

Telecommunication sector liberalization in RCC participants' countries: problems and perspectives

Information society building and informatization processes to a large extent depend on the state of ICT infrastructure and telecommunication services market development.

Modern economic theory and practice demonstrate that only relations based on unrestricted and fair competition, transparent relationship between the state governmental bodies and market players can ensure the dynamic telecommunication development. Therefore, currently the main trend of state policy in the most of RCC participants' countries is the consequent market liberalization and demonopolization.

The liberalization goal, as known, is to create the conditions for establishment and support of competition among the operators and service providers. In the result the users should get maximum range of various telecommunication services, including those based on the state-of-the art technologies, with high quality and affordable prices.

As the practice shows, the liberalization stimulates the telecommunication sector development. In the result the new operators enter the market, the investment attractiveness of all market segments increases and due to the strengthening of competition the level of provided services quality improves.

Also it should be noticed that due to the different reasons each state gained their own telecommunication market liberalization experience. The market is liberalized according to state legal acts. Due to the objective reasons and national peculiarities this process is implemented in different paces. In a different way are being solved the issues of establishment of regulatory authorities, improvement of legal basis, licensing, setting up the tariffs, defined mechanism of separate accounting, universal service, choice of operators providing universal services etc.

At present in the CIS region does not exist identical countries with the same telecommunication regulation framework. For example, in Georgia a state governance body (Communication Administration) is the Ministry of economic development and the independent regulatory authority exists. The different situation is in Uzbekistan where both functions of Communication Administration and regulatory authority are assigned to the Uzbek Agency for Communications and Informatization. Thus, in the process of sector restructuring countries may go from one extreme to another in assigning the state governmental bodies and regulatory authorities with the functions and distribution of those functions between them.

Independent regulatory authorities in the field of communications established in five RCC participants' countries – Armenia, Georgia, Kyrgyzstan, Moldova and Ukraine. Such authorities also exist in the RCC observers' countries – Latvia and Estonia.

In the other CIS countries – Azerbaijan, Belarus, Kazakhstan, Russia, Turkmenistan, Uzbekistan the Communications Administrations acts as a regulatory authority. For instance, in Tajikistan the regulatory authority which is State Agency for Supervision, control and regulation in the field of Communications and Informatization is included in the structure of the Ministry of Transport and Communications.

Development of telecommunications sector liberalization processes subject to intent and instant attention of the Regional Commonwealth in the field of Communications. This issue was several times considered at the meetings of RCC working bodies – Commission on economy of communications, Telecom Operators Board – and at the Meetings of Communications Administration (CA) Heads Board. By

the decision of RCC CA Heads Board those working bodies summarized and analyzed experience of communications market liberalization in RCC participants' countries and the result were provided to CAs for use in their work. Existing information allows to notice that there are the countries in which successfully and in accordance with designated plans - Armenia, Kazakhstan, Moldova, Russia, Uzbekistan and Latvia.

According to statistical data in the CIS countries 83 % of local fixed telephony are liberalized, 50 % of long-distance and 67% of international telephone services markets are legally open for other operators. In six of 12 CIS countries (50 %) fully or partially privatized prevailing telecom operators exist. In the most RCC participants countries 100% of mobile communication and Internet access provision markets is liberalized. Absence of regulatory barriers in the field of mobile communications enabled the explosive growth of the number of subscribers of this kind of service as well as excess of number of mobile subscribers over the number of fixed ones.

Though there are definitive problems emerging in the process of liberalization. One of such problem is imbalance of tariffs non-transparent cross-subsidies of unprofitable services. In its turn, availability of cross-subsidies restrains further communications market liberalization. Some RCC CAs solve this problem by tariff rebalancing, i.e. set up tariffs oriented to the cost price of services and gradually decrease of cross-subsidies.

