Regulation: what changes are needed?

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The views expressed in this paper are those of the author and do not necessarily reflect the opinions of the ITU or its Membership.
A Thread Across the Ocean

• 1866: The Great Eastern lays the first operational transatlantic cable

• 1865: Founders of the International Telegraph Union
Communication technologies takes time to mature

You probably don’t remember when people use to have multiple phones on their desk?
The Great Telecoms Crisis

- Industry’s titans are toppling
- Everyday brings more bad news

“An infectious greed seemed to grip much of our business community”

Alan Greenspan, Chairman
US Federal Reserve Board
Testifying before the Senate Banking Committee
Build it and they will come

- Politicians are the same all over. They promise to build bridges even when there are no rivers.
  - Nikita Khrushchev (1894 - 1971)

- Major false assumption was super-exponential growth of data traffic
The 3G auctions Rollercoaster

Price per inhabitant, in US$

Source: ITU, 3G licensing briefing paper.
Today’s Situation

- Massive overbuilding of capacity compared to need

- Cocktail of statistics, overbuilding and hype
### Largest US Bankruptcies 1980 - Present

<table>
<thead>
<tr>
<th>Company</th>
<th>Bankruptcy Date</th>
<th>Total Assets Pre-Bankruptcy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Worldcom, Inc.</td>
<td>07/21/02</td>
<td>$103,914,000,000</td>
</tr>
<tr>
<td>Enron Corp.</td>
<td>12/2/01</td>
<td>$63,392,000,000</td>
</tr>
<tr>
<td>Texaco, Inc.</td>
<td>4/12/1987</td>
<td>$35,892,000,000</td>
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<tr>
<td>Financial Corp. of America</td>
<td>9/9/1988</td>
<td>$33,864,000,000</td>
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<tr>
<td>Global Crossing Ltd.</td>
<td>1/28/2002</td>
<td>$25,511,000,000</td>
</tr>
<tr>
<td>Adelphia Communications</td>
<td>6/25/2002</td>
<td>$24,409,662,000</td>
</tr>
<tr>
<td>Pacific Gas and Electric Co.</td>
<td>4/6/2001</td>
<td>$21,470,000,000</td>
</tr>
<tr>
<td>MCorp</td>
<td>3/31/1989</td>
<td>$20,228,000,000</td>
</tr>
<tr>
<td>Kmart Corp.</td>
<td>1/22/2002</td>
<td>$17,007,000,000</td>
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<tr>
<td>NTL, Inc.</td>
<td>5/8/2002</td>
<td>$16,834,200,000</td>
</tr>
<tr>
<td>First Executive Corp.</td>
<td>5/13/1991</td>
<td>$15,193,000,000</td>
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<tr>
<td>Gibraltar Financial Corp.</td>
<td>2/8/1990</td>
<td>$15,011,000,000</td>
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<tr>
<td>FINOVA Group, Inc., (The)</td>
<td>3/7/2001</td>
<td>$14,050,000,000</td>
</tr>
<tr>
<td>HomeFed Corp.</td>
<td>10/22/1992</td>
<td>$13,885,000,000</td>
</tr>
<tr>
<td>Southeast Banking Corporation</td>
<td>9/20/1991</td>
<td>$13,390,000,000</td>
</tr>
<tr>
<td>Reliance Group Holdings, Inc.</td>
<td>6/12/2001</td>
<td>$12,598,000,000</td>
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<tr>
<td>Imperial Corp. of America</td>
<td>2/28/1990</td>
<td>$12,263,000,000</td>
</tr>
<tr>
<td>Federal-Mogul Corp.</td>
<td>10/1/2001</td>
<td>$10,150,000,000</td>
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<tr>
<td>First City Bancorp.of Texas</td>
<td>10/31/1992</td>
<td>$9,943,000,000</td>
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<tr>
<td>First Capital Holdings</td>
<td>5/30/1991</td>
<td>$9,675,000,000</td>
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<tr>
<td>Baldwin-United</td>
<td>9/26/1983</td>
<td>$9,383,000,000</td>
</tr>
</tbody>
</table>

Fault of deregulation?

- Some argue that deregulation has failed to live up to its promise
- Some argue era of natural telecom monopolies are re-emerging
20-year reform retrospective

• 20 years ago, AT&T formally agreed to the break-up of the Bell System (8/1/82)

• 10 years ago, around 10 countries had some measure of fixed-line competition

• 5 years ago, in concluding the WTO basic telecoms agreement, some 70 countries committed to telecoms market liberalisation

• Now, countries with privatized operators and some degree of competition are in majority among ITU Member States
Creation of Independent Regulators

Regulatory agencies, world (cumulative)

<table>
<thead>
<tr>
<th>Year</th>
<th>Number</th>
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</thead>
<tbody>
<tr>
<td>1990</td>
<td>13</td>
</tr>
<tr>
<td>1991</td>
<td>16</td>
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<td>2000</td>
<td>104</td>
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<tr>
<td>2001</td>
<td>110</td>
</tr>
</tbody>
</table>

Source: ITU World Telecommunication Regulatory Database.
Role of Regulation

- Brazil telecommunication sector legislation and regulation widely regarded as very progressive

**Bar Charts**
- **Fixed Lines Installed (Millions)**
  - 1996: 16.5
  - 1997: 22.1
  - 1998: 27.8
  - 1999: 38.3
  - 2000: 47.8
  - 2001: 49.6
  - 2002: 58
  - 2003: 60

- **Mobile Subscribers (Millions)**
  - 1996: 2.7
  - 1997: 7.4
  - 1998: 15
  - 1999: 23.2
  - 2000: 28.7
  - 2001: 45.5
  - 2002: 50
  - 2003: 58
Fresh look at Regulation?

Data Rate

High

Low

Video Conference

Remote Medical Diagnosis

Digital Catalog Shopping

Video On Demand

Digital Audio+Video Delivery

Mobile TV

Video Phone

Video Mail

Remote Education

Mobile Video Player

Advanced Car Navigation

Mobile Radio

Mobile Banking

Voice Mail

Digital Newspaper Publishing

Digital Audio Player

Mobile Audio Delivery

Digital Text Delivery

Telephone

E-mail

SMS

Web

Karaoke

Mobile Banking

Digital Audio Delivery

Interactive

Point-to-point

One-way

Multipoint
Fresh look at Regulation?

• Legislative foundations built around fixed line services & incumbents no longer relevant?
• Asymmetric regulation?
• Licensed/unlicensed spectrum?
• Mobile & Wi-Fi?
Fresh look at Regulation?

- National telecommunication infrastructures are platform for deployment of advanced national information networks
- Build out of networked economies and national information societies have raised public policy stakes
Regulatory Reform

• New European Regulatory Framework (March 2002)
• Removing technology-specific definitions in legislation
• FCC’s Office of Plans and Policy has released comparative analysis at www.fcc.gov/opp/
Regulatory Reform

• Debates on appropriate framework for infrastructure industry regulation
• “World Dialogue on Regulation of Network Economies”
  – www.regulateonline.org
How are Infrastructure Industries Different?

• Without broad access, all other economic activity is difficult, costly or impossible
• Potential for market failure, public interest
• With recent telecoms crisis, have we come full circle?
More debate is needed

- By policy makers, regulators and scholars
- One size will not fit all
- New regulators have distinct advantages
- Difficult to find common dialogue but current telecoms crisis is helping
Role of regulation

• “All government, indeed every human benefit and enjoyment, every virtue, and every prudent act, is founded on compromise and barter we give and take; we remit some rights, that we may enjoy others.”

– Edmund Burke, English Statesman, 1775