



Implementation of the New Regulatory Framework in Lithuania

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Topics

- Communications Regulatory Authority - RRT
- Implementation of EU regulatory framework
- Process of liberalization
- Future priorities & challenges
- Future issues in EU
- Conclusions



Status of RRT

- Established on 1 May 2004
- Independent state institution, accountable to the Government and the Parliament headed by the Director and Council (formed of 6 representatives of state and academic (scientific) institutions and chaired by the Director)
- Director and the Council are appointed for 5 years by the President of the Republic on the recommendation of the Prime Minister



Objectives of RRT

- Effective competition in electronic communications markets
- Effective and efficient usage of resources, necessary for electronic communications (including radio frequencies and telephone numbers)
- Protection of consumers of electronic communications and postal services



Main tasks of RRT

- Electronic communications sector regulation
 - Market analysis (SMP regulation)
 - General authorizations
 - Consumer protection
 - Management of telephone numbers and other identifiers
 - Dispute resolution
- Management of radio spectrum
- Market surveillance (R&TTE, EMC)
- Postal sector regulation



Cooperation with 'old' Member States

- Formal and informal consultations and information exchange with the European Commission and NRAs of other EU Member States
 - European Regulators Group
 - Article 7 of the Framework Directive
 - Exchange of information on radio and telecommunications terminal equipment
 - Radio Spectrum Policy Group
 - Comitology committees (CoCom, RSC, TCAM)



Implementation of EU framework

- Before 1998:
 - Factual state monopoly (no real separation of regulation and service provision)



Implementation of EU framework

- From 1998 to 2003:
 - AB “Lietuvos telekomas” largely privatized
 - Legally protected monopoly in public fixed telephony
 - Rigid licensing rules:
 - Exhaustive lists of possible activities:
 - Licensed
 - Unlicensed – permission needed
 - Uncertain status of new services:
 - VoIP
 - Service provision on networks of other operators / MVNOs
 - Lack of innovative business models



Implementation of EU framework

- 1 May 2001:
 - Creation of independent Communications Regulatory Authority (RRT)



Implementation of EU framework

- As from 1 January 2003:
 - Fully liberalised Lithuanian telecommunications market
 - AB “Lietuvos telekomas” exclusive rights in the public fixed telephony market expired
 - New revision of the Law on Telecommunications
 - Transposed 1998 EU regulatory package for telecommunications



Implementation of EU framework

- As from 1 January 2003:
 - Forward-looking regulation, implementing parts of 2002 EU regulatory framework
 - Authorization system, principles etc.
 - Principles of technological neutrality, functional equivalency, minimum necessary regulation



Implementation of EU framework

- As from 1 January 2003:
 - Significant market power (SMP) definition in line with the 1998 EU regulatory framework
 - 25 per cent market share + subsidiary criteria
 - Set of obligations for SMP undertakings
 - Similar to those included in the 2002 EU regulatory framework
 - Including widely defined access obligation



Implementation of EU framework

- As from 1 January 2003:
 - AB “Lietuvos telekomas” group – SMP undertaking:
 - Fixed telephony, interconnection and leased lines markets
 - Comprehensive set of obligations
 - Nondiscrimination, accounting separation, transparency, cost orientation of retail and wholesale tariffs, obligation to interconnect and provide access etc.
 - Continued after implementation of the New EU regulatory package (01/05/2004)



Implementation of EU framework

- As from 1 January 2003:
 - General-authorization-only system
 - No individual licenses necessary for market entry
 - Clear list of activities that should be notified to RRT
 - Public fixed telephony, public mobile telephony, leased lines should be notified and reporting requirements are imposed
 - Reporting requirements for Internet access services
 - Other activities can be pursued without any permission or notification



Implementation of EU framework

- As from 1 January 2003:
 - General-authorization-only system
 - Low cost-oriented administrative charges related to general authorizations
 - No restrictions for foreign companies
 - No establishment requirement
 - » At least from 1 January 2004 when the Law on Enterprises was abolished



Implementation of EU framework

- As from 1 January 2003:
 - General-authorization-only system – results:
 - Spreading of new innovative business models:
 - CableTV + Internet
 - VoIP
 - Service providers / MVNOs
 - Emergence of triple-play (telephony + Internet + TV) services



Implementation of EU framework

- As from 1 January 2003:
 - Flexible and transparent system of assignment of radio frequencies and telephone numbers
 - Tenders, auctions (in case demand is greater than spare resources)
 - Possibility to authorise usage on the basis on general authorisation
 - Actual deregulation of certain bands – RLAN etc.



