SECTOR REFORM: REGULATORS

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BDT-VISITING REGULATORS PROGRAMME

OJECTIVES:

- EXPAND and IMPROVE the PRODUCTS & SERVICES TO OFFER to NATIONAL REGULATORS AUTHORITIES and ITS ASSOCIATIONS.
- DEVELOP REGULATORY EXPERTISE OF ITU STAFF.
- BETTER UNDERSTANDING OF REGULATORS AND ITS RELATIONS WITH ITU.

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INTRODUCTION

Global Trend of the Telecom market

UP to 1970's: MONOPOLY.
The State owner or monopoly of Telecom.

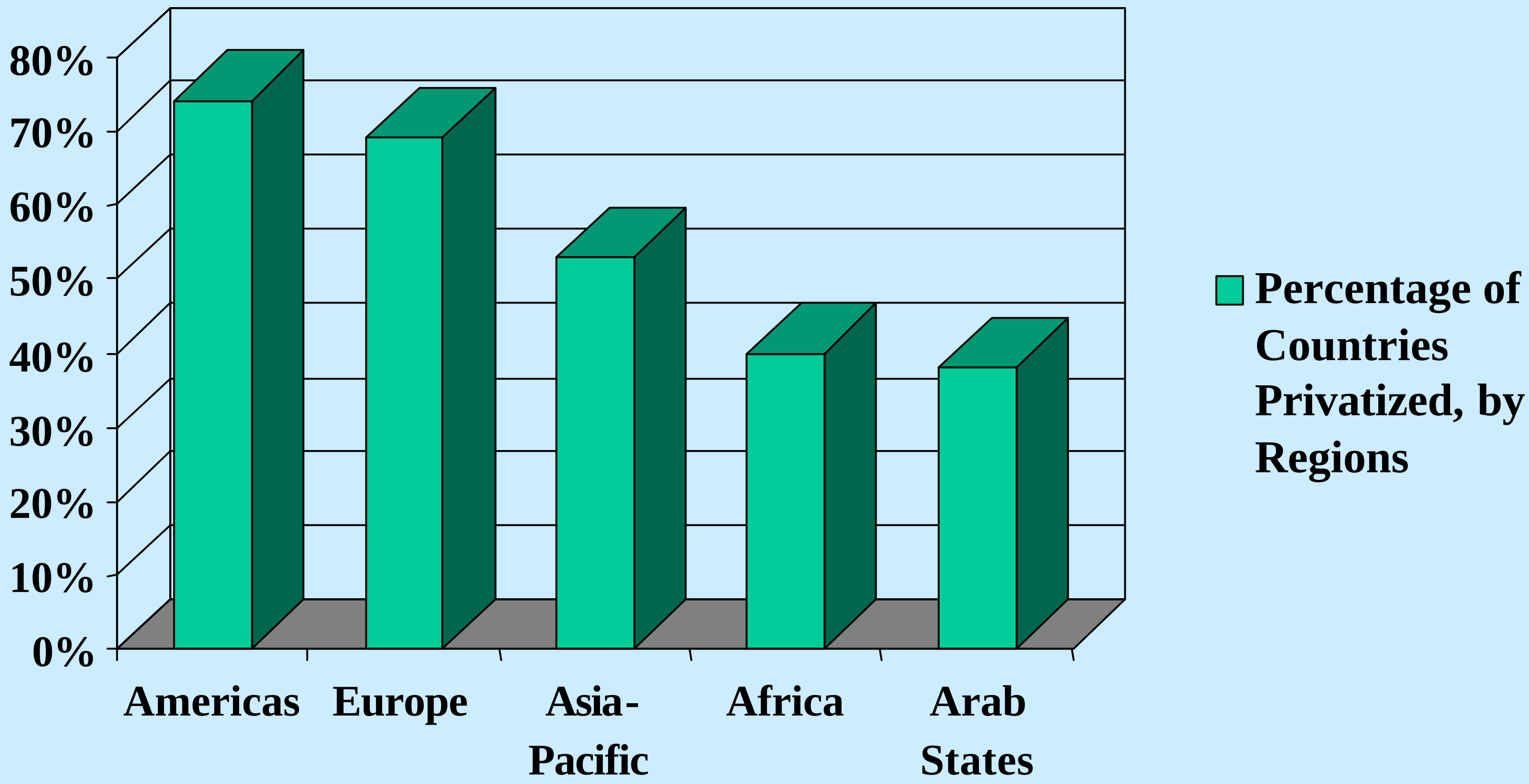
1980 to 1990: LIBERALIZATION and/or PRIVATIZATION.
The State separated operational functions

1990 to 2000: COMPETITION:
Regulators created because of Sector Reform
More than 100 countries separated regulator functions from Policy & Operational Functions by setting up Regulators.

