



Regulation: what changes are needed?

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A Thread Across the Ocean

- 1866: The Great Eastern lays the first operational transatlantic cable



Danemark Baviere Norvege Wurttemberg Belgique Portugal Secrétaire Suisse Bade Turquie Prusse Italie Grèce Secrétaire Espagne
 Pays Bas Baviere Hanover France Belgique France Suède Espagne Russie Autriche

- 1865: Founders of the International Telegraph Union

Communication technologies takes time to mature



You probably don't remember when people use to have multiple phones on their desk?

The Great Telecoms Crisis

- Industry's titans are toppling
- Everyday brings more bad news

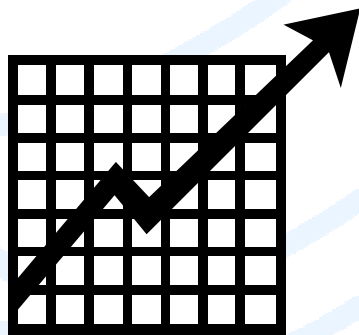


Alan Greenspan, Chairman
US Federal Reserve Board
Testifying before the Senate Banking Committee

- “An **infectious greed** seemed to grip much of our business community”

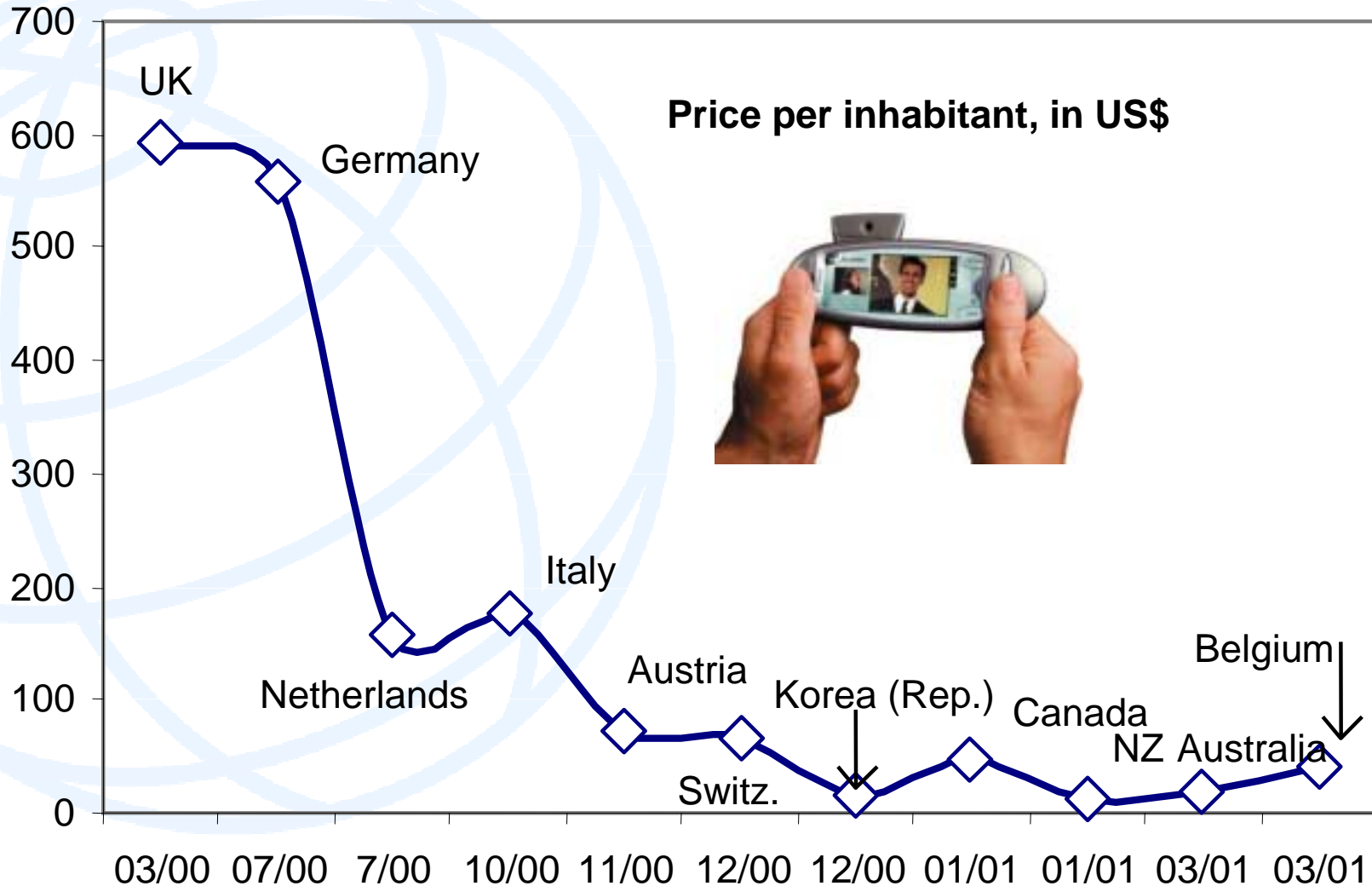
Build it and they will come

- Politicians are the same all over. They promise to build bridges even when there are no rivers.
 - Nikita Khrushchev (1894 - 1971)



- Major false assumption was super-exponential growth of data traffic

The 3G auctions Rollercoaster



Source: ITU, 3G licensing briefing paper.

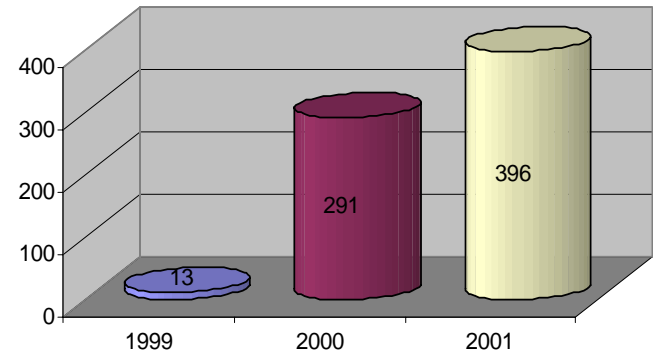
Today's Situation

- Massive overbuilding of capacity compared to need



- Cocktail of statistics, overbuilding and hype

Growth in Submarine Cable Capacity to South America (in Gbps)



