

GSR 2008 Discussion Paper

Comments are welcome and should be sent by 13 April 2008 to GSR08@itu.int



GSR 08: Session 3 **Breaking Up is Hard to Do: The Emergence of Functional Separation as a Regulatory Remedy**

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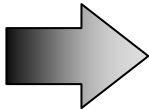
ACCESS

WHOLESALE

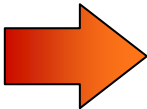
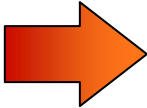
RETAIL

CUSTOMERS

ACCESS SERVICES DIVISION



WHOLESALE DIVISION



RETAIL COMPETITORS



RETAIL BUSINESS DIVISION



FINAL CUSTOMERS



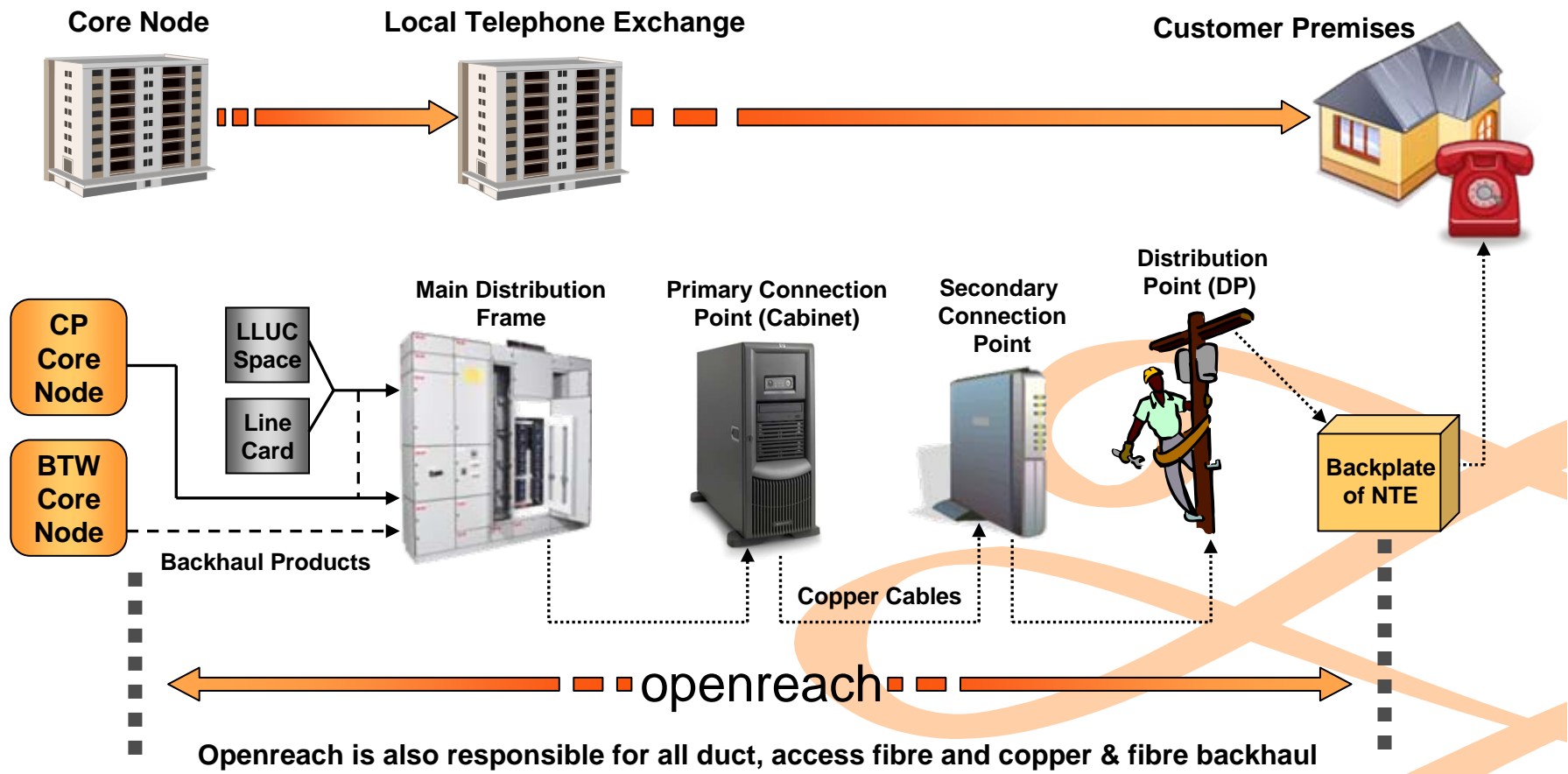
Access services based on physical assets



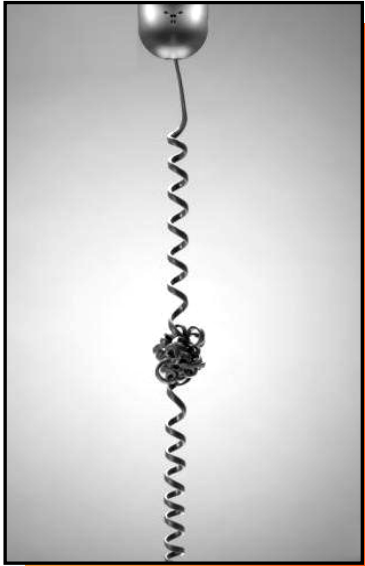
Access services based on electronic assets

Openreach: Asset Ownership

PSTN & ADSL Service



Reasons for Functional Separation



Discriminatory behaviour by the incumbent – particularly non-price discrimination

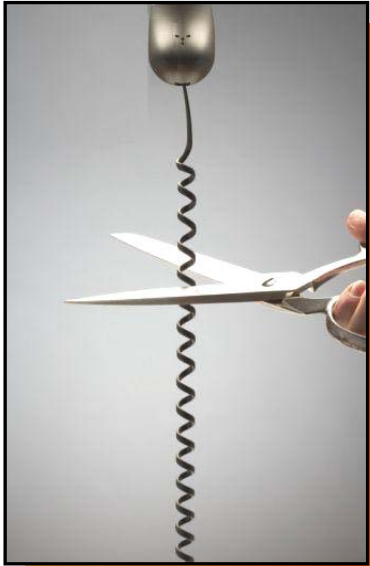
Existing remedies may not be effective in controlling discriminatory behaviour

3 Key Features of Functional Separation

The “virtual” separation of the incumbent’s business

The “equivalence” or “equivalence of inputs” (Eoi) obligation

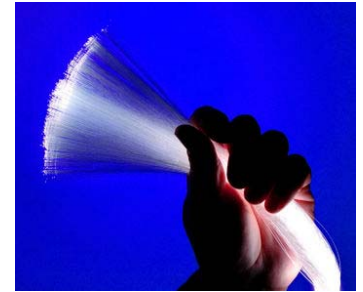
Monitoring of the incumbent, to ensure compliance with the separation and equivalence obligations, and effective enforcement



Functional Separation: Key Issues



Impact on investment incentives



Transition to fibre-based next-generation access networks



Difficulty in achieving stability in the asset base

Service quality



Functional Separation in Developing Countries

Checklist:

An independent and reasonably competent bureaucracy that can implement separation, monitor compliance and enforce non-compliance

A reasonably strong incumbent operator, that can bear the costs and continue to operate effectively

A reasonable expectation that the incumbent will be cooperative



Alternatives to Functional Separation



Use blunter regulatory instruments

Go straight to structural separation

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Thank you!

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