Competition trends in ICT worldwide

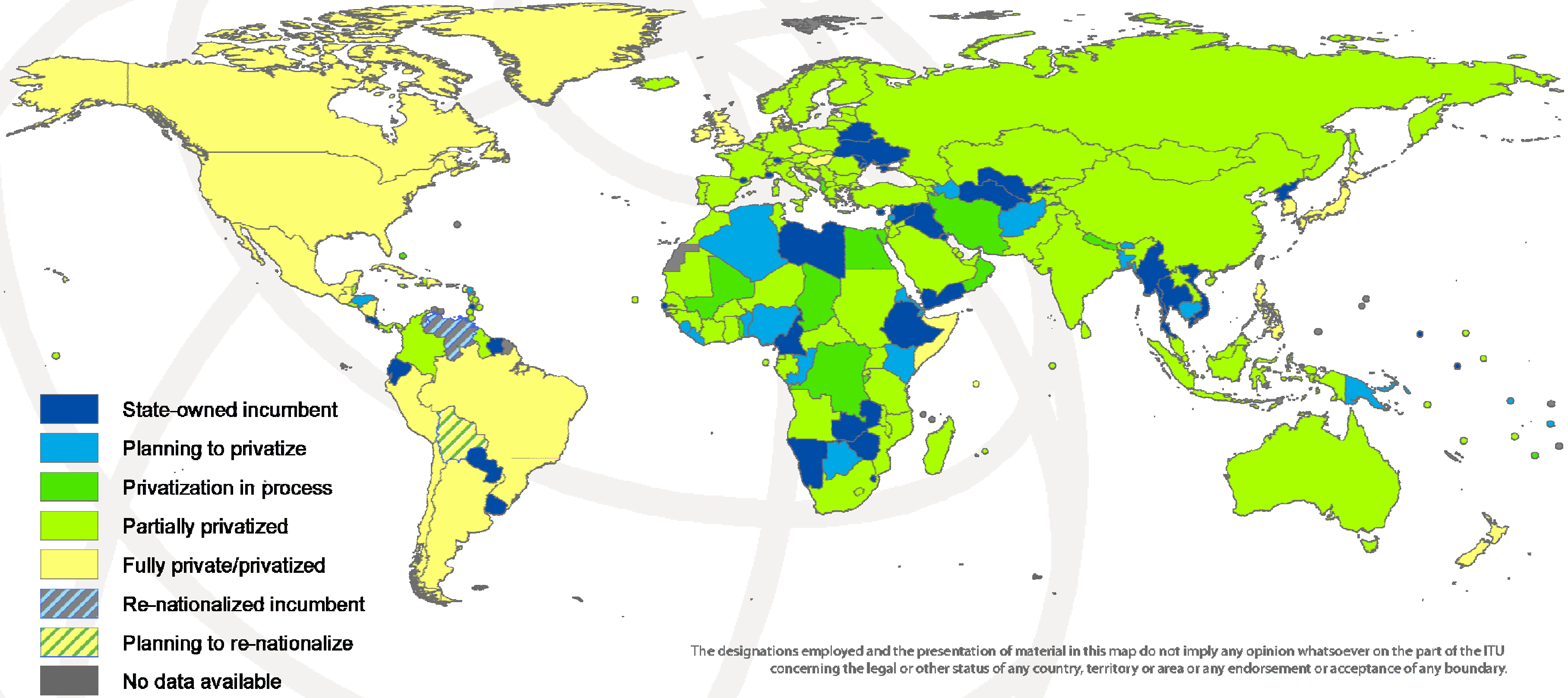
Caribbean Region Seminar: Issues in Telecommunication economics and financing

10-13 September 2007, Antigua and Barbuda

Regulatory & Market Environment Division
Telecommunication Development Bureau
International Telecommunication Union

