



# Market Dominance in the Digital Age:

A Case Study of Trinidad and Tobago

PRESENTED BY: ANNIE BALDEO





## OUTLINE:

- Composition of the Mobile Market
- Legislative Remit
- Methodology Adopted to Determine Market Boundaries and Dominance
- Conclusions from the Assessment



# OVERVIEW OF THE DOMESTIC RETAIL MOBILE MARKET



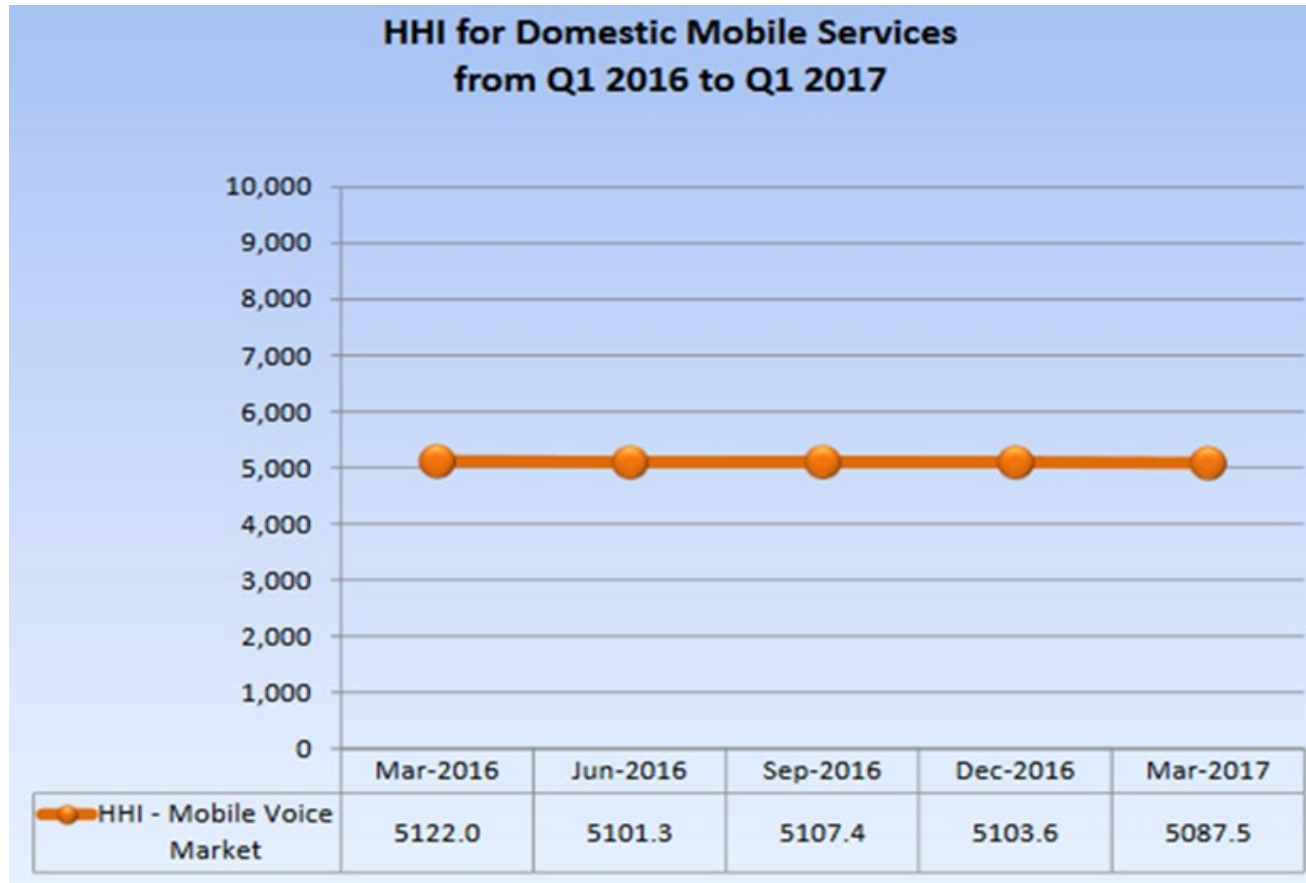
The domestic retail mobile voice market structure may be categorized as a duopoly. The two authorised providers of mobile services in Trinidad and Tobago are:

- Telecommunication Services of Trinidad and Tobago (Bmobile); and
- Digicel (Trinidad & Tobago) Limited.