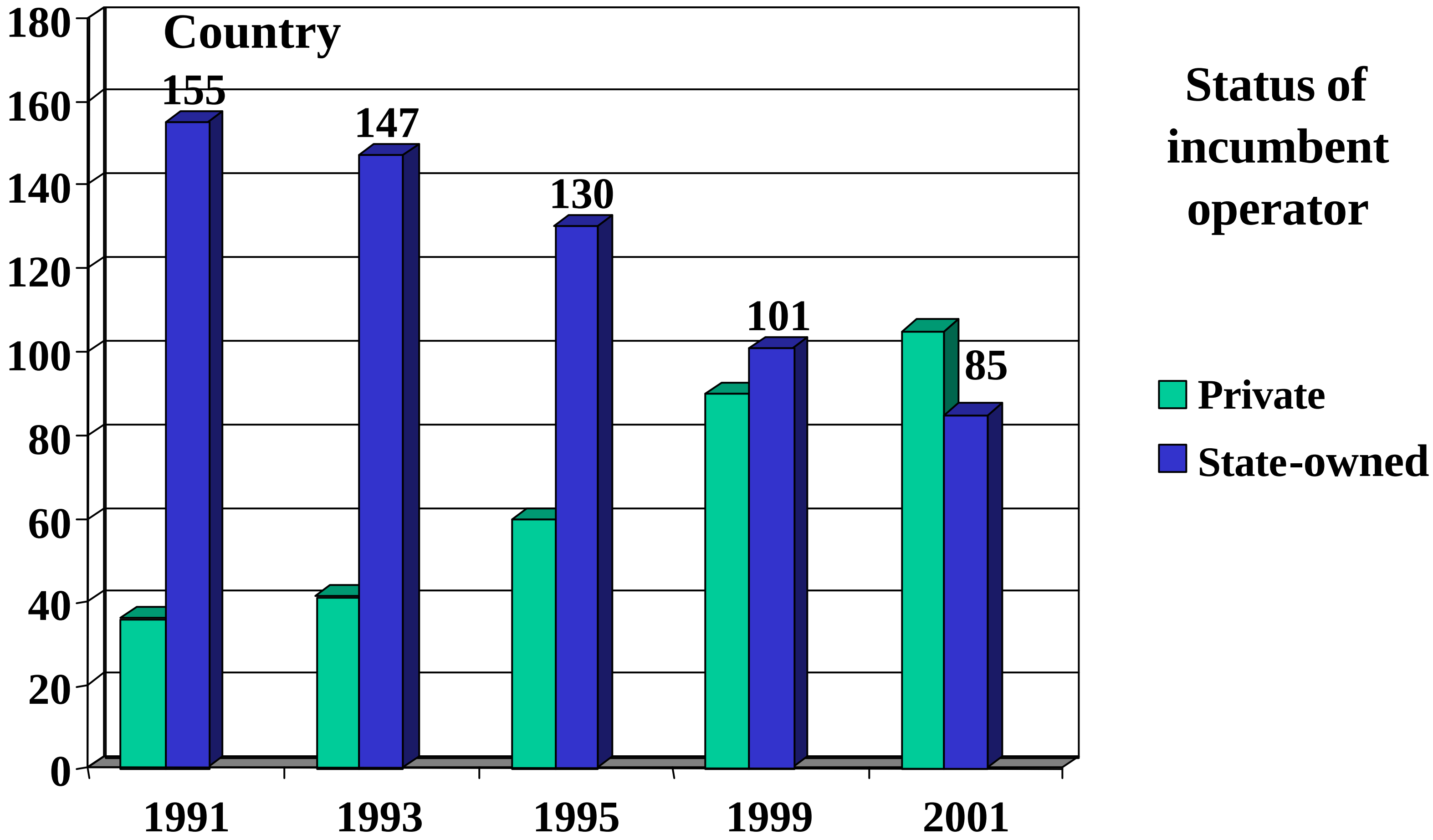
From 2000: TECHNOLOGICAL CONVERGENCE

Fuente : Dr. Eun-Ju Kim Workshop de ICX

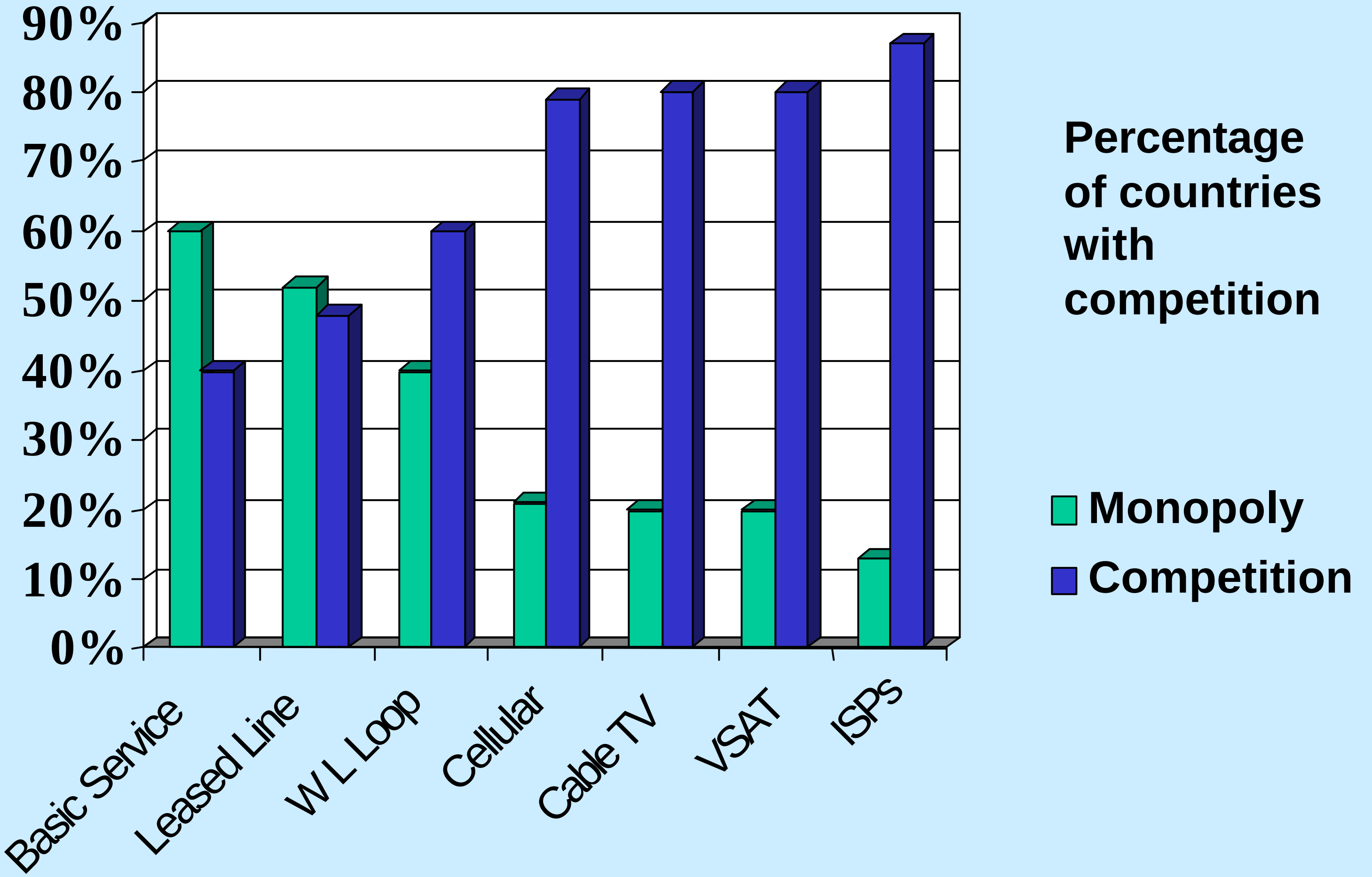
Ownerships Trends



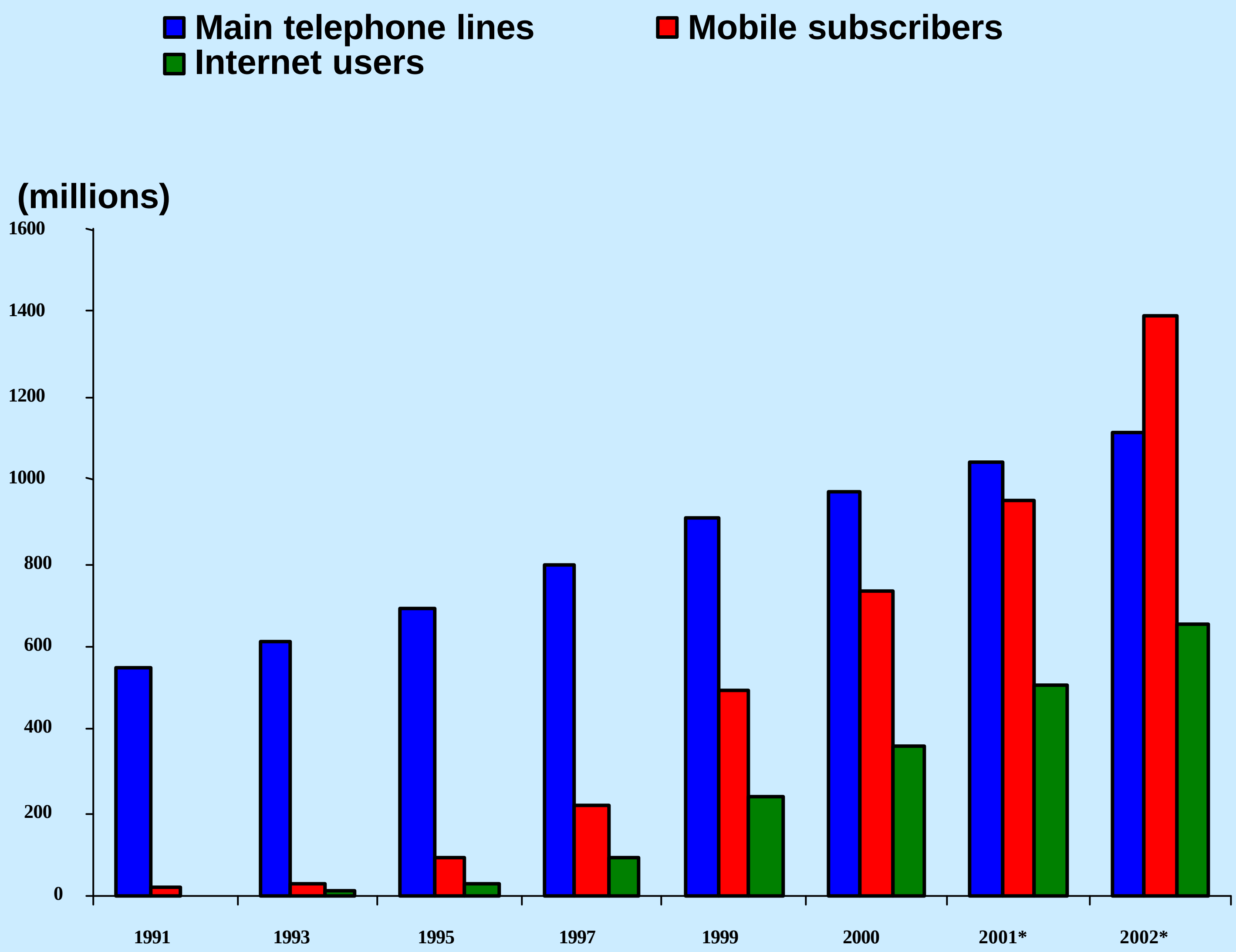
