

# FEEDBACK FROM A REGULATOR TO AN INVESTMENT ANALYST

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## Points at issue

- Roll back of retail regulation as competition evolves:
  - Do consumers have alternative choice?
  - Are wholesale conditions suitable for competitors?
- Impact of national UMTS auctions in Europe on global "Telecom Meltdown":
  - Cause or effect of "meltdown"?
  - Viability of ex-post compensation or licence changes?



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## Roll back of retail regulation as competition evolves?

- Yes: milder or no price retail cap, but only if/where market is disciplined by
  - alternative choice for end-users (mobile; C(P)S)
  - transparency for consumers
- Alternative competitive choice is viable only given regulatory control of
  - absence of price squeeze: wholesale prices to be set sufficient below (de-)regulated retail price of incumbent
  - transparent SLA of incumbent

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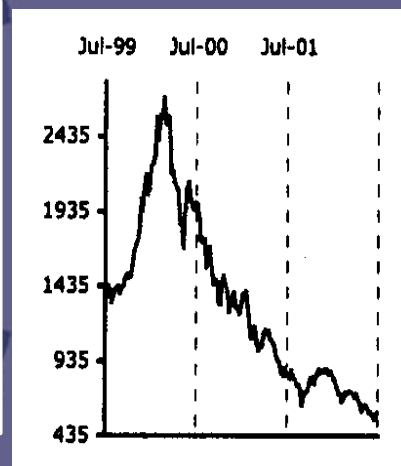
Note: incumbent's revenue loss = [retail-wholesale]



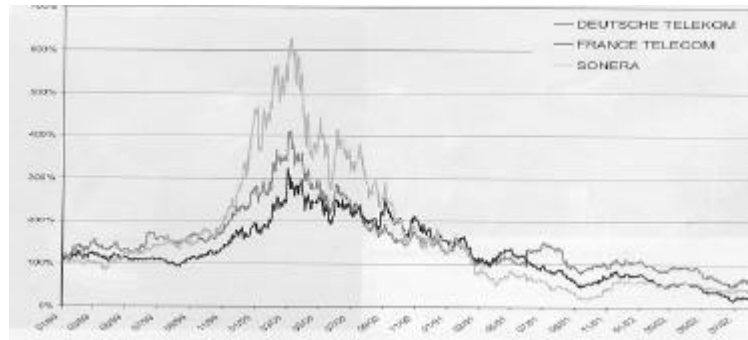
## Impact of national UMTS auctions in Europe on global "Telecom Meltdown"?

- Chicken-and-egg discussion?
- Evidence that "irrational exuberance" and start of "telecom meltdown" preceded (all) UMTS auctions
- Did auction theorists overstate "sunk cost" paradigm?

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## Market valuation of UMTS-operators preceded auctions!



## Regulatory measures following UMTS licensing

- No modification of licence conditions (IRG), but:
  - Non-competitive elements of infrastructure may be shared by competitors
  - Higher cost-of-capital (WACC) for bidders may be included in price-control measures (wholesale and retail) =>
    - affects cash flow positively
    - but might diminish competitive strength

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