Today, in the conditions of lack of state budgeting of the telecommunication sector, one of the ways to solve the problem of providing telephone access in remote regions and creation of incentives for operators to build the access infrastructure on the economically unprofitable territories is introduction of universal service. Activities on establishment of universal funds are implemented in Azerbaijan, Belarus, Kazakhstan, Moldova, Russia and Uzbekistan. The experience gained by those countries was considered at the RCC CA's Heads meetings as well as the above-mentioned RCC working bodies. In Ukraine, for example, there is definition of public telecom access services, which are subject to tariff regulation, as well as the universal postal services are defined. In Kyrgyzstan elaborated draft of Universal Access Strategy, which envisages establishment of Universal access provision center. In several countries the list of universal services was defined, which includes different services depending on the conditions of telecom development in the country. Such services are:

- local telephone service;
- long-distance and international telephone services;
- Internet access, including at the collective use points;
- telegraph services, including delivery of "ordinary" and "urgent" telegrams with the fixed period of delivery.

Contributions of operators to the universal service funds mainly count from 1,2% up to 1,5% from their revenues gained in a result of provision of communication services to subscribers or other users of the public telecommunication network.

In the RCC participants' countries the legislations is being improved, which regulates issues of universal funds establishment. Necessary legal acts are adopted defining the universal funds financing sources, procedures of definition of operators providing universal services, compensations to operators and setting up tariffs for such services etc.

At the forthcoming 39th Meeting of RCC CAs Board in May 2008 in Tajikistan it is planned to continue consideration and exchange of experience on universal services provision.

In order to arrange regular cooperation and interaction of independent regulatory authorities in the field of communications of CIS countries as well as coordination of the position of CIS countries on the actual issues of regulation at the international events by the decision of RCC highest body in 2007 was established Commission on coordination of regulatory authorities activities. It composes of the institutions assigned with the functions of state regulation in the field of communications of RCC participants' countries.

Main goals and function of the Commission are the following:

- implementation of coordinated regulatory policy in the field of communications;
- ensuring of interaction of RCC participants in solving the common problems standing at the regulatory authorities in the field of communications;
- promotion development of transparent and sustainable regulation framework in the communication sector optimizing the activities of state regulatory authorities in the Commission participants' countries;
- elaboration of recommendations on improvement of communication services regulation, including methods and way of such regulation;
- organization of information provision and exchange on the regulatory issues;
- promotion of joint use of information and experience gained by the regulatory authorities, also through educational programs. Interaction in the issues of training and raising the qualifications of personnel;
- exchange of experience between the regulatory authorities in the field of communication in the issues of networks interconnection, use of radio frequency spectrum, licensing, universal access, tariff policy, numbering and supervision and control;
- studying and preparation of proposals for use of international experience on establishment of regulators in the field of communications taking in account regional peculiarities and economies of the states, Administration Communications of which are RCC participants;
- elaboration of proposals on priority joint works in the field of communications regulation, consolidation of efforts in solving the institutional, scientific and technical, financial and other problems related to such works.

In 2007 was held first meeting of the Commission, defined its competence and mandate. We believe that creation of such coordinating body in RCC will be positively impact for accelerate liberalization process in the ICT field in CIS countries.

On of the important issues – regulation of telecom operators networks interconnection in CIS countries - was considered at the above-mentioned Commission meeting and for which the summary was prepared and presented at 38th RCC CAs Heads Meeting in November 2007 in Kazakhstan. In this paper the current legislation was viewed, which regulating interconnection issues, including definition of “interconnection” and prevailing operator in the market, rules of network interconnection etc. Telecom networks interconnection affects interests of users of all kinds of communications services from traditional voice telephony to high-speed data transmission via Internet and multimedia services. It is viable for provision to population of quality services.

We also would like to mention importance of radio frequency spectrum sharing, including conversion of frequencies in the view of introduction of broadband access services, particularly for WiMax.

We remind that the ultimate aim of liberalization in each state or country is to transform communications organization (operators) to the client oriented, competitive service providers. Specific importance for effective telecom sector liberalization has availability of improved legislation, creation of transparent, optimally balanced regulatory and state governance framework.

We are sure that arrangement of Global Forum of Industry Leaders and 8th Global Symposium of regulators will encourage profound understanding of the existing problems of the field of ICT regulation and search of practical methods of their solving.