Increasing involvement of private sector in the ITU activities



Competition for selected services:



Market keeps growing



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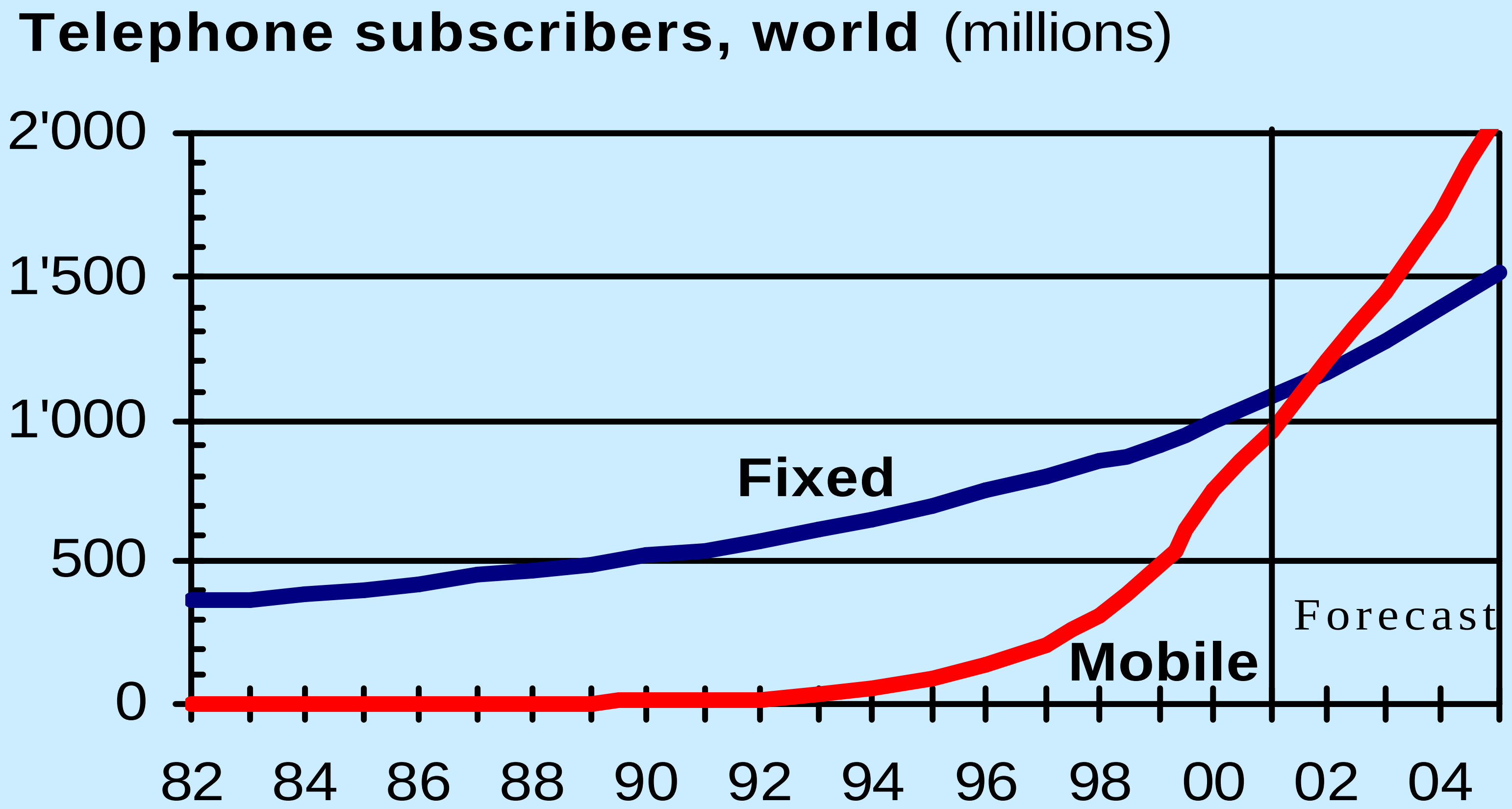
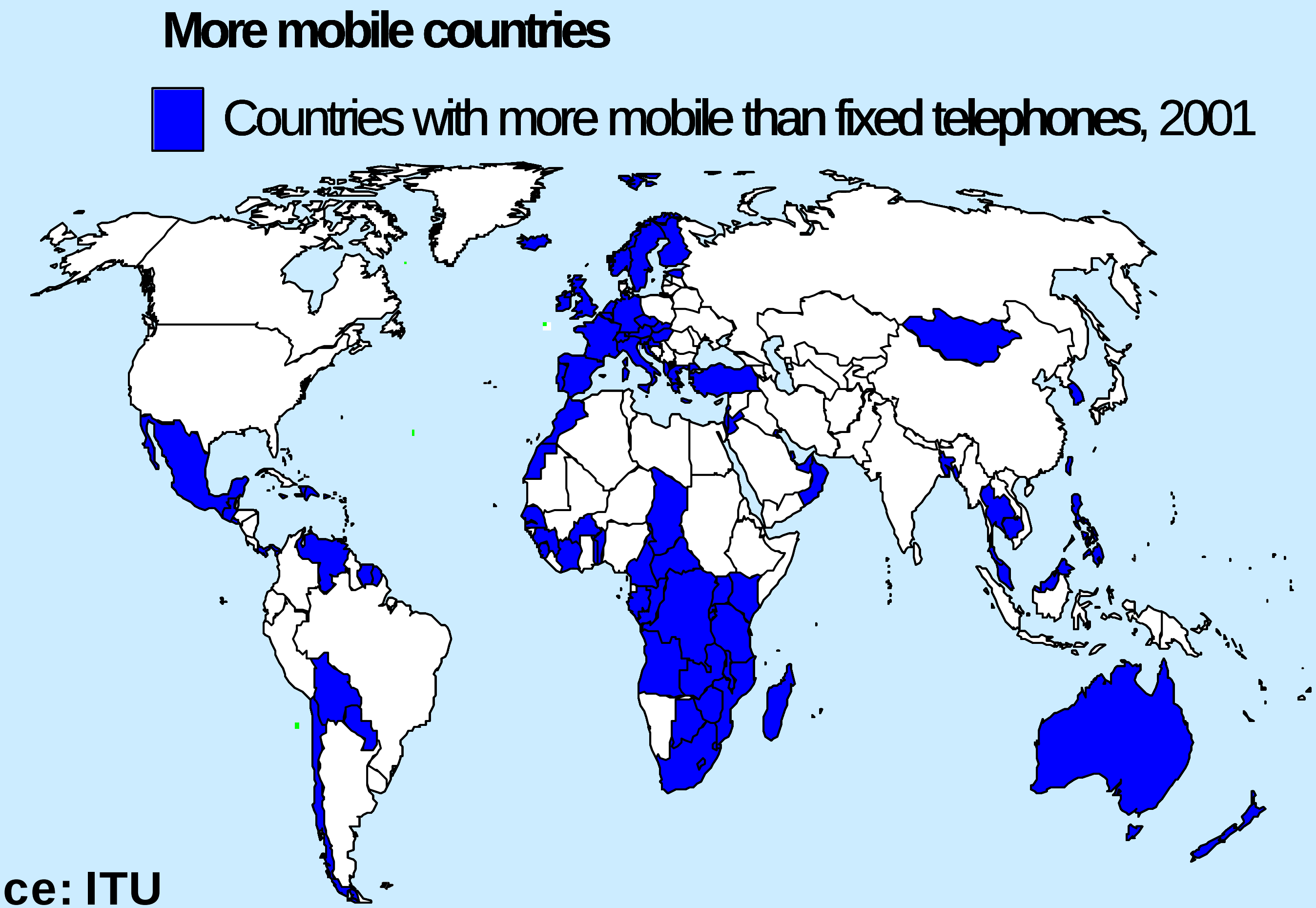