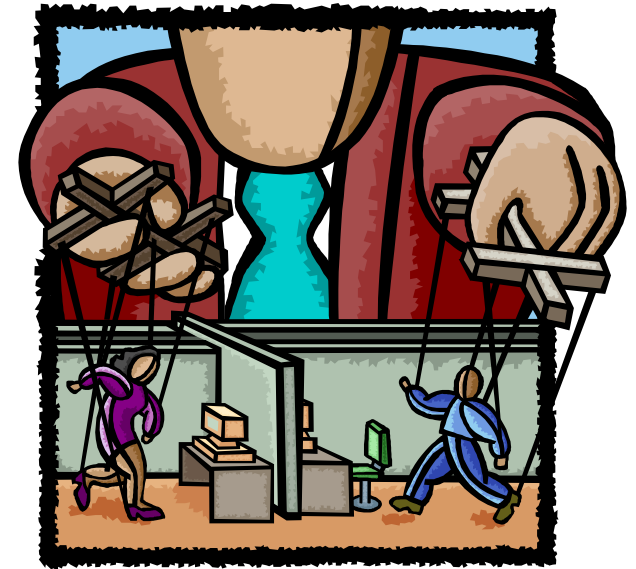


Largest US Bankruptcies 1980 - Present

Company	Bankruptcy Date	Total Assets Pre-Bankruptcy
Worldcom, Inc.	07/21/02	\$103,914,000,000
Enron Corp.	12/2/01	\$63,392,000,000
Texaco, Inc.	4/12/1987	\$35,892,000,000
Financial Corp. of America	9/9/1988	\$33,864,000,000
Global Crossing Ltd.	1/28/2002	\$25,511,000,000
Adelphia Communications	6/25/2002	\$24,409,662,000
Pacific Gas and Electric Co.	4/6/2001	\$21,470,000,000
MCorp	3/31/1989	\$20,228,000,000
Kmart Corp.	1/22/2002	\$17,007,000,000
NTL, Inc.	5/8/2002	\$16,834,200,000
First Executive Corp.	5/13/1991	\$15,193,000,000
Gibraltar Financial Corp.	2/8/1990	\$15,011,000,000
FINOVA Group, Inc., (The)	3/7/2001	\$14,050,000,000
HomeFed Corp.	10/22/1992	\$13,885,000,000
Southeast Banking Corporation	9/20/1991	\$13,390,000,000
Reliance Group Holdings, Inc.	6/12/2001	\$12,598,000,000
Imperial Corp. of America	2/28/1990	\$12,263,000,000
Federal-Mogul Corp.	10/1/2001	\$10,150,000,000
First City Bancorp.of Texas	10/31/1992	\$9,943,000,000
First Capital Holdings	5/30/1991	\$9,675,000,000
Baldwin-United	9/26/1983	\$9,383,000,000

Fault of deregulation?

- Some argue that deregulation has failed to live up to its promise
- Some argue era of natural telecom monopolies are re-emerging