Implementation of EU framework

- As from 1 January 2003:
 - Unbundled local loop
 - Carrier selection (fixed telephony)



Implementation of EU framework

- As from 1 January 2004
 - Carrier pre-selection
 - Number portability, including mobile-to-mobile number portability
 - 15000 numbers ported up till 30/08/2004
- As from 1 May 2004
 - Law on Electronic Communications
 - Full transposition of 2002 EU regulatory framework on electronic communications



Implementation of EU framework

- As from 1 May 2004
 - Definition of ‘telecommunications’ is replaced by ‘electronic communications’
 - Regulatory system adapted to environment of technological convergence
 - in particular, convergence of broadcasting and telecommunications (Digital TV etc.)
 - More comprehensive regulation of rights of way



Implementation of EU framework

- As from 1 May 2004
 - Possibility to introduce the secondary trading of radio frequencies
 - Formal requirements for CRA to execute extensive public consultations
 - Practically executed from the establishment of CRA
 - Express obligation for NRA to ensure fulfilment of international obligations
 - WTO GATS, Basic Agreement on Telecommunications



Implementation of EU framework

- As from 1 May 2004
 - Reform of market analysis
 - New significant market power doctrine as well as market definition and market analysis
 - based on competition law principles
 - flexible imposition of ex-ante obligations for the sake to:
 - » Promote effective competition
 - » Prevent abuse of market position



Process of liberalization

- Until 1998 – state monopoly
- 1998 – 01/01/2003 – private monopoly (could have been mere separation of regulatory and economic activities) - emphasis on retail regulation
 - Tariffs
 - Contracts for Service Provision



Process of liberalization

- 01/01/2003 – 01/05/2004 – liberalisation - gradual shifting of regulation from retail to wholesale
 - Diminishing the barriers to change service provider (carrier (pre-)selection, number portability)
 - Start of wholesale access regulation
 - More lenient retail regulation
 - Necessity to reduce barriers to market entry
 - Abolishment of licences
 - No exhaustive list of possible activities



Process of liberalization

- From 01/05/2004 – evolved liberalisation - retail regulation is the last remedy (as in the EU framework)
 - Emphasis on wholesale regulation