Source: ITU

Market keeps growing



Source: ITU

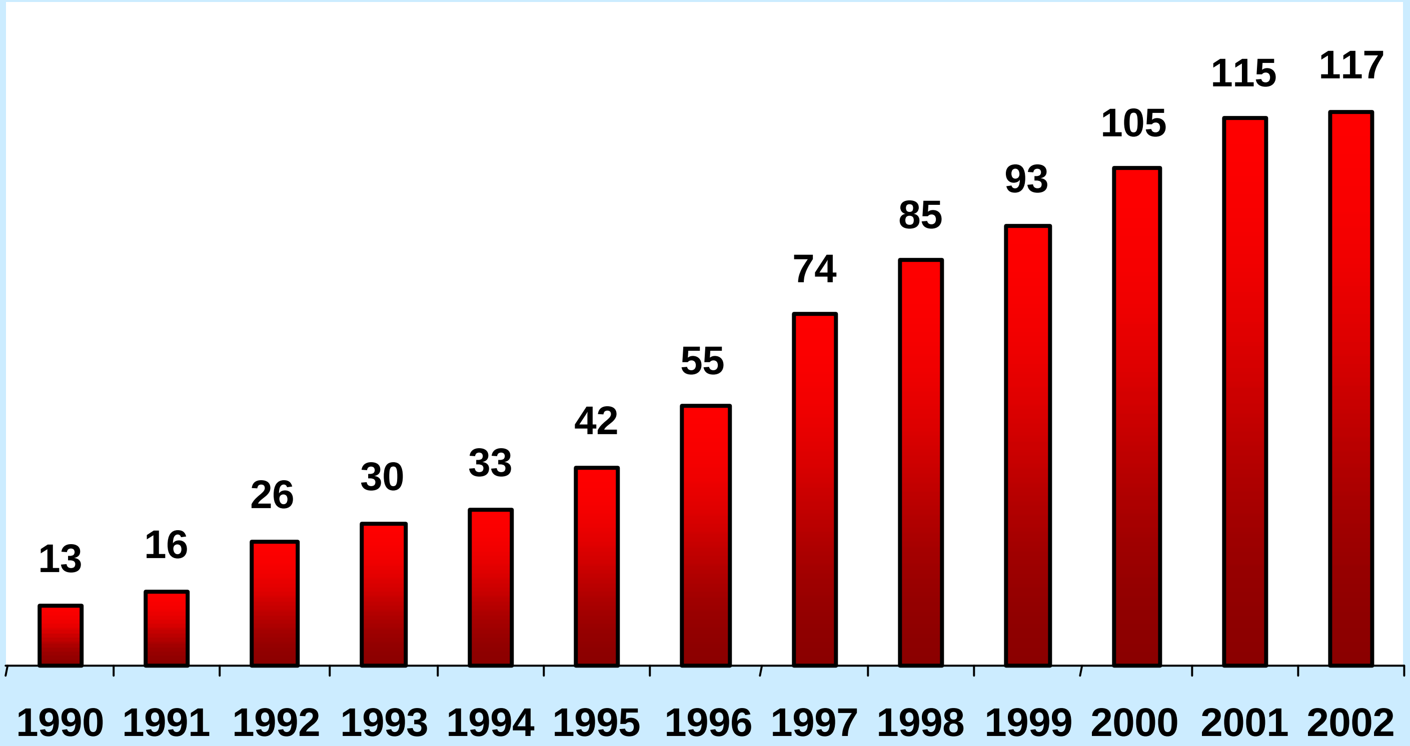
Telecom Market is ...