These two operators have co-existed in the market since 2006 when Digicel entered the market.

Prices in the retail mobile market are currently determined in accordance with the principles of supply and demand.

## Domestic Retail Mobile Market Concentration



- Using the Hirschman –Herfindahl Index (HHI), market concentration in the domestic retail mobile voice market for the year ending March 2017 was calculated as 5087.5, declining 0.7% year on year.
- The HHI of the said market has been relatively stable over the five-year period 2011-2015, with roughly 5000 points being achieved over the period.

# PROJECT RATIONALE



The notable price increases observed in the domestic retail mobile market;



The overall importance of the mobile market to the overall telecommunications sector's sustainability and the development of the national economy;



Global developments in technology which may hold the potential to affect domestic mobile markets;



Variations in various market share indicators and the sector's general level of duopoly competitiveness;



Variations in consumer usage patterns;



The Authority found it prudent to perform an assessment of dominance in the domestic retail mobile markets and to determine if price regulation is needed.





an operator or provider is **dominant** where, **individually or jointly with others**, it enjoys a position of economic strength affording it the power to behave to an appreciable extent independently of competitors, customers and ultimately consumers and for such determination, the Authority shall take into account the following factors.

## STEPS IN DOMINANCE



Definition of Market  
Boundaries

Assessment of  
Dominance

Determination of  
Abuse of Dominance

# LEGAL BASIS FOR THE DETERMINATION OF DOMINANCE OF DOMESTIC RETAIL MOBILE MARKETS



In accordance with the legal mandate of the Authority which emphasizes the establishment of conditions for an open market which promotes fair competition, the Authority is obligated to appropriately assess and define markets for conditions of unfair competition including dominance.



In respect of price regulation, the Authority is empowered to regulate the prices of telecommunications services provided by dominant operators, in accordance with sections 29 (2) and 29 (8) of The Telecommunications Act ("The Act").



Therefore given the sections of the above legislation, the Authority is empowered to review the boundaries of the domestic retail mobile market.



## SECTION 29 (2) OF THE TELECOMMUNICATIONS ACT

Section 29(2) of the Telecommunications Act (The Act) states that:

“The Authority may establish price regulation regimes, which may include setting, reviewing and approving prices, in any case where –

- b) a concessionaire operating a public telecommunications network or providing a public telecommunications service cross-subsidizes another telecommunications service provided by such concessionaire; or
- c) the Authority detects anti-competitive pricing or acts of unfair competition.”



Section 29(8) of the Act, also dictates that for the purpose of making a determination of dominance, the Authority is required to take into account other factors in making any said declaration.

These factors are as follows:



The relevant market



Technology and  
market trends



The market share of  
the provider



The power of the  
provider to set prices



The degree of the  
differentiation among  
services in the market



Any other matters  
that the Authority  
deems relevant

# DETERMINATION OF RELEVANT BOUNDARIES OF DOMESTIC RETAIL MOBILE MARKETS

Steps in defining the market boundaries which is the first part in the dominance exercise:



Determine the product/service scope



Determine the various customer segments



Determine the geographic scope of the market

## Three dimensions to defining the relevant markets: **Product/Service Scope**

- ⑩ The relevant product market consists of all services or products which consumers or suppliers regard as interchangeable or substitutable.
- ⑩ Defining the relevant product market is important as a service provider's ability to influence the price of a product will depend on the availability and pricing of potential substitutes to this product.

## Three dimensions to defining the relevant markets: **Customer Segmentation**

- ⑩ The customer market considers whether there is a need to define separate relevant markets for any sub-set of end-users, such as business and residential end-users.
- ⑩ On the demand-side there is a need to assess whether there are differences in demand from different customer segments which would constrain end-users' ability to substitute between services aimed at different customer groups.
- ⑩ On the supply-side there is a need to assess whether suppliers of services to one customer segment are easily be able to switch to providing services to other customer segments.



