



GENERAL REGULATORY OVERVIEW

Training on Competition Policy and Interconnection in Telecommunications Market of Mongolia

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Reports: ITU Trends in Telecom Reform



2002 Effective Regulation



2000/2001 Interconnection Regulation



1999 Convergence and Regulation



1998 General Trends

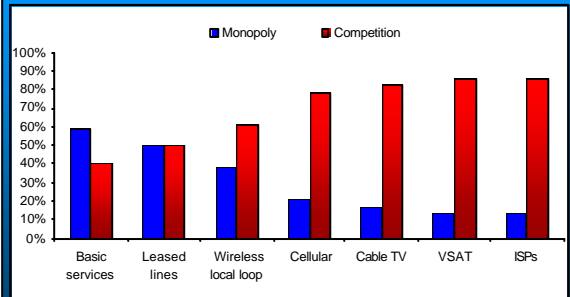


State of the Global Market and Impact of Market Trends on Regulation

- Review of Major Market Trends
- Snapshot of Today's ICT Sector
- How Changing Levels of Competition and Technology Could Change the Way We Regulate



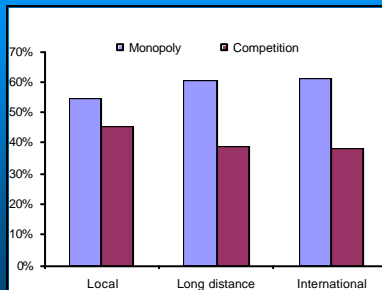
Level of competition selected services, 2002



Source: ITU World Telecommunication Regulatory Database, 2002.



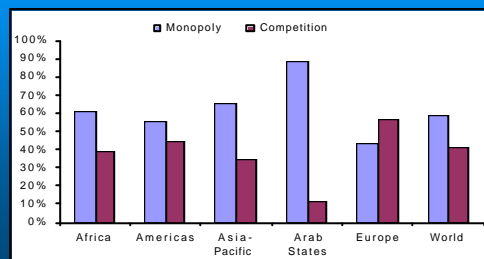
Level of competition basic services, world, 2002



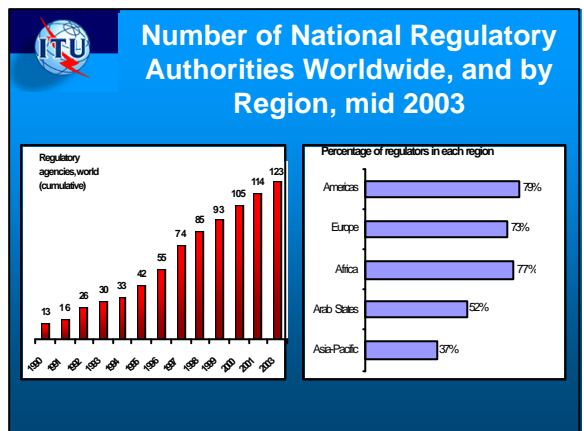
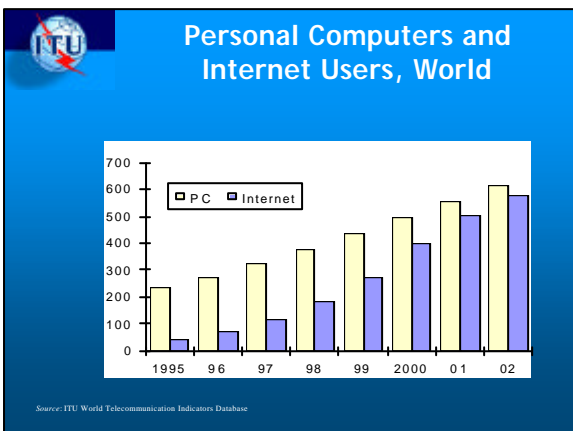
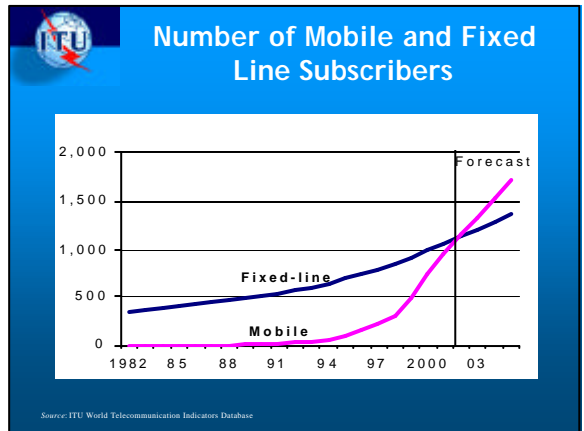
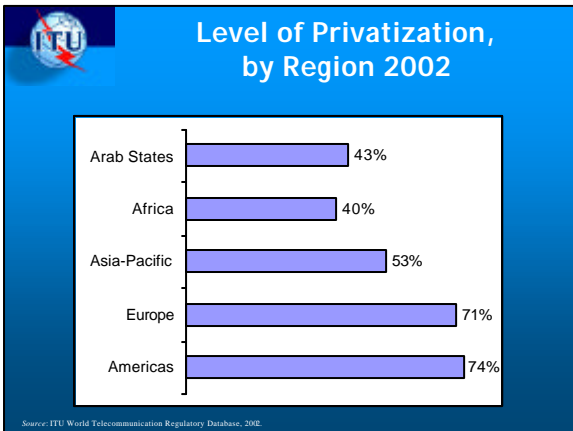
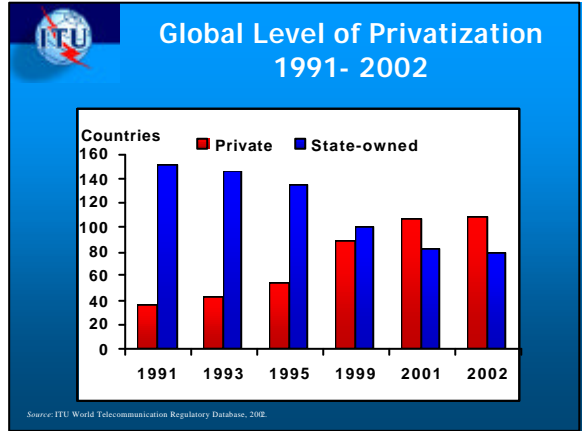
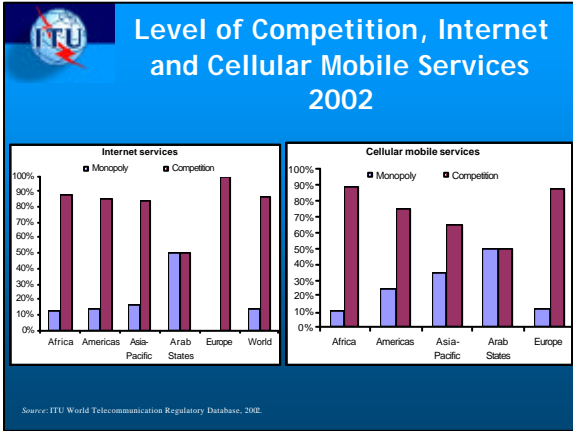
Source: ITU World Telecommunication Regulatory Database, 2002.