- **Private.** At the beginning of 2002, more than half the countries in the world, have fully or partially privatized their incumbent operator.
- **Competitive:** except in fixed lines services, majoritiy of countries allow competition in telecom , especially in mobile and internet markets.
- **Mobile:** rapidly growing, many countries have more mobile lines than fixed. More mobile than fixed in 2003.
- **Global:** global operations, regional and multilateral agreements and global services.

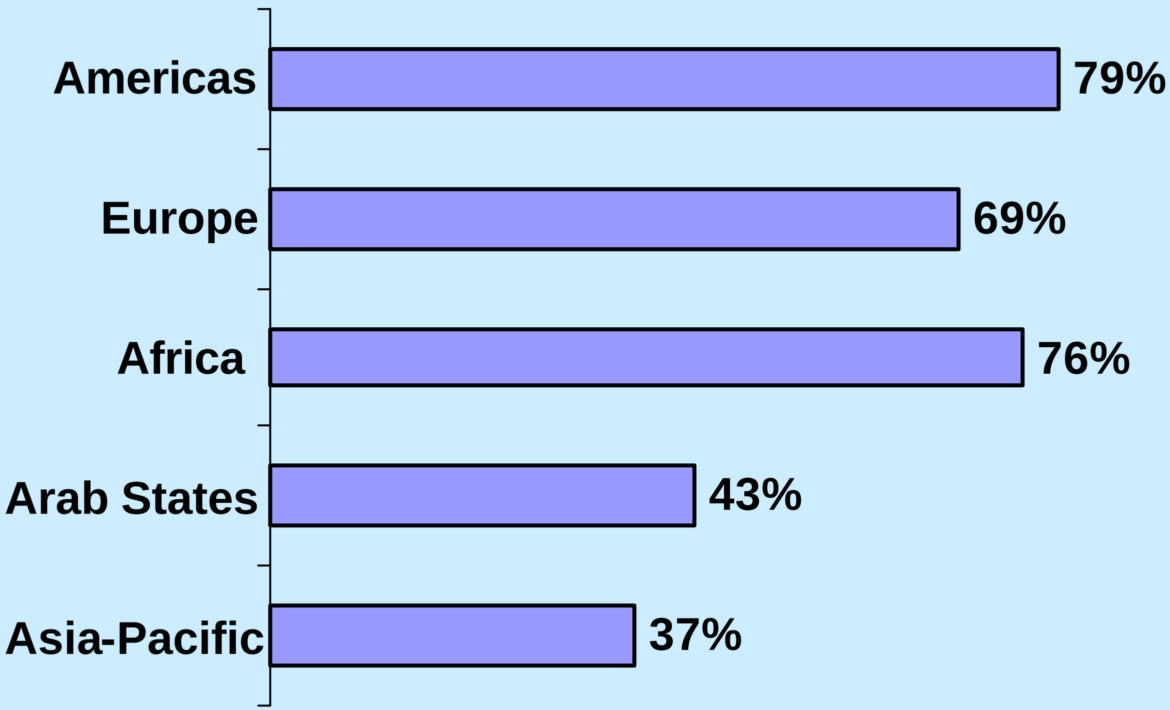
Source: WTDR 2002

INVASION OF REGULATORS

REGULATORY AGENCIES, GLOBALLY
(CUMULATIVE)



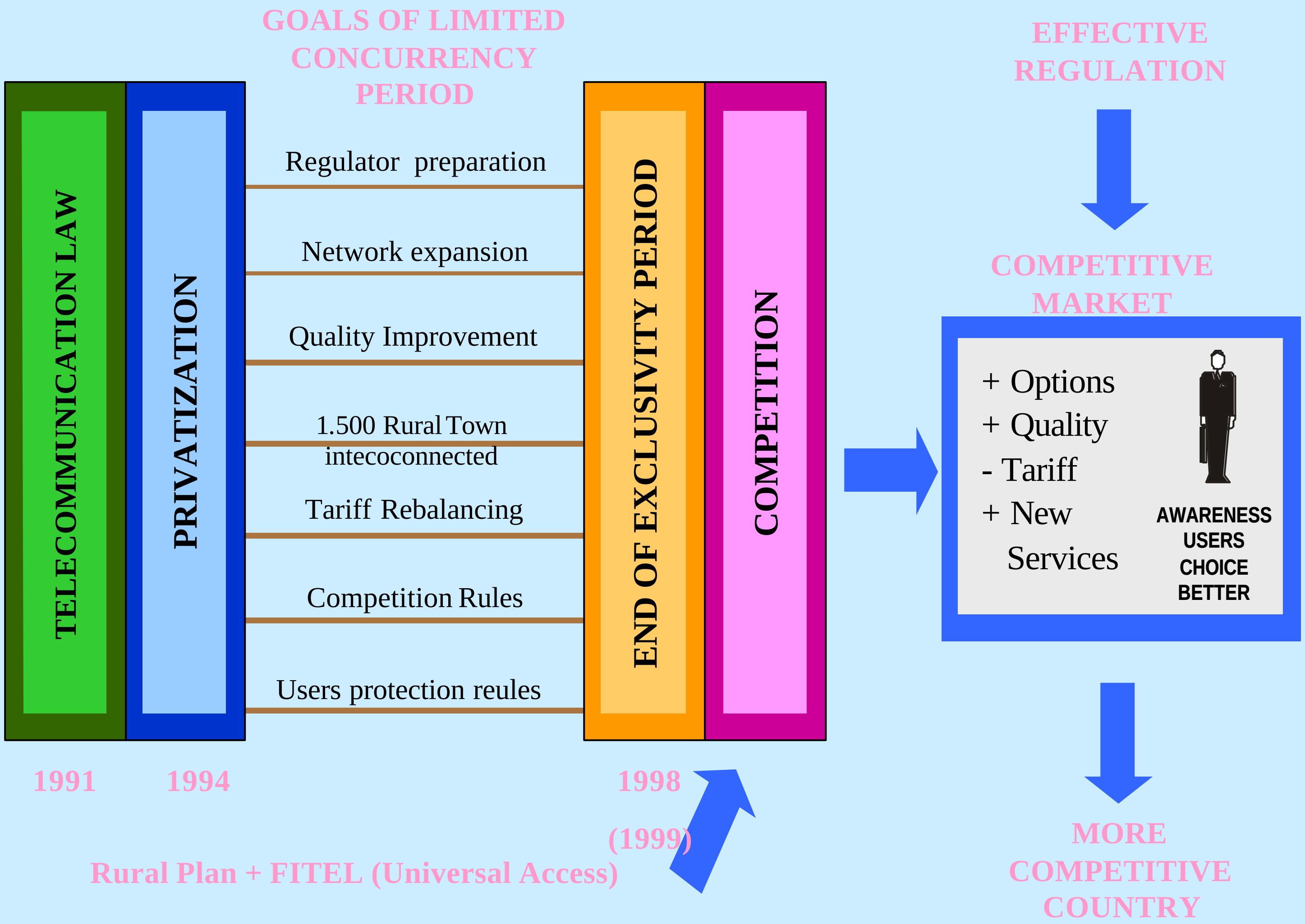
REGULATORY AGENCIES, BY REGIONS



PERU:
A CASE STUDY OF REFORM

PERUVIAN TELECOM SECTOR REFORM PROJECTION

Telecom Sector Re-extructuration faced various steps.