Structure of the telecom sector, 2007

Privatizations around the world



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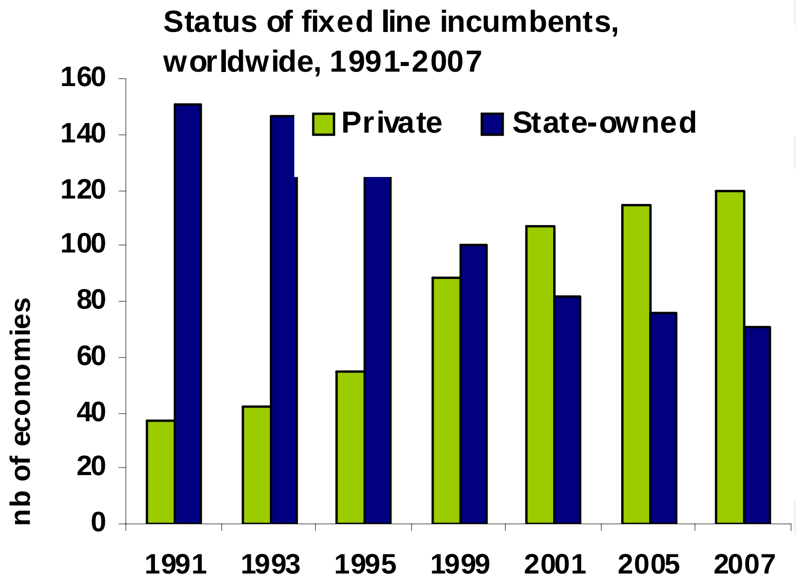
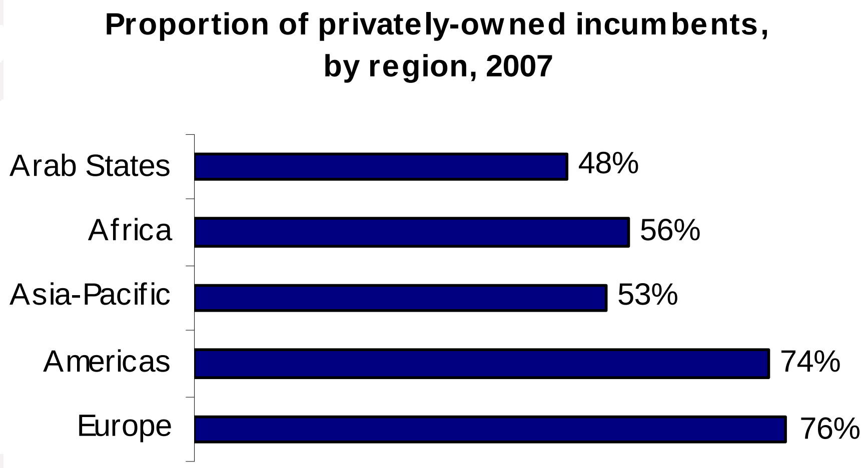
Source: ITU World Telecommunication Regulatory Database