Level of competition basic services, by region, 2002



Source: ITU World Telecommunication Regulatory Database, 2002.





Wi-Fi, Taking The Sector By Storm

- o Wi-Fi (IEEE 802.11b) and other technical standards create Wireless Local Area Network -WLANs
- o WLANs enable consumers to enjoy wireless broadband access
- o Wi-Fi promises to improve access for rural users



Why Has Wi-Fi Captured The Imagination of So Many Users?

- o Multiple Users share the same broadband connection—all without cables or wires
- o Equipment and Spectrum are Cheap
- o Very few regulations apply to its use



Is Wi-Fi the New Killer Application?

- o Wi-Fi takeup is being compared to Internet consumer explosion of the 1990s
- o Is it like the dot.com bubble?
- o Is it the killer application that could fuel the ICT sector recovery?
- o Wi-Fi holds promise for developing countries seeking answers to rural communications



Wi-Fi and 3G: A Lesson For All Regulators

- o Complementary or Competing Services?
- o One Lesson From 3G: avoid high license fees, especially for new technologies with no proven business case



Wi-Fi, A Revolution for Rural Access?

- o New technologies re-writing the equations of self-sustainability
- o Wi-Fi and other wireless access technologies are viable on only a few dollars a day
- o Require low regulatory barriers to entry, liberal VoIP and fair interconnection policies.



Sector Snapshot

- o Increasingly, networks are privately owned and digital
- o There are more mobile than fixed line subscribers
- o New technologies like Wi-Fi, offer affordable, broadband access



Does the Increase in Mobile Subscribers = Need to Change Regulatory Practices?

- o Is Mobile a Substitute for Fixed?
- o Should burdens traditionally placed on fixed line networks be eased?
- o Is mobile pre-paid meeting demands formerly achieved through universal service obligations?



Is it necessary for CRC to regulate end user tariffs?



Networks Are Now Private and Digital

Assignment: Read Heather Hudson Paper

- o Bits are Bits!
- o Why Regulate Voice Bits Any Differently than Data Bits?
- o Why Maintain fixed-line monopolies?
- o Can Technologically Neutral Licensing be Adopted Instead?