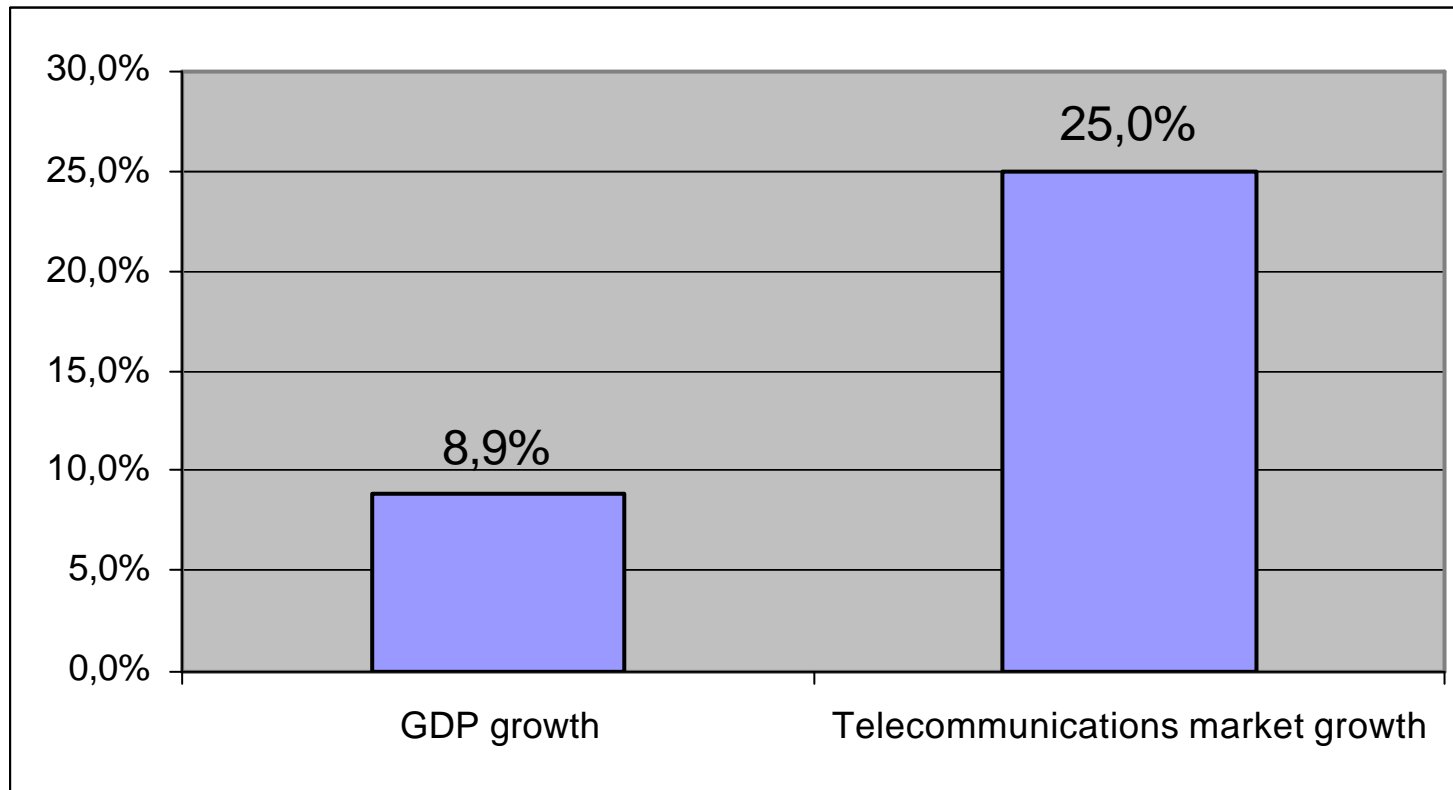


Remarks

- ‘Old’ EU Member States had 5.5 years from 01/01/1998 to 25/07/2003 for implementation of 1998 EU regulatory framework and transition from monopoly to flexible regulation embodied in the new EU framework
- Lithuania had only 1.5 years for this goal (01/01/2003 – 01/05/2004)

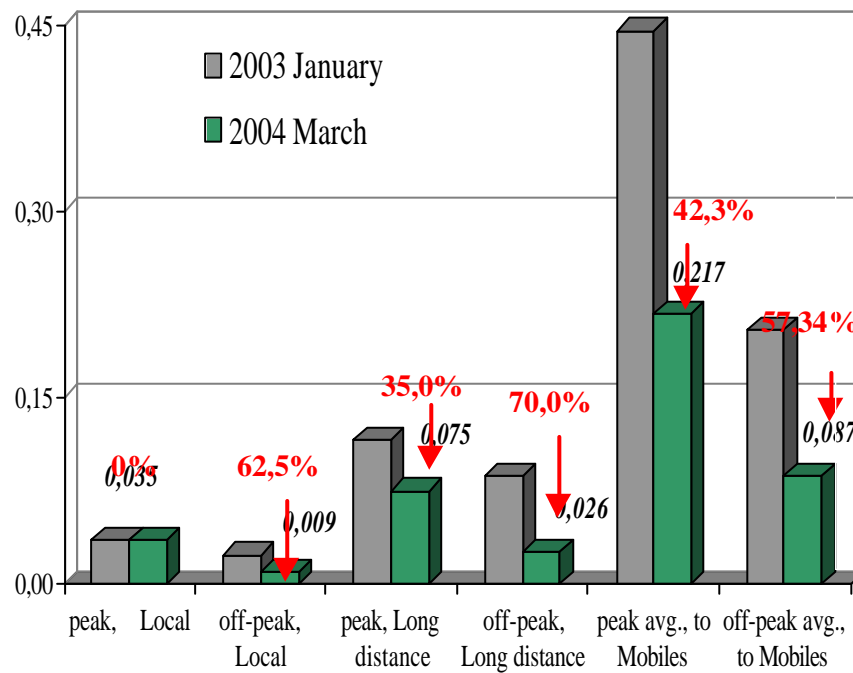


Telecommunications market growth (2003)