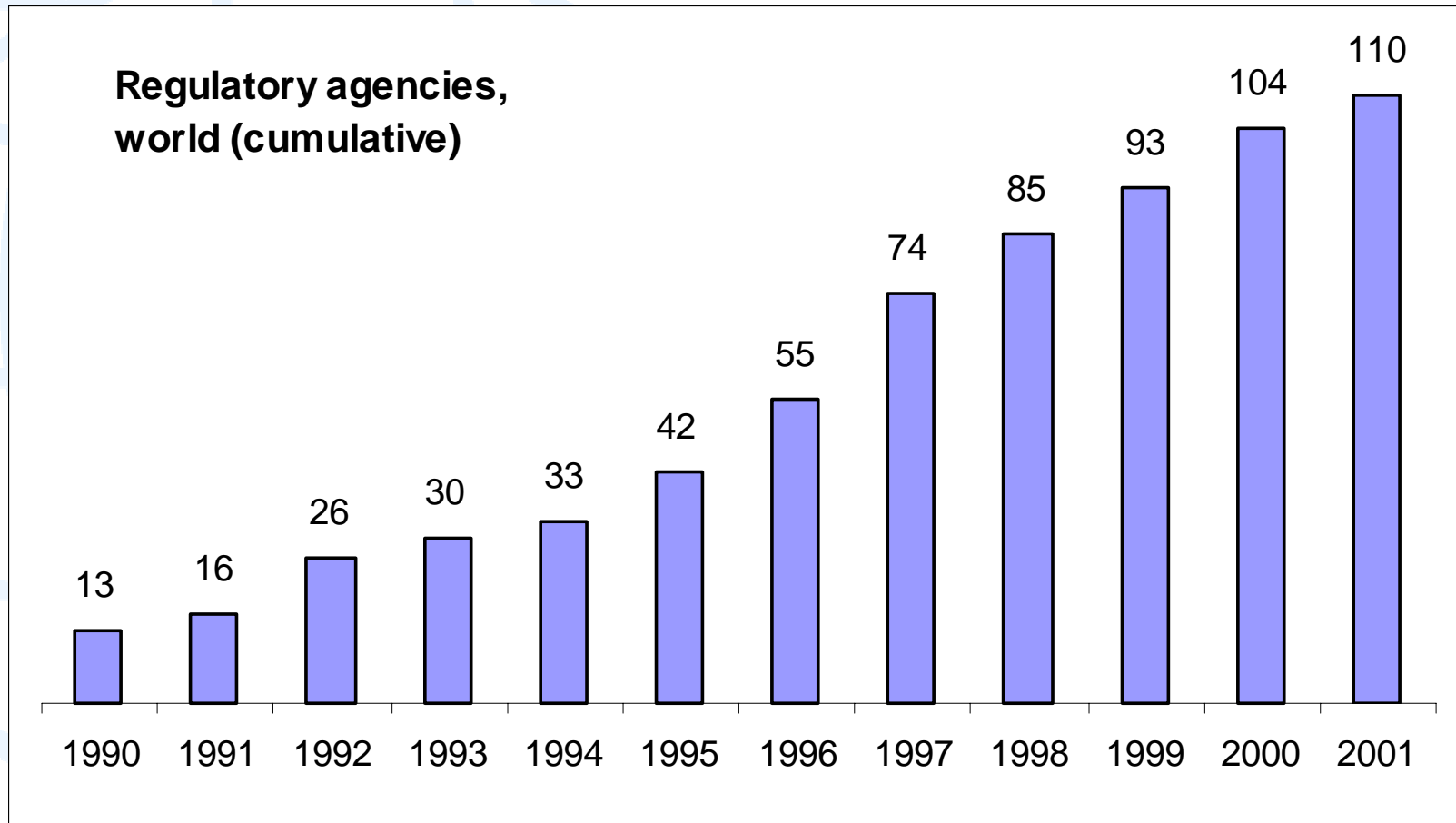


20-year reform retrospective

- 20 years ago, AT&T formally agreed to the break-up of the Bell System (8/1/82)
- 10 years ago, around 10 countries had some measure of fixed-line competition
- 5 years ago, in concluding the WTO basic