ICTs For Development—Or ICTs for Government Revenue?

- o This fundamental tension lies at the heart of how nations treat their ICT sector.
- o What effect do high license fees have on the promotion of ICT development?
- o What about interconnection rates?
- o Does free market entry by any potential ICT operator promote ICT for development?



Low Regulatory Barriers = Low Costs

- o Will Low License and Spectrum Fees Encourage investment?
- o Do Low License Fees = Lower End User Rates?
- o Will Low regulatory Barriers Translate Into Increased Development?



Is Sector Reform For Development Working In Mongolia? YES!

- o Partial Privatization
- o More Privatization Planned?
- o Competition Developing
 - Two Fixed Line Operators
 - Two Mobile Operators
 - Internet Exchange
 - Several ISPs
- o Teledensity achieved 15/100



LUNCH BREAK



WHY REGULATE?

- o Do All the Latest Market Trends and Regarding ICTs for Development Mean that Regulators Are No Longer Needed?
- o **NO!**



Why Are Regulators Necessary?

- o Identify Three Reasons Why Regulators Are still Necessary
- o Identify Why Regulators Are Necessary In Mongolia



What Does Mongolian Policy Say About the Need for a Regulator?

- o Does Mongolia have a policy about reasons for creating CRC?
- o Where is this policy articulated?
- o What does it say?
- o Identify goals of creating CRC
- o Are the goals related to ICTs for Development?



Regulatory Approaches

- o Rely Solely on Competition Law
- o Sector-Specific Regulation
- o Asymmetric Regulation, using both competition law and sector-specific regulation
- o Industry Self Regulation
- o Consumer Outreach and Protection



Ex ante or Ex post regulation?

- o Ex Ante- setting in advance clear, and perhaps detailed, *sector specific* rules for all market players to follow
- o Ex Post—gives market players substantial freedom and flexibility to act in the market, and applies corrective action *after* the fact



Asymmetric Regulation

Assignment: Read EC Directive (2002/21/EC) on a Common Regulatory Framework

http://europa.eu.int/information_society/topics/telecoms/regulatory/new_rf/index_en.htm#rog



Singapore Code of Practice for Competition in the Provision of Telecommunications Services

Section 1.5.3 Proportionate Regulation

To the extent that a given market is not yet competitive, significant *ex ante* regulatory intervention is likely to remain necessary.

When this is the case, IDA will seek to impose regulatory requirements that are carefully crafted to achieve IDA's stated goals. Such requirements will be no broader than necessary to achieve IDA's stated goals.

<http://www.ida.gov.sg/Website/IDAhome.nsf/Home?OpenForm>



Technological Neutrality Defined by Singapore

Section 1.5.4 Technological Neutrality

IDA's regulatory requirements will reflect the phenomenon of convergence, which is eroding historic differences among platforms such as wireline, cable, wireless, and satellite. Regulatory requirements will be based on sound economic principles and, to the extent feasible, will be technology-neutral.



Singapore's Practical Approach to Asymmetric Regulation and Convergence

Because the phenomenon of convergence is in its early stages, with different platforms subject to differing degrees of competition, the objective application of these principles may result initially in the imposition of different regulatory obligations on Licensees that use different platforms.



Singapore's Mandatory Review

- o Code builds in triennial review mechanism
- o Includes public comment
- o Enables IDA to modify or eliminate provision of the Code no longer deemed necessary



Asymmetric Regulation In Mongolia

- o Does Mongolia ever apply less regulatory scrutiny for new market entrants or other small operators that lack market power?
- o Could it?
- o Would authorizing dominant operators to apply for relief from asymmetric regulation work in Mongolia?



Sunset Regulation

- o Both EC and Singapore provisions envision the easing or elimination of certain regulatory conditions when competition takes hold.
- o Does CRC have such sunset provisions?
- o Could it?
- o Does CRC use mandatory reviews of its regulations?



Industry Self Regulation

- o Assignment: Read Feedback to Regulators from Consumers Case Study Box 10: How much detail in a Code or is it enough to have just a Guideline? http://www.itu.int/ITU-D/trop/Events/Seminars/2002/GSR/Documents/13-consumers_casestudy.pdf



How Does Industry Self Regulation Work in Australia?