Source: OSIPTEL

SECTOR REFORM MILESTONE ACCHIEVED

GRADUAL OPENING PROCESS

PRIVATIZATION → **MONOPOLY PERIOD** → **OPEN MARKET-COMPETITION**

Main players → **Telefónica** (1994) | **BellSouth** (1997) | **AT&T Comsat, Gilat to Home, Nextel** (1999) | **Telecom Italia, Impsat, GlobalStar, Millicom** (2000)

- **1991** – Telecom Law
- **1993** – Creation of regulator: OSIPTEL
- **1994** – Privatization of CPT & Entel 1/
- **1995** – Merger
- **1996** – Massive shareholder program
- **1997**
- **1998** – Early opening of the market
- **1999** – Long distance competition actually starts
- **2000** – Law on OSIPTEL's enforcement powers

- **5-year monopoly in local and long distance telephony**
- **Network expansion lines**
- **Improve quality of service**
- **Tariff rebalancing program**
- **Decentralization**
- **Concession's supervision**

1/ CPT: Local telephony in the capital city
Entel: Local telephony in the rest of the country and of long distance services

Peruvian Telecom market Balance: before and after

	1993	1998	Jun. 2001
FIXED LINES (installed)	670,400	2,012,141	2,009,549
AVERAGE WAITING TIME	118 meses	45 días	15 días
COST OF NEW LINE	US$ 1,500	US$ 170	US$ 160
Network Digitalization	33%	90%	96%
Empleo directo e indirecto	13,000	n.d.	34,000
Number of cities attended	1,450	3,000	3,246
MOVIL CELULAR subscribers	36,000	735,791	1,536,635
CABLE TV subscribers	30,000	350,000	351.337*
INTERNET subscribers	n.d.	+ 100,000	+ 800,000

Fuente: Empresas, MTC, OSIPTEL.

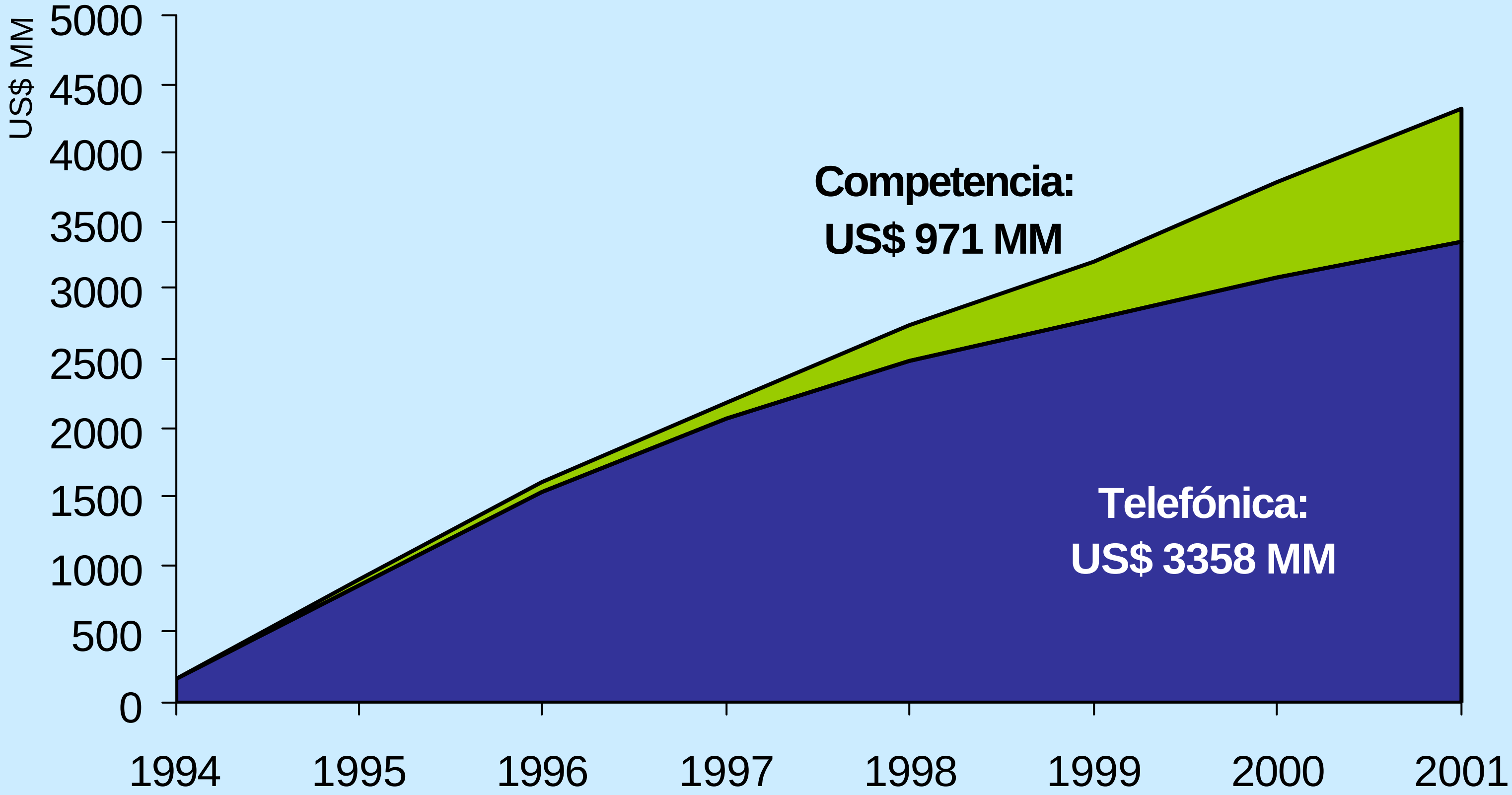
* Suscriptores de la empresa Cable Mágico