telecoms agreement, some 70 countries committed to telecoms market liberalisation
- Now, countries with privatized operators and some degree of competition are in majority among ITU Member States

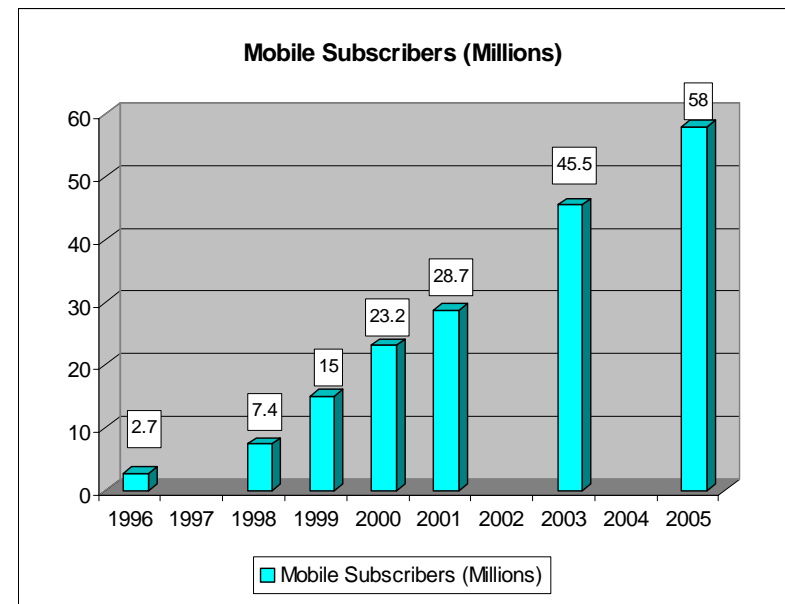
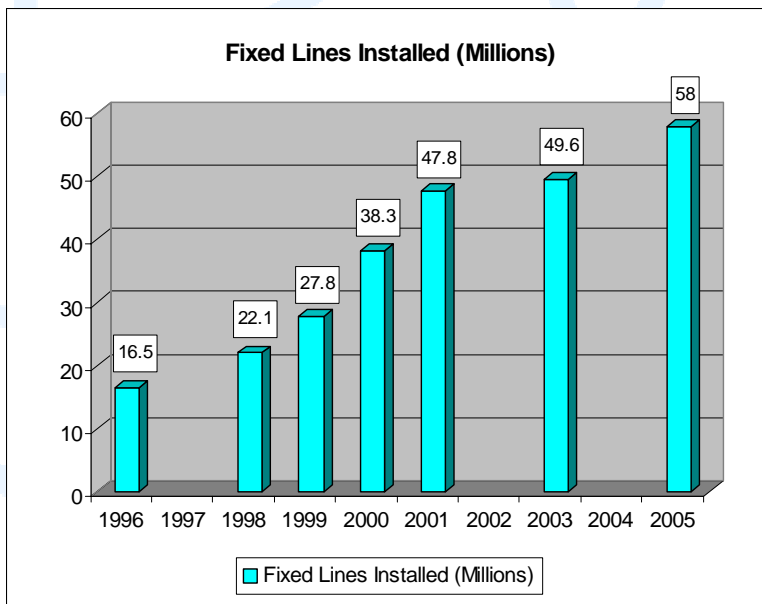