- o Industry agrees to a code of conduct that will govern its behavior
- o Industry players given freedom to develop its own code
- o Applies principles of both ex post and ex ante regulation
- o Enforcement by regulatory authority to code agreed by industry



Protecting and Including Consumers

- o Consumers Feel Excluded from initial decision-making processes that led to sector reform
- o Consumers feel they have limited opportunity to influence the sector reform process



Consultation with Consumers is Key

- o Call centers
- o Creating mass awareness of consumer rights
- o Enforcing consumer rights
- o Nationwide offices
- o Dispute resolution systems



Providing Services Consumers Need: Australia's Mobile, Fixed Line and Internet Toolkit

- o <http://toolkit.aca.gov.au/index2.html>
- o Helps consumers navigate different offers of service providers
- o Provides information about operators
- o Answers frequently asked questions



Botswana Public Consultation

- o Village By Village Consultation With Tribal Chiefs Prior to Engaging in Sector Reform
- o Gave Regulator the political support it needed when it was time to make tough decisions
- o Assignment: Read Botswana Effective Regulation Case Study, Sections 3.2, 3.3 and 7.1
- o http://www.itu.int/ITU-D/treg/Case_Studies/Index.html



Consumer Reach Out In Peru

- o Read Box 27 Feedback To Regulators From Consumer's Case Study
- o http://www.itu.int/ITU-D/treg/Events/Seminars/2002/GSR/Documents/13-consumers_casesstudy.pdf
- o Websites, branch offices, call-center service, temporary kiosks and mobile vehicle that goes to areas with pedestrian traffic



How to Regulate?

- o Styles of Regulating
 - Hands Off?
 - Proactive intervention
 - Micromanagement?
 - Light handed Approach?
- o Team Based Approach
- o Principles of Regulation



Styles of Regulation

- o **Assignment:** Read Chapter 2, Trends in Telecommunication Reform 2002, page21, para 4.
- o Approaches:
 - Micro-management
 - Proactive intervention to prevent market abuses, promote consumer agenda and meet national ICT goals
 - Light handed approach



Organizational Structure: The Case for the Team-Based Approach

Assignment: ITU Effective Regulation Case Study: Morocco, Section 5.2.3, Singapore, Section 7.1 and 8.4.1

- o Organizational Chart is one thing
- o Actual working methods can be another!
- o Morocco and Singapore use team based approach with much success



Regulatory Principles

- o Regulators don't pick technologies or successful operators
- o Transparency
- o Fairness
- o Consultation



Transparency and Fairness

Transparency is a means of ensuring fairness in the regulatory process. The principle of transparency translates into the practice of making regulatory decisions in an open, objective manner that allows regulators to explain the reasoning behind their decisions and to be held accountable for their actions.

ITU Effective Regulation Case Study Singapore 2001; Section 10 http://www.itu.int/ITU-D/reg/Case_Studies/index.htm



Practical Approaches to Transparency

Assignment: Read Chapter 6, Trends 2002

- o Public Notice
- o Websites
- o Public Meetings
- o Consumer Outreach
- o Consultation Measures



Consultation Measures

- o Many regulators have established Advisory Committees
- o Membership includes stakeholders:
 - Private sector, investors, consumers
 - Relevant Technical experts
- o Advisory committees can develop recommendations enforced by regulator



Other Guiding Principles for Regulatory Authorities

Assignment: Read Trends 2002 Ch.2, Section 2.42

- o Accountability
- o Objectivity
- o Efficiency and Professionalism
- o Serving the Public Good
- o Achieving effectiveness, independence and legitimacy



ITU Channels for Regulatory Exchange

- o ITU Regulatory Survey
- o TREG Database and website
- o G-REX hotline for regulators
- o Virtual conferences
- o Text conferences
- o Self led training



International Telecommunication Union

[http:// www.itu.int/ITU-D/reg/](http://www.itu.int/ITU-D/reg/)





The Global Regulators' Exchange G-REX



Online forum for
Regulators and Policy makers

 to exchange information and experiences
through Conferences and the Regulators'
Hotline



G-REX Interconnection Dispute Settlement Case Studies

- o Mini case studies in Botswana, Canada, Denmark, India and Jordan
- o Mini case studies to be posted on G-REX
- o Moderated Discussion
- o Other Regulators Encouraged to Join
- o Goal: Identify Best Practices



Global Symposium for Regulators Geneva, Switzerland, 8-9 December 2003

Practical tools regulators can use to increase
universal access to ICTs

- Day One: Private Sector Sessions
- Day Two: Regulator Sessions

<http://www.itu.int/ITU-D/reg/Evsnts/Seminars/2003/GSR/index.html>



Recommendations For Mongolia

- o Remind Yourself and the Stakeholders Why You Regulate
- o Evaluate whether any measure you plan to take will treat ICTs as a tool for development
- o Question whether any given regulatory measure is necessary
- o Consider technologically neutral approaches, sunset and review mechanisms
- o Expand transparency measures and Consumer Outreach
- o Aim for Legitimacy and Flexibility



International Telecommunication Union

THANK YOU FOR YOUR ATTENTION

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