Inversión: US$ 4 329 MM para el desarrollo del sector

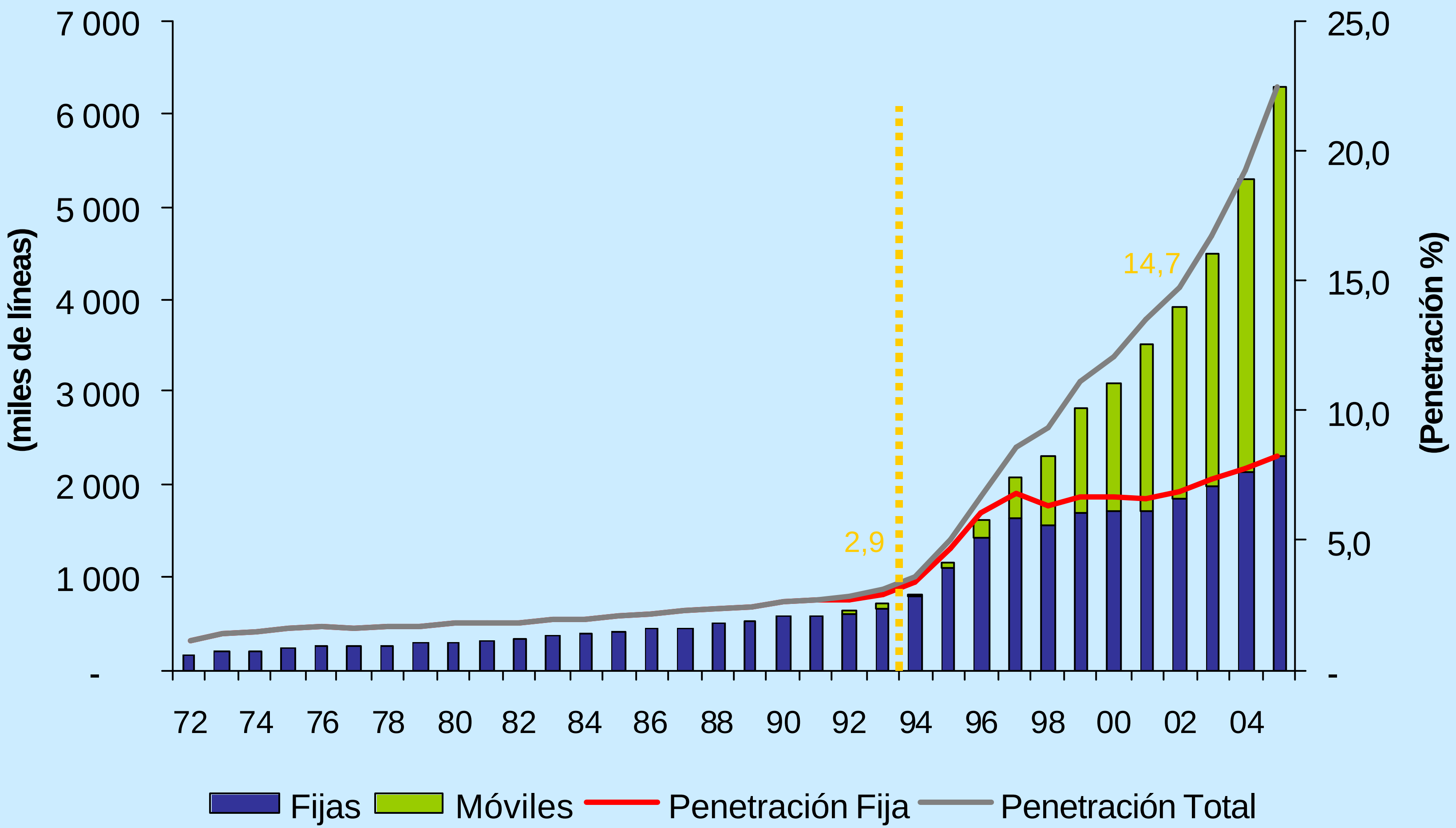
Entre 1989 y 1993 se invirtió US$ 272 MM.

Entre 1994 y 2001, se ha invertido US$4,329MM

Inversiones (US$MM)



Teledensity: grown 5 times



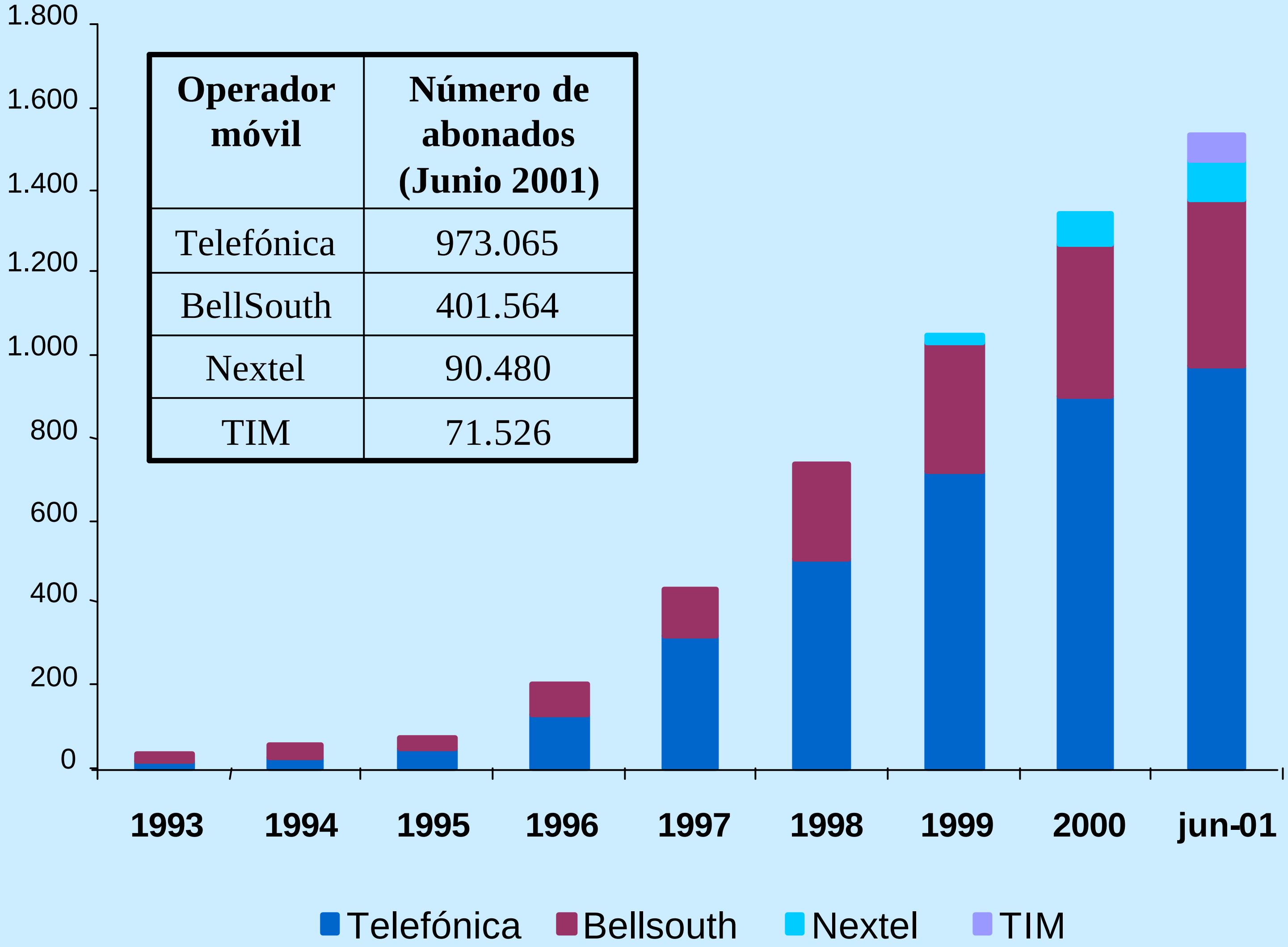
Fixed Telephony distribution socioeconomical level