Creation of Independent Regulators



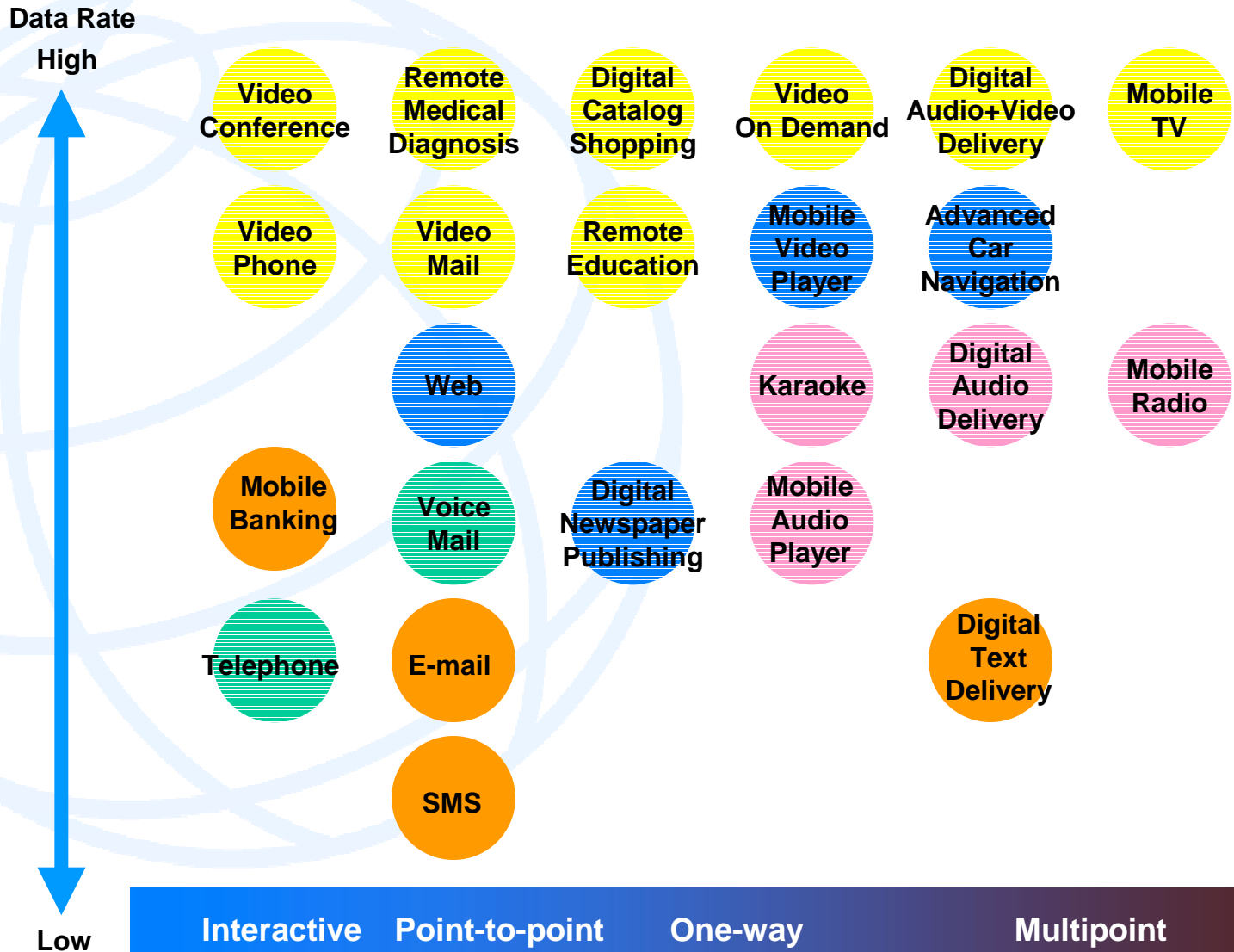
Role of Regulation

- Brazil telecommunication sector legislation and regulation widely regarded as very progressive





Fresh look at Regulation?



Fresh look at Regulation?



- Legislative foundations built around fixed line services & incumbents no longer relevant?
- Asymmetric regulation?
- Licensed/unlicensed spectrum?
- Mobile & Wi-Fi?

Fresh look at Regulation?

- National telecommunication infrastructures are platform for deployment of advanced national information communications networks
- Build out of networked economies and national information societies have raised public policy stakes



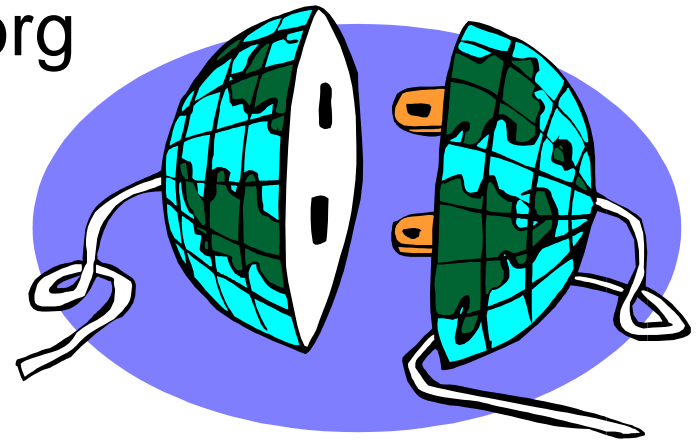
Regulatory Reform

- New European Regulatory Framework (March 2002)
- Removing technology-specific definitions in legislation
- FCC's Office of Plans and Policy has released comparative analysis at www.fcc.gov/opp/