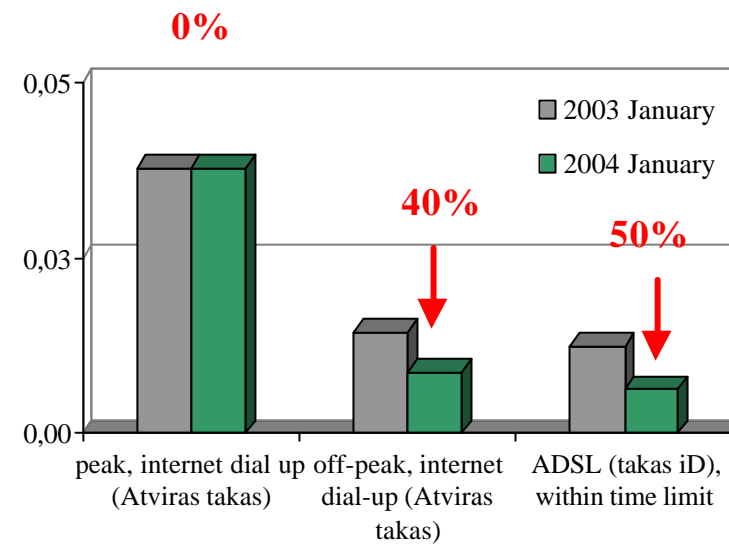




Retail prices of AB Lietuvos telekomas (1)