		Estratos Socioeconómicos				
	% Total	A	B	C	D	E
	Hogares	(US$ 2,943)	(US$883)	(US$ 344)	(US$ 185)	(US$ 139)
1993	17	92	54	10	1	n.d.
1994	22	100	68	16	1	n.d.
1995	28	100	75	21	1	n.d.
1996	37	100	84	36	7	n.d.
1997	42	100	83	44	13	n.d.
1998	48	100	96	52	21	n.d.
1999	49	100	96	61	25	7
2000	46	100	95	62	23	4
	100%	**3.8%**	**14.3%**	**33.1%**	**35.7%**	**13.1%**

Fuente: Apoyo Opinión y Mercado (julio 2000) / Lima Metropolitana
Elaboración: OSIPTEL

Mercado telefonía móvil

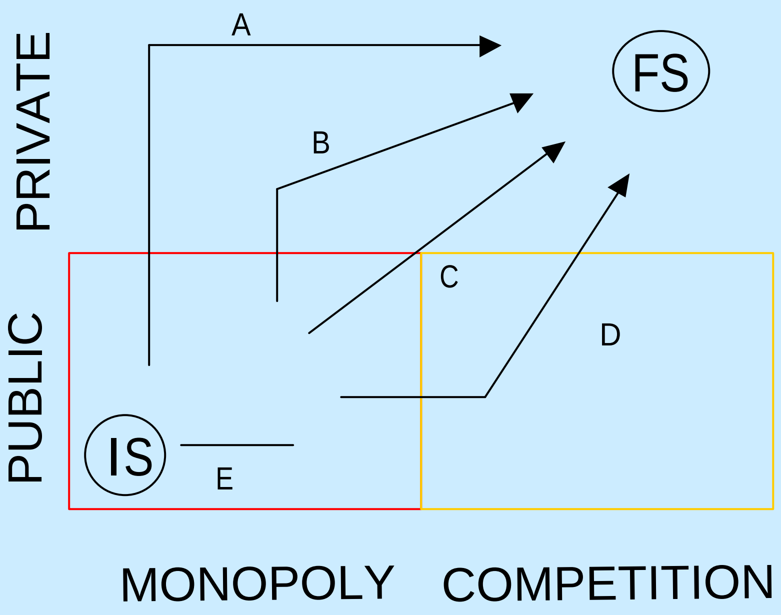
El número total de abonados a servicios móviles supera los 1.5 millones



Operador móvil	Número de abonados (Junio 2001)
Telefónica	973.065
BellSouth	401.564
Nextel	90.480
TIM	71.526

Fuente y elaboración: OSIPTEL

There is not a single path to follow in market reforms: LA Transition Stages



A) Exclusivity with goals:
Argentina, Mexico, Peru, Venezuela

B) Exclusivity (short) no goals:
Chile

C) No exclusivity but with goals:
Brazil

D) No exclusivity:
Guatemala, El Salvador

E) Exclusivity of the public sector:
Uruguay

- All transition models are present
- The problem is to determine the objectives, restrictions and the best path to follow

Source: Oscar Alfredo Battistón-Telefónica Internacional

OSIPTEL: FUNCTIONS

- Promote Private Investment
- Assure fair competition.
- Stablish users'protecting policy
- Tariff Policy
- Solve controversies between Telcos and Telcos-suscribers. Arbitration.
- Universal Access.

CHALLENGES TO THE NEW REGULATORS

1. **STRUCTURE of Regulatory Agency**
2. **Developing a REGULATORY PROCESS to act in the public interest**
3. **Defining FUNDAMENTAL Regulatory PRINCIPLES**
4. **Promoting the PUBLIC INTEREST where markets may not**

Source: D. Cornell /FCC

1. Structure of the Regulatory Agency

- **Ensure the Regulator is <u>independent</u> of the operator and of direct political influence**
- **Ensure the independent Regulator is <u>empowered</u> to make policy end anforcement decisions**
- **Assure the Agency is adequately <u>Funded</u>**
- **Hire <u>qualified</u> personnel**

2. Regulatory Process

- Goal is to develop a predictable and Fair Legal Regulatory Framework
- Decission making must be transparent

  Get public input from all interested parties and Rely on a public record
- Essential to make decission in a timely manner
- Rules of the road must be clear
- Develop key principles and apply them consistently
- Don’t reinvent the wheel- look to experiences in other countries.

“It’s easy to privatize, harder to regulate, and it’s painstaking to enforce”.

3. Fundamental Regulatory Principles

- Encourage Private investment, innovation and infraestructure buildout
- Promote fair competition
- Manage scarce resources efficiently (spectrum, numbering)
- Promote the public interest where markets may not.

4. Promote the public interest where the market may not

- Ensure a Universal Service mechanism which is transparent, efficient and competitively neutral.
- Ensure networks are reliable and interoperable. Quality.
- Ensure Telecom services are available to the disabled community
- Ensure the networks serve the public health and safety and protect the environment.

Learn from our experience

Incumbents will fight fiercely

- Through the regulatory processes
- In Court
- In the marketplace

What the Incumbents want?

- Access to markets they don't serve now
- Pricing flexibility
- Deregulation
- Incentives for investment
- Slow roll competition

New Entrants will need Regulatory Intervention to get a fair start in the marketplace

What new entrants want ?

Clear Terms and conditions & fair prices for

- **Interconnection**
- **Unbundling and co-location**

Viable resale opportunities

Access to espectrum

Access to rights of way

WHAT REGULATORS EXPECT FROM ITU

- **More participation in ITU Activities**
- **Training and capacity building**
- **Share information and experiences around the world** (Forum, Simposium, G-REX)**.**
- **Advice on Regulatory Issues.**
- **Conduct studies on behalf of Regulators**
- **Support and finance Regional Regulatory Associations**

CONCLUSIONS

- Know role of Regulators, new actor.
- Competition itself is not enough, need regulatory intervention.
- Learn from others experiences. Share information.
- Digital Divide: Infrastructure or poverty
- More active participation of ITU with Regulators.
- Regulators and ITU, same goals. Partners.

THANK YOU

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