



INTERNATIONAL TELECOMMUNICATION UNION

**ITU WORKSHOP ON
COMPETITION POLICY IN
TELECOMMUNICATIONS**

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WELCOME AND OPENING REMARKS

Prepared for Mr. Roberto Blois, ITU Deputy Secretary-General

Ladies and Gentlemen,

It is my pleasure to welcome you here to Geneva for this workshop on competition policy in telecommunications and to thank you for participating in this event.

This workshop is the tenth in a series of expert meetings and workshops carried out under the ITU's New Initiatives Programme, which has been running since 1999. Our most recent events have covered topics of critical network infrastructures, IP connectivity in least developed countries, multilingual domain names and the diffusion of the Internet. Support, in the form of voluntary contributions from our members, enable us to commission research and create a forum for our members to discuss these issues of high current policy interest. For this particular workshop, we are particularly grateful to the Ministry of Public Management, Home Affairs, Posts and Telecommunications of Japan

Despite the current financial difficulties facing the telecommunications industry, I think we can all agree that the liberalization of telecommunications markets is an established trend that is set to continue. Competition is increasingly being perceived as the best tool for achieving those public policy goals that were previously believed to be only attainable through monopolies. In many countries remarkable increases in basic and mobile service penetration, rapid growth in Internet usage and significant decreases in the price of long distance and international telephony have accompanied the introduction of competition.

Unfortunately, these benefits have not been universally reaped. In some markets, effective competition has followed market liberalization while in other cases the results have been more disappointing. Admittedly, the entry of competitors into a market depends to a large extent on commercial realities, such as market size, and the political and economic stability of a country. But there is also a growing recognition that the extent of competition is also influenced by the effectiveness of the policies and institutions governments have put into place to foster and protect competition in these markets.

Governments formulating competition policy for telecommunications markets face a tremendous task. Most telecommunications markets have developed within the context of a government regulated monopoly since the dawn of the industry. In the past, most countries regarded the provision of telecommunications services as a natural monopoly. Although this view has changed over the past two decades, the long history of monopoly has given incumbent operators advantages that continue far beyond market liberalization. These advantages can be exploited by incumbents in order to safeguard their privileged position in the marketplace.

However, it would be unfair to speak only of the dangers to competition posed by market incumbents. To an alarming degree, anti-competitive behaviour has also been observed in markets that we might otherwise have regarded as competitive, such as that for the termination of mobile calls, or for mobile roaming. For example, recent investigations into excessive fixed-to-mobile interconnection prices have illustrated that the very nature of telecommunications networks has served to endow substantial market power to even the newest entrant.

Let us also not ignore the risks posed to competition by market consolidation through mergers, acquisitions or other similar combinations. Consolidation is always a feature of periods of slow growth and retrenchment, such as the industry is currently going through. Consolidation may lead to the creation of economies of scale and scope, but it can also reduce competition and lead to higher prices for consumers.

To tackle these issues, governments have turned to a wide variety of policy tools that have usually included both sector-specific telecommunication regulation and competition law. In the vast majority of countries, telecommunications regulators have traditionally assumed the task of managing the telecommunications industry, overseeing closely, in the past, the operation of privatised monopoly operators. With the introduction of competition, the role of regulators gradually changed. Management of the industry was increasingly ceded to competitive forces while the promotion and protection of competition became key regulatory objectives. In a number of countries, competition authorities that were already tasked with preserving competition across other industries were also brought in to assist with this task, or were asked to carry out specific investigations.

In a significant way, the interaction of the two regimes, telecommunications regulation and competition law has proven to be the hallmark of present day competition policy in telecommunications. For example, while in the past telecommunications regulation only focused on a single monopoly provider of telecommunications services, it now has to focus on a far larger number of players in the market, not all of which require the same level of attention. In this regard, competition law, with its experience on overseeing multiple players over varying industries, has contributed a more efficient approach in its emphasis on only players who possess market power in quantities sufficient to dominate the market. As a result, in many countries today, regulators now apply asymmetric regulation, where only dominant operators are subject to the bulk of regulatory obligations.

When a competition policy authority starts an investigation into a particular industry, their first task is typically to define the market. In an industry such as telecommunications, which is characterised by rapid technological change and by convergence with other sectors, such as computing, broadcasting and the Internet, this process of market definition is particularly hard. For that reason, it is important that we create forums, such as this one, where sector experts and competition policy experts can come together.

The shape and form of competition policy today is characterised by an increasing case law of examples that I am sure will be highlighted throughout the workshop. Nevertheless, with different markets being exposed to different levels of competition, a “one-size-fits-all” approach to competition policy can hardly be the solution. Fortunately, the ITU, with its 189 Member States and over 650 Sector Members, is well placed to tap the wealth of experience that has been accumulated on this topic. Unfortunately, however, we only have just two and a half days to cover this complex topic, forcing us to concentrate on only a few of its aspects. So, then what can we expect to achieve from this workshop?

Firstly, I hope that this workshop will serve as vantage point from which we can view and examine the range of competition policy options available, allowing us to assess their relative merits and

limitations. In this regard, the ITU has commissioned country case studies of Denmark, India and the United States, which will be discussed this afternoon. We also look forward to learning about the experiences of the other countries present here in this workshop as to their own approaches to competition policy.

Secondly, this workshop is intended to serve as a forum, allowing for a free and frank exchange of information and views on the subject. Those participating in this workshop represent a wide range of interests that do not always agree, including telecommunication regulators, incumbent operators and new market entrants as well as representatives from competition authorities. I hope that there will be a spirit of listening and learning from each other's knowledge and experience.

Finally, we hope that this workshop will be able to provide some guidance as to how the ITU might be able to play a future role in the area of competition policy. For some time, ITU has been participating actively in facilitating telecommunication sector reform and market opening, through the work of our Development sector, the ITU-D. It is hoped that most of our work here will go into that process of helping policy-makers to decide on what competition policy approach to take in opening fledgling markets to competition. But beyond that, is there something more that the ITU can do, for instance in the area of promoting greater understanding of competition policy, in helping to define market segments, or in promoting competition policy co-operation among telecommunications policy-makers and regulators?

In conclusion, I hope that you will all benefit from the discussions here over the next few days. Please remember that the success of the workshop depends on your contributions and your willingness to share and participate in the discussions. Please feel free to express your opinions and, just as importantly, to ask questions.

In order to help guide our discussion, we will require an able and deft chairman. I would therefore like to nominate **Mr. Hank Intven** as Chairman. Mr Intven has been a friend of the ITU for a long time, having contributed immensely to our work in sector reform. I am delighted that he is able to join us today to further once again our work in the development of policy and regulation in telecommunications.

Mr. Hank Intven is a senior partner in the Canadian law firm of McCarthy Tetrault, focusing on the telecommunications industry. He previously served as Executive-Director of Telecommunications at the Canadian Radio-television and Telecommunications Commission (CRTC). For 22 years, Mr Intven has advised governments, regulators, companies and individuals, in Canada and in over 20 countries around the world.

Mr. Intven is the editor of the Telecommunications Regulation handbook, which has been published and widely distributed by the ITU and the World Bank. He was also the main advisor to the Canadian government in the preparation of Canada's Telecommunications Law, the 1993 Telecommunications Act.

I hope you will join me in welcoming Mr. Intven as Chairman of this workshop.