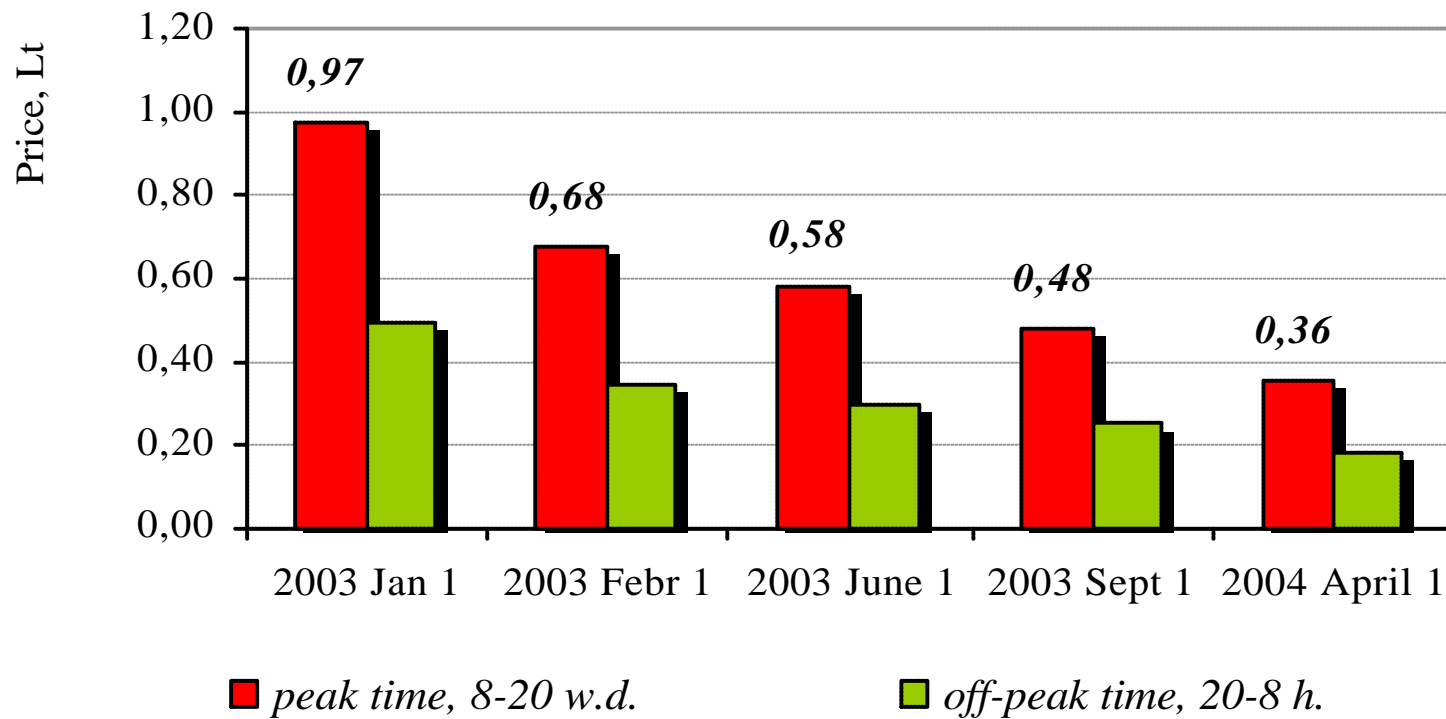
Per minute call prices, EUR



Per minute internet dial-up prices, EUR



Fixed – to – mobile interconnection charges (average)





Future priorities

- Where possible – the final goal is infrastructure competition
 - Promotion of service competition with a view of gradual shifting to infrastructure competition where possible
 - When infrastructure competition is established in relevant areas there is no need of sector specific ex-ante regulation of competition
 - Promotion of alternative infrastructures



Future priorities

- Market analysis
 - Consistency with harmonised policies and practices of EU and Member States
 - Following the trend established by the Commissions Guidelines on Market Analysis, Recommendation on Relevant Markets and ERG Position on Remedies
 - Extensive consultations with the Commission and other Member States, including procedures according to Art. 7 of Framework Directive



Future priorities

- Market analysis:
 - Wholesale fixed markets
 - Implementation of FL-LRIC for call termination in incumbent's fixed network
 - Call-termination in individual mobile markets
 - Call-termination tariffs are still 3-5 times higher than on-net retail tariffs
 - Necessity to balance retail tariffs and call-termination rates
 - Proportional approach advocated by the ERG Position on Remedies
 - International Roaming
 - Common approach by all Member States is necessary



Future challenges

- Understanding necessary regulatory response to changing market environment
 - Growing importance of mobile market
- Maintaining achieved level of competition while introducing new services in the market
 - Technologically neutral approach where it is possible
 - Neither promote nor discriminate technologies offering comparable services
 - While granting new resources priority should be given to those market players that do not have comparable resources



Future challenges

- Maintaining achieved level of competition while introducing new services in the market
 - Incentives to develop a number of independent networks even in investment-sensitive cases
 - Cautious approach to sharing of resources and networks, especially:
 - National roaming
 - Sharing of infrastructure in commercially attractive areas
 - Sharing of radio spectrum



Future challenges

- Internet regulation
 - Domain names
 - Place of governmental regulation in the largely self-regulated sector



Future challenges

- IT security issues:
 - Availability increases vulnerability:
 - Spam
 - Viruses
 - Incidents on networks
 - Critical infrastructure
 - Security of transactions
 - Etc.
 - Wider cooperation – ENISA (European Network and Information Security Agency)



Future issues in EU

- (De-)regulation of radio spectrum
 - More extensive harmonization
 - Use of successful examples – GSM, UMTS (?), RLAN (WiFi)
 - Secondary trading
 - Remove obstacles for future promising technologies – CDMA450, WiMAX etc.
- Common approach to alternative infrastructures
 - Power line communications (PLC)



Future issues in EU

- Data retention by operators
 - Constitutional debate in Lithuania
 - Highly debated on EU level
 - Necessity to balance economic, privacy and public security (including counter-terrorism) interests



Future issues in EU

- Use of experience gained in telecommunications sector for liberalization of other sectors
 - Post
 - Energy
 - Railways
 - Etc.



Conclusions

- Lithuania experienced very rapid liberalization of telecommunications market
- Deregulation of market entry together with appropriate sector specific regulation establishes a solid basis for market growth and consumer satisfaction without the need of stringent retail regulation
 - Topic further expanded in the next presentation
- Implementation of EU regulatory framework fosters positive national developments



THANK YOU FOR YOUR ATTENTION

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