



Office of the Director of
**Telecommunications
Regulation**

ODTR NEW ISSUES CONFERENCE: Summary

Document No. ODTR 00/80

December 2000

Oifig an Stiúirthóra Rialála Teileachumarsáide
Office of the Director of Telecommunications Regulation
Abbey Court Irish Life Centre Lower Abbey Street, Dublin
Telephone +353-1-804 9600 Fax +353-1-804 9680
Web www.odtr.ie

On 26th October, the ODTR held its “Conference on New Issues in the Telecommunications Sector”, with a view to helping identify new regulatory issues that will need to be addressed beyond 2002. About 200 senior representatives attended the event from the private and public sectors. A panel of national and international speakers put forward ideas to prompt debate. They were:

- Etain Doyle – Director of Telecommunications Regulation
- Aidan Hodson – Communications Division, Department of Public Enterprise
- Kevin Power – Chairman of the Board of the European Competitive Telecommunications Association
- Alan Tumolillo – Senior Vice-President & Chief Operating Officer, Probe Research Inc.
- David Cleevly – Managing Director, Analysys Group.

Nick Koumarios, one of Ireland’s leading entrepreneurs, who currently serves on the board of several of Ireland’s leading-edge technology companies, moderated the conference. The speaker presentations can be viewed in the documents section (00/80) of the ODTR web-site. Following the presentations, delegates divided themselves into eight parallel workshops, addressing the following broad themes:

- Managing Scarce Resources
- Services to Users - Price, Quality and Choice
- Competition, Bottlenecks and Access
- Implications of Convergence - Technology perspective
- Implications of Convergence - Commercial perspective
- Investment in Communications Infrastructure
- Technology Evolution including Disruptive Technologies
- Communications and Social Inclusion

Background to the Conference:

The telecommunications industry in Ireland has undergone radical change since the advent of full liberalisation in December 1998 and the establishment of an independent regulatory regime. The greatest impact of liberalisation on the telecommunications