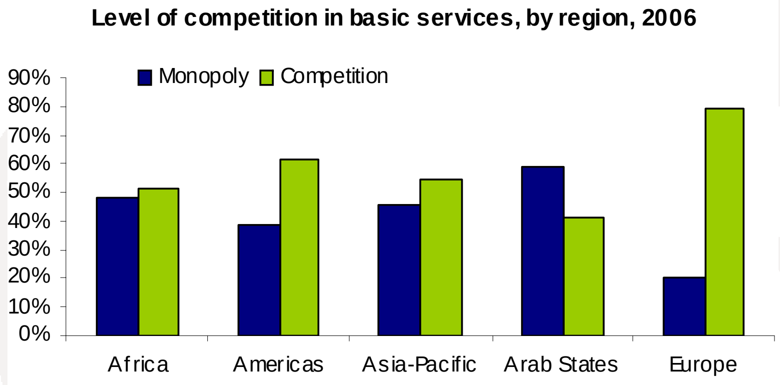
Private ownership worldwide, 2007

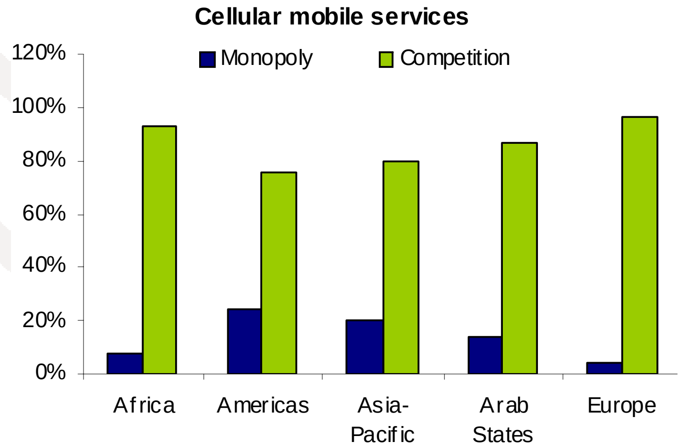


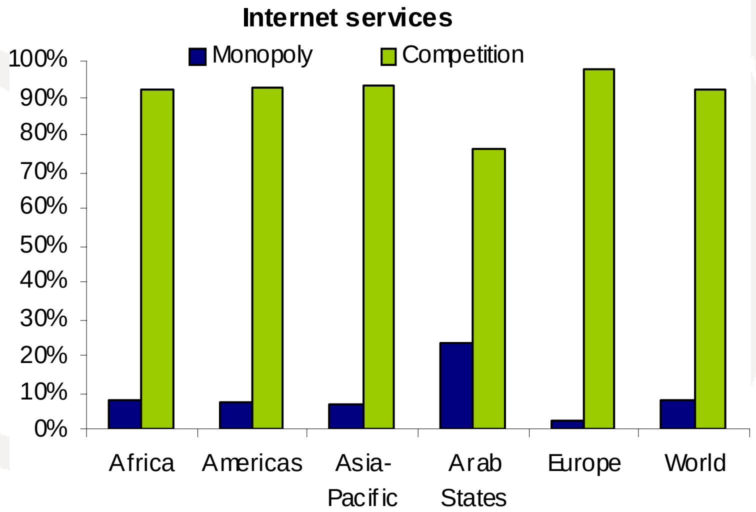


Source: ITU World Telecommunication Regulatory Database

Level of competition

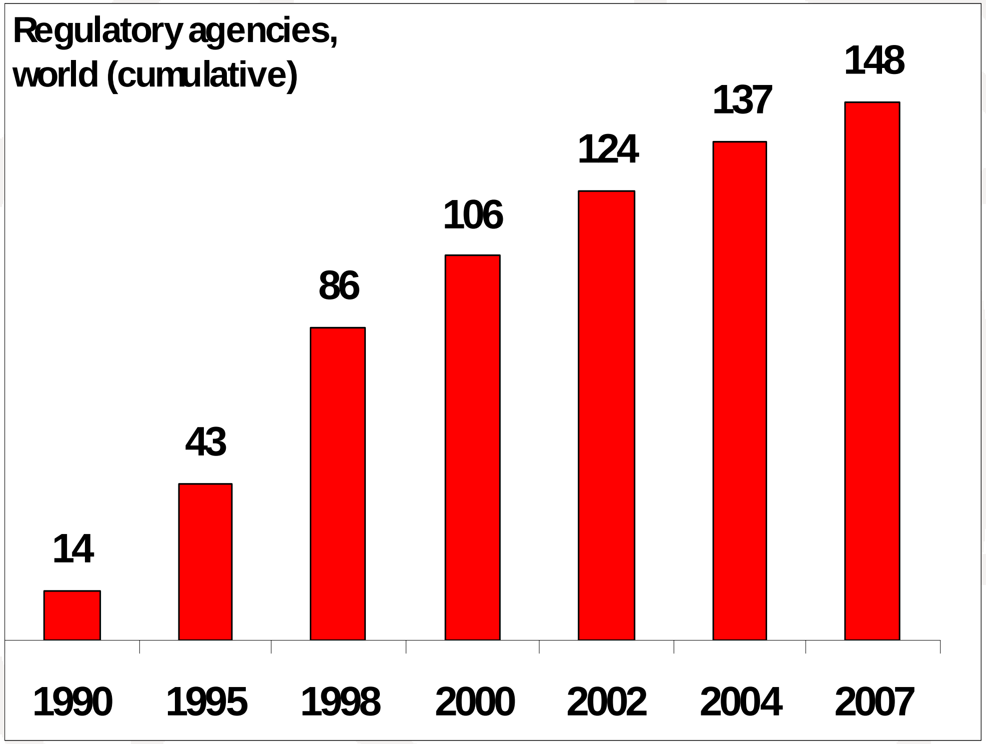


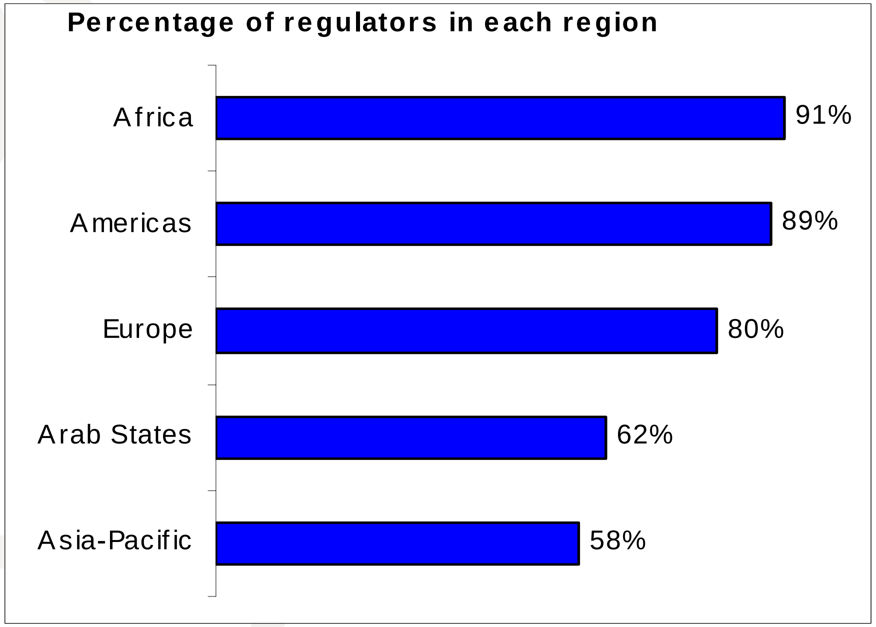




Source: ITU World Telecommunication Regulatory Database

Regulatory authorities establish a sound enabling environment





But competition *de jure does* not necessarily mean competition *de facto*…

Source: ITU World Telecommunication Regulatory Database

The EU regulation – efforts to introduce competition

Step by step

Date	*Country*	*Regulation*
1992	UK	State specific
1996	DK, SF, NL, S	State specific
1998	15 member states	Initial EU framework
2003	15 member states	New EU framework
2004	10 new member states	New EU framework
2006	Start of EU NRF review	

✓ The initial regulatory framework developed in 1996 for full EU liberalisation on 1/1/98.

- ✓Specifically designed to open up the fixed network markets.

✓The European Commission initiated the review of the initial framework in 1999 - 18 months after full liberalisation

- ✓Telecoms markets were then booming and there were thought that market mechanisms would soon replace most regulations.