Regulatory Reform

- Debates on appropriate framework for infrastructure industry regulation
- “World Dialogue on Regulation of Network Economies”
 - www.regulateonline.org



How are Infrastructure Industries Different?

- Without broad access, all other economic activity is difficult, costly or impossible
- Potential for market failure, public interest
- With recent telecoms crisis, have we come full circle?

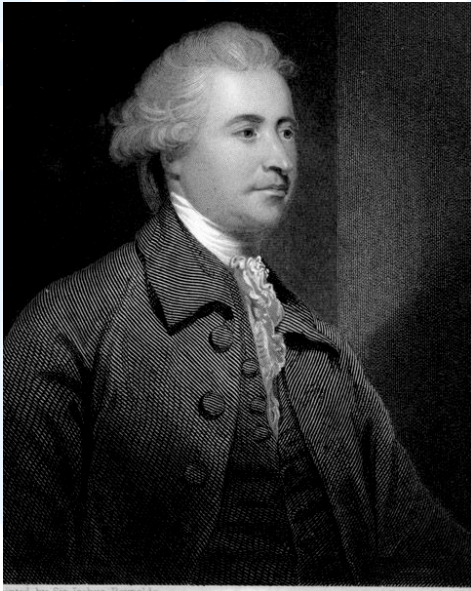


More debate is needed

- By policy makers, regulators and scholars
- One size will not fit all
- New regulators have distinct advantages
- Difficult to find common dialogue but current telecoms crisis is helping



Role of regulation



- “All government, indeed every human benefit and enjoyment, every virtue, and every prudent act, is founded on compromise and barter we give and take; we remit some rights, that we may enjoy others.”

– Edmund Burke, English Statesman, 1775