## Three dimensions to defining the relevant markets: **Geographic scope**

- ⑩ The relevant geographic market is defined as the area over which competitive conditions are sufficiently similar to define that area as a relevant market.
- ⑩ We should consider if there are significant differences in competitive dynamics between different parts of the country, and whether such boundaries are stable.

# METHODOLOGY ADOPTED

Conduct economic tests to determine the relevant boundaries of the domestic retail mobile markets:

- Hypothetical Monopoly Small but Significant Non Transitory Increase in Price Test HMT /SSNIP;
- Own Price and Cross Elasticity Tests;
- Price-correlation analysis;
- Different absolute price levels analysis;
- Consumers' switching patterns analysis;
- Demand substitutability tests;
- Suppliers' switching patterns analysis; and
- Any other tests or calculations recommended for assessing the market conditions listed in A23 (b) of the Concession, or in accordance with international best practices.

# How have Services Evolved through the Digital Age?

- The services offered in the mobile market not only includes voice and SMS, but primarily data services
- Assessment of whether different types of domestic mobile services (i.e. mobile access and domestic calls, and mobile data only services) are in the same product market.
- Assessment of whether mobile services offered to different customer segments are in the same product market (i.e. prepaid and postpaid service offerings and residential and business service offerings).
- Assessment of whether fixed services are a substitute for mobile services (considering both voice calls and Internet access).
- Assessment of whether OTT services are a substitute for mobile services (considering both voice and messaging).

# Results of Service Scope



**Are retail mobile access and domestic call and messaging services in the same product market?**

Access, calls and messaging services are likely to be part of a single product market.



**Does retail mobile data only services also form part of that product market?**

Mobile data services offered as part of a smartphone bundle are to be considered a complement of the other services within these bundles (i.e. mobile access, regular calls and messaging services).



**Are there separate product markets for prepaid and postpaid offerings?**

Prepaid and postpaid mobile services to be in the same product market. The functionality of both service types is identical and there is likely to be a chain of substitution, particularly between the higher-end/higher-usage prepaid services and entry-level/lower-



**Are Services provided to residential and business users part of the same market?**

Business end-users, particularly SMEs, may be able switch from business to residential service offerings. Mobile services offered to residential and business users belong to the same product market for domestic mobile services.



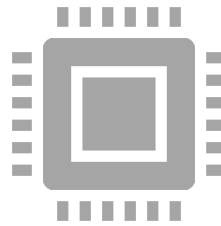
**All of these services form part of a single product market for retail domestic mobile services.**

# Results of Service Scope: Are retail fixed voice and domestic mobile services in the same product market?

---



Domestic fixed voice services do not form part of the same product market as domestic mobile services.



No supply-side substitutability, as these services are provided under distinct licences and are delivered via different network technologies.



Limited demand-side substitutability from mobile to fixed services, as end-users consider the ability to use a mobile to make and receive calls outside the home important (which is not available with domestic fixed services)

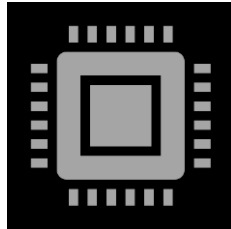


# Results of Service Scope: Are fixed broadband services in the same product market as mobile services?

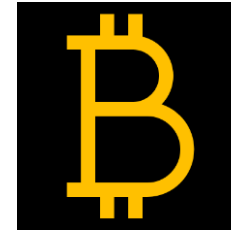
---



Retail fixed broadband services do not form part of the same product market as retail domestic mobile services.



No supply-side substitutability, as these services are provided under distinct licences and are delivered via different network technologies.