✓Only a few years after the NRF came into force, the EU NRF review process started again…

The EU regulation – efforts to introduce competition

Principles of NRF:

- **Align with competition law**
  - sector specific regulation of new framework must work in parallel with competition law
  - competition law principles used to define markets and assess SMP
- **Make regulation technology neutral**
  - so it could deal with new technologies and convergence
- **Minimise regulation**
  - keep regulation to minimum required to deal with the problem
  - regulate wholesale markets first
- **Allow regulations to change as market conditions change**
  - NRAs should review markets regularly
  - NRAs should relax regulation when competition is strong enough

Liberalising a monopoly ← *Old EU framework*

New EU framework plus competition law

Fully competitive market ← *Competition law only*

The EU regulation – efforts to introduce competition

✓How NRF works? Market analysis – a key issue

Definition of distinct markets using economic analysis

↓

Decision if market is a candidate for *ex ante* regulation

↓

SMP assessment

18 markets recommended by EC

NRA might add additional ones.

Three criteria tests:

- high barriers to entry and
- enduring barriers and
- competition law insufficient

An operator has SMP if it is in "a position of economic strength affording it the power to behave to an appreciable extent independently of competitors, customers ***and ultimately consumers***"

25% rule of initial framework is replaced with presumption that operator has SMP if its market share >50%

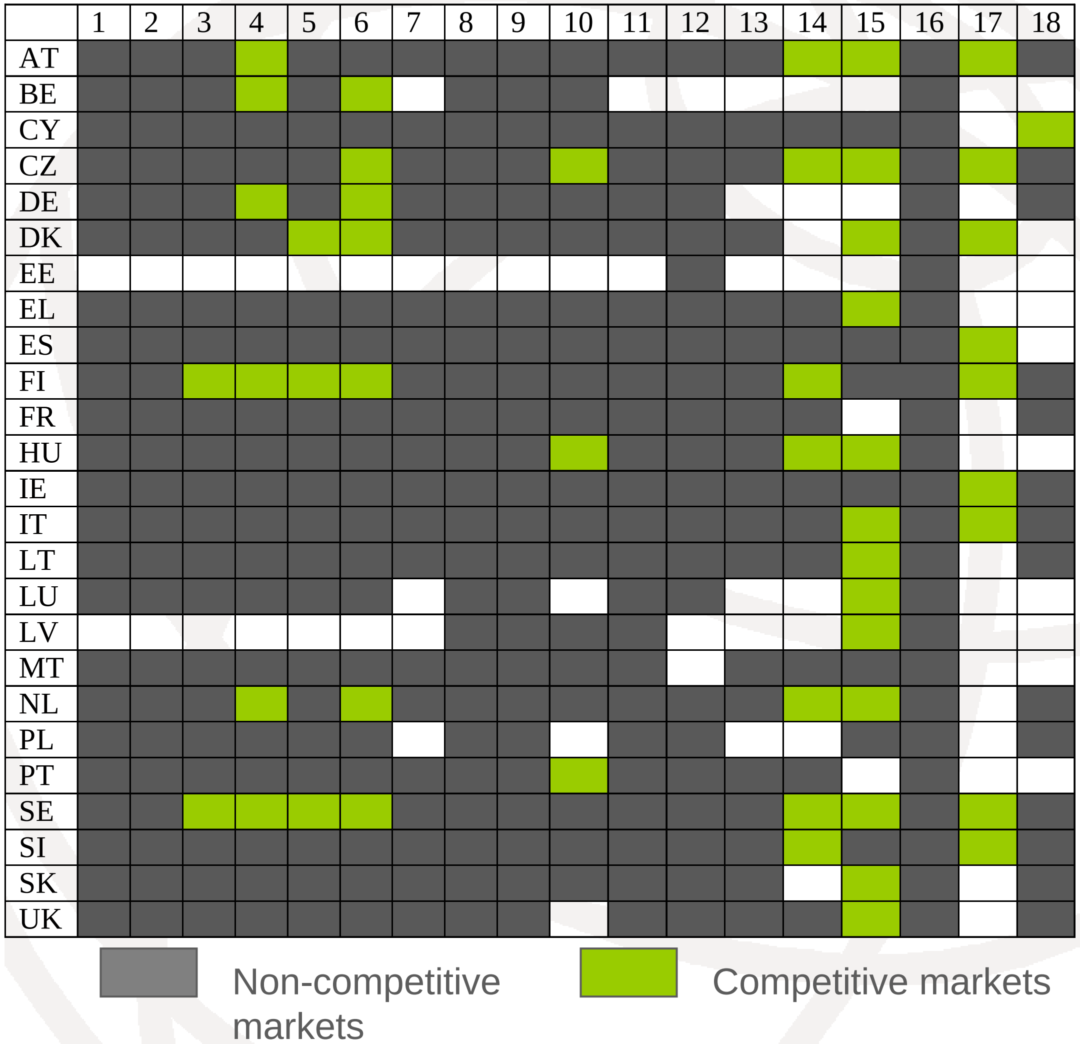
Other factors to consider:

