Arab Regional Forum on Future Networks

Regulatory and Policy Aspects in Converged Networks

Rabat Morocco

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Summary and Key messages:

- The subject was introduced by a keynote speech that covered the very important need of regulatory framework adapted to the Digital Age and allowing an economic model aiming at ensuring Sustainable Internet. The basic rules of such a framework should be future-proof, tech neutral, andapplying same rules for the same services. They should spur investment in the digital infrastructure.

Sessions 1 – Overview of Global Eco-System, Drivers & Issues

- During the past two decades, the world has seen a boost in communications thanks to the Mobile and internet development, reaching today 7b mobile subscriptions and around 3b internet users. The Evolution of data communication is expected to continue at an accelerated pace over the next decade with 60% CAGR of the mobile data traffic driven by video services.
- The Operators have dominated the ecosystem during this period in an open competition environment and with huge investments in infrastructure and basic services making them **accessible** and **affordable** to large population including in the developing countries (XXXXXXX).
- The On-line (or Content and Applications) services offered by Over the Top players (OTT or CAP), such as entertainment, search/portal, social, communications, .. are major enablers of growth and large contributors to the development of demand of access and usage (XXXX users, …). These players have reshaped the Eco-system and they are challenging strongly the Operators who have to cope with the increasing demand and usage by investing more in network capacity, while their revenues are stagnating and profit shrinking. The balance of share of value and cost/revenue are key aspects for all ecosystem actors.
- Regulators and policy makers have played a very positive role in favouring competition and ensuring the openness and access to services. They are however questioned today on ensuring **sustainability** of the eco-system.

Session 2 – Networks and applications: a virtuous cycle across the digital value chain?
This session addressed specifically the network cost issues for Operators and particularly the imbalance with revenues.

- Traffic continues growing but the rate of growth is declining. The reduced costs of carrying traffic offset increased usage-based costs. In the EU prices respond to changes in underlying costs.
- There is no evidence that CAPs are 'free riding'. CAPs make considerable investments in network connectivity (payment to transit providers or investment in network infrastructure) and drive customer demand for fast-speed broadband and bandwidth usage. Part of a 'virtuous circle'.

- Network operators face considerable investment challenges while customer willingness to play remains low. The answer may lie in alternative funding or demand stimulation rather than cross-subsidization between market sectors.
- There is limited scope for applications to exert competitive constraints on broadband connectivity. Ex ante sector specific regulation is warranted.
- The industry is at a turning point witnessing a major transformation driven by customer demand and expectations. The disruptive scaling in usage (mobility, video, and connected things) and the massive move to the cloud require a new way of building and architecting networks as an essential resource with high performance, low cost per bit, and most importantly personalized.
- Operators, Telecom vendors, and Content providers need to adopt new business strategies and carve out new market opportunities.
- There is an investment dilemma in networks today: how to boost investments and build Broadband infrastructures and accommodate exploding traffic and demand, while at the same time ensure a profitable business model and good return on investment.
- Operators need to rethink their strategies and operating model and remain vertically integrated and compete through infrastructure or move to a service competition model by positioning at the right network layers (services, infrastructure ownership, operation, etc.).
- It is not only a matter of business models and economics. Our industry impacts all vital sectors of the economy and is a major lever for development. For this reason, all stakeholders (private and public) including governments and regulatory bodies need to bring joint innovative solutions (technology, investments, partnership models, ..) to the market that can manage complexity, connectivity, and commercialization issues.

Session 3 – Net Neutrality

Quality differentiation/prioritisation are not harmful per se and can can benefit network operators, content providers and also consumers. The key point is to avoid harmful discrimination.

The EU and US regulatory regimes very different and have produced distinct market outcomes. The EU has a richer competitive environment due to last mile access regulation.

Competition plays a key role in deterring harmful discrimination. Competitive broadband markets make Net Neutrality problems less likely.

Session 4 – Role of Regulation: Need and efficiency

In the frame of their responsibility to ensure service development, consumer protection, citizen privacy and security, the regulators (and policy makers) have to adapt the regulatory framework to the eco-system evolution.
Some initiatives of ruling have been taken by regulators in some countries to deal with the imbalance of revenues/costs but no innovative model, nor harmonised regulation have been worked out yet. Many regulators have for example ruled unlicensed voice services (VoIP connecting to PSTN) to protect local operators revenues.

The eco-system evolution impacts also the economy of many countries (value destruction vs creation, taxes, etc..) and are to be addressed by government .

An additional complexity on regulation/ruling come from the fact that in most of the countries, OTT players have no local presence and consider not to be subject to local laws (no incorporation, no tax pay).

This complexity makes it difficult to Regulators and Governments to find alone appropriate solutions. The subject should very probably be addressed locally, but also at regional and international level through a collaborative work between regulators, financial service regulators, data privacy and protection bodies, broadcasting/publishing regulators and communications regulators in order to build a consistent and coherent regulatory framework for the sector.

Session 5 – Wrap-up and recommendations

The main points discussed during this session were related to the actions to be taken by regulators and policy makers to cope with the complex issue of imbalance of cost/revenues and the sustainability of the co-system allowing accessibility and affordability of access and innovative services.

The required move from Operators and OTT players to ensure sustainability and development of services was also discussed and particularly through precise requirements from them by policy makers and regulators.

Capacity building programs to keep the regulators and their teams on the cutting edge are needed. On the supply side, ITU and partners could be the best suited to provide such training, through regional workshops.

The policy dialogue between all players is needed. The "over the top" application providers are often missing in regulatory meetings and workshops. A neutral broke such as ITU , and World Bank, can help link all stakeholders and create a forum policy dialogue on a sustainable basis. Such a forum is critical to harmonisation of the different tensions and converging towards a set of acceptable solutions for all the ecosystem.

Main outcome & Recommendations :

1 – Operators

- Cost Reduction by sharing/mutualisation of infra
- Adapted Model Telco, Opco
- Innovative service portfolio (including through Acquisition, …)

2- Regulators :

- Basic principles of Regulatory Framework should include :
    - Same Service, Same Rule
    - Transparency , including Processing, Search rules, data storage, etc..
- Regulators should favour/push /support Operators models increasing resources sharing and mutualisation of infrastructure and costs.

3 – Governments :

- Address the Privacy & Security issues (private data protection) of their citizens through proper legislation/regulatory framework at local and international level.

- Governments should support and incentivate local innovation initiatives and content/service development, including through cooperation with international players. This will develop local value creation and contribute to international capacity cost reduction.

Time is of importance in setting up appropriate regulatory framework as many investments in infrastructure and services may be delayed or cancelled because of investments/financing issues.

Suggestions for Future Actions :

- The subject to be put on the Agenda of next Arab Regulators Organisation
- Regional Workshop with Regulators and Operators with the objective to propose guidelines to this Regulators meeting