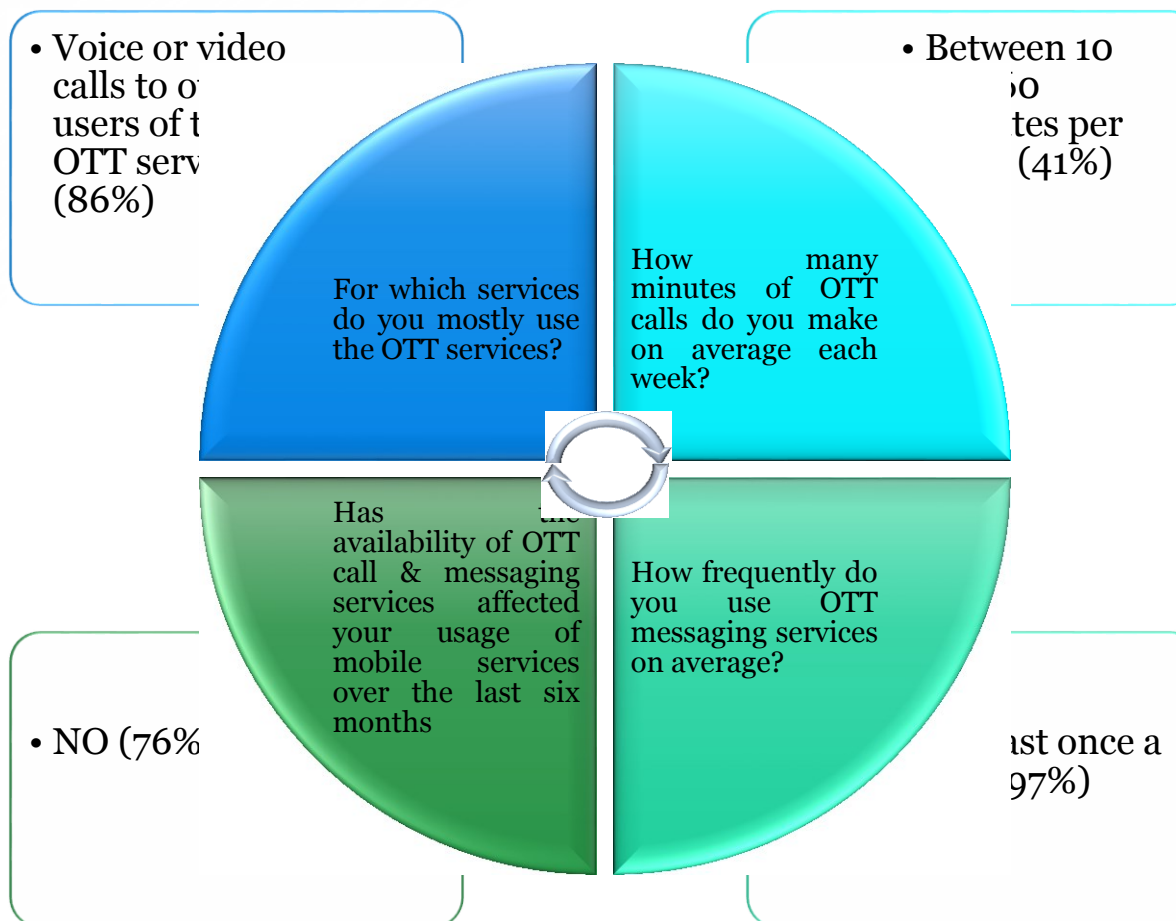
Limited demand-side substitution, due to considerable differences in product features and end-users' preferences

# Preliminary Survey Results

## Demand for Usage of OTT Call & Messaging Services

**Which OTT call & messaging services have you used at least once in the last month?**

Third party mobile APP-based voice & video call services (83%)



# Preliminary Findings: Are OTT voice services in the same product market as retail domestic mobile voice services?



OTT voice services do not form part of the same product market as domestic mobile call services, since there is no, or limited, demand-side or supply-side substitution



No supply-side substitutability, as retail domestic mobile services are provided under distinct licences and are delivered via different network technologies.



**Preliminary Findings:** Are OTT messaging services in the same product market as retail domestic mobile services?

- OTT messaging services not to form part of the same product market as retail domestic mobile services. This is due to there being limited or no demand-side or supply-side substitution.
- No supply-side substitutability, as retail domestic mobile services are provided under distinct licences and are delivered via different network technologies. No or limited demand-side substitutability between these services due to considerable differences in product features and end-users' preferences.

# THANK YOU!



CONTACT : [info@tatt.org.tt](mailto:info@tatt.org.tt)



FB: Telecommunications Authority of Trinidad and Tobago



TWITTER: [@TATT2004](https://twitter.com/TATT2004)



Website: [www.tatt.org.tt](http://www.tatt.org.tt)