- Overall size of undertaking
- Control of infrastructure not easily duplicated
- Technology advantages
- Low countervailing buying power
- Privileged access to capital
- Bundling of products
- Economies of scale and scope
- Vertical integration
- Absence of potential competition
- Ease of market entry

The EU regulation – efforts to introduce competition

No	Market
1	Access to the public telephone network at a fixed location - residential
2	Access to the public telephone network at a fixed location – business
3	Publicly available local/and or national telephone services provided at a fixed location - residential
4	Publicly available international telephone services provided at a fixed location - residential
5	Publicly available local/and or national telephone services provided at a fixed location - business
6	Publicly available international telephone services provided at a fixed location - business
7	The minimum set of leased lines
8	Call origination on the public telephone network provided at a fixed location
9	Call termination on individual public telephone networks provided at a fixed location
10	Transit services in the public telephone network provided at fixed locations
11	Wholesale unbundled access (including shared access) to metallic loops and sub-loops, for the purpose of providing broadband and voice services
12	Wholesale broadband access
13	Wholesale terminating segments of leased lines
14	Wholesale trunk segments of leased lines
15	Access and call origination on public mobile telephone networks
16	Voice call termination on individual mobile networks
17	The wholesale national market for international roaming on public mobile networks
18	Broadcasting transmission services, to deliver broadcast content to end users

The EU regulation – efforts to introduce competition



✓ When the EU agreed to a set of laws for the whole telecom industry four years ago it pinpointed 18 sectors of the market that require special rules in order to prevent the incumbent telecom operators, often former state monopolies, from stifling competition.

✓The idea sounds engaging, but as for today…

✓Competition has flourished in about 50 markets around the Europe, including national and international calls markets (3-6), wholesale trunk segments of leased lines (14), access and call origination on mobile networks(15), wholesale national markets for international roaming markets(17).

✓ However, it remains constrained in the rest of 400 EU25 markets, including the market for broadband access.

Competition – an essential feature of communication markets

As combination of the technological trends and the market trends – namely competition, has already made ICT services more accessible to billions of people globally:

	1995	2005
ICT market value, billion EUR	1222	2044
	Growth	67%
Main telephone lines, mil.	689	1207
	Growth	75%
Mobile cellular subscribers, mil.	91	1758
	Growth	x 19
Internet users, mil.	40	964
	Growth	x 24
Personal computers, mil.	235	793
	Growth	x 3

Competition in ICT sector enhanced greater use and boosts productivity throughout the world economy:

→ ICT is not only an important part of the world industry *per se:*

5,8% of GDP in Europe
6,3% of GDP in USA

→ It is also one of the main incentives of global business:

40% of EU productivity growth
25% of EU-15 productivity growth
33% of USA productivity growth
42% of Japan productivity growth
45% of Korea productivity growth
21% of Canada productivity growth

Source: ITU World Telecommunication/ICT Indicators Database, European Commission

International Telecommunication Union

Thank you!

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