable (demand). It was highlighted that the most used

approach in the world is cost-oriented wholesale prices to simulate competitive forces. Retail tariff regulation could be applied in the absence of effective market choice. It was stressed that non-discrimination is essential to keep markets open.

Ms Janakky Raju, Head Competition and Access Department, MCMC, presented on Tariff regulation for broadband services in Malaysia. Ms Raju explained that operators and service providers in Malaysia may set broadband services tariffs by considering not unreasonably discrimination, oriented towards costs, elimination of cross subsidies, avoid prejudice competitive discounts, and considering regulations and recommendations from international organizations such as ITU. In this sense MCMC carried out a consultation with the industry on rates rules, including broadband rates, with the objective to have broadband packages affordable for consumer.

They have established that wholesale regulation is more appropriate to ensure competition at the retail level. MCMC recently concluded the Public Inquiry on Access List, where it was enhanced wholesale regulation pertaining to broadband services. It is expected that competition between service providers will ensure affordable broadband prices. MCMC will continue to safeguard consumer interest by monitoring broadband prices to ensure market competition as well as quality of service.

Mr Charles Kerua, National Information & Communications Technology Authority (NICTA), Papua New Guinea, explained about the market situation in PNG, considering coverage, access and the position of the country on the Broadband Commission targets. The mobile broadband price in PNG is expensive as this corresponds to the 80% of GNI, both fixed and mobile prices are above the Broadband Commission target. In 2013 NICTA setting specific pricing principles. In 2014 a rolling out of universal access services was done, as well as a monitoring on retail entry Broadband prices. The main challenges in PNG are the highly concentrated market share, high costs, aging and limited telecom infrastructure, geographical conditions, random population dispersion, poor road infrastructures and landownership issues.

Ms Vanessa Pelenato, Office of the Regulator, Samoa, explained about the economic and social importance of broadband and its role in improving productivity and providing information and services in Samoa. The Government's goal is to ensure better connections to the world and that all sectors of the community have access to high quality, affordable and safe ICT. The Regulator has initiated a formal process for the definition of the Broadband Internet access market. The purpose is to determine dominance and clarify the rules to be applied to the dominant player(s) in the particular markets. As stipulated under the Telecommunications Act the dominant player(s) must file with and obtain the approval of the Regulator for all tariffs, rates and charges for telecommunications services in the markets the Regulator has designated them as dominant. The Regulator considers the market definition as a crucial factor to resolving complaints by service providers and for offering reasonable tariffs for broadband services.

Key facts from Session 1 on competition and tariff regulation in a converged broadband world: More co-operation between NRAs and NCAs is likely to be required, especially for the determination of SMP. Regarding price regulation, the most applied approach in the world is cost-oriented wholesale prices to simulate competitive forces. Retail tariff regulation could be applied in the absence of effective market choice.

SESSION 2: NEW CHALLENGES IN THE DIGITAL ECOSYSTEM

NETWORK NEUTRALITY: BEST PRACTICES AND CHALLENGES FOR REGULATION

Ms Noëlle de Guzman, ISOC, Philippines, presented the trends, challenges and guidelines for regulators and policymakers on net neutrality, focusing in the Asia Pacific region. Net neutrality has grown in importance in recent years due to the rise of over-the-top services (OTT). Net Neutrality has implications

on Internet access and adoption, online innovation, privacy and freedom of information and global interoperability. The issue of net neutrality is centered on areas where Internet Service Providers (ISPs) and OTTs offer competing services (e.g. VoIP as a substitute for voice telephony). This makes ISPs more likely to discriminate against OTTs, or charge them extra for traffic carriage. At present, both sectors are starting to explore opportunities to collaborate, and venture in each other's domains. It is recommended for NRAs to review existing regulatory frameworks and market based mechanisms, users should be in control of their online experience—this means freedom to access content, run applications and use services of their choice. Discussions focused on traffic management by service providers and quality of service (QoS) as well as the fairness regarding the debate OTT services and the concern of consumers. Some operators expressed their concern as OTTs are having the service for free, but there is a cost, the market is changing now and maybe this business model should be revised, as consumers now have the habit to use OTT services.

DIGITAL FINANCIAL INCLUSION – THE INTERACTION BETWEEN ICT AND FINANCIAL SERVICES STAKEHOLDERS

Ms Yoonee Jeong, TRPC, Singapore, made a presentation on understanding the digital financial ecosystem and provided some country case studies from Asia and Pacific. Both financial sector and ICT sectors are going through fundamental changes. Digital finance inclusion is going through a creative stage of development. Stakeholder groups will probably constantly change, but it is imperative that financial and ICT stakeholders collaborate to make digital finance work for poor people. There are several issues to be considered, such as, the customer onboarding process including Know-Your-Customer (KYC) policies and identification system, the interoperability, the agent recruitment (training, official accreditation), product development and innovation. Ms Jeong, recommended that both financial and ICT sectors are going through fundamental changes as underlying technologies converge and new business models create pressure. It is necessary to work together and establish a collaborative regulation. It is important that stakeholders identify gaps and overlaps in existing market and regulatory framework(s), and work together with NRAs and policy makers, especially for monitoring the progress of this ecosystem and protecting consumers.

Ms Carol Coye Benson, Vice Chair ITU-T Focus Group on Digital Financial Services, Glenbrook Partners, presented the Focus Group on Digital Financial Services (FG-DFS). The main goals of this group are:

- Identify the technology trends in digital financial services;
- Establish liaisons with other organizations which could contribute to the standardization activities of digital financial services;
- Describe the ecosystem for digital financial and the respective roles and responsibilities of stakeholders;
- Identify successful use cases for implementation of secure digital financial services including developing countries with a particular focus on the benefits for women.

The FG has defined 4 stages for the evolution of DFS, at present the group is focusing on stages 2, specifically on interoperable of digital payments (Poor people are able to transfer funds across providers) and Stage 3 on digital remote and in-person payments (poor people conduct a majority of transactions digitally). She explained that there is still some concern regarding the national identity systems, the risk management in general and fraud management specifically.

Key facts from Session 2: the new challenges in the digital ecosystem are the implications of Net Neutrality on Internet access and adoption, online innovation, privacy and freedom of information and global interoperability. For Digital financial inclusion, both financial and ICT sectors are going through fundamental changes that need to be looked with special attention to the bigger shift of the digital economy. It is necessary to work together and establish a collaborative regulation.

CLOSING

The Chair of the Forum expressed her thanks to ITU-D Staff and the MCMC local staff for the organization of this successful Forum. She added that the exchange of views and experiences during the sessions was very interesting and fruitful for the work of all participants in their countries as well as to the works of the ITU-T Study Group meeting. She also thanked the speakers and panelists and all participants for their very active participation.

The SG3RG-AO Chairman thanked the MCMC Malaysia for the excellent organization of both events. The meeting thanked to the management team, all the speakers for their very informative and excellent presentations during the Forum, and the BDT and TSB staff for the work done. As stated in the report of the SG3RG-AO meeting, it was requested to BDT to continue organizing the Regional Economic and Financial Forum for the Asia and Pacific Region (REFF-ASP). India expressed their interest in hosting both events from 19 to 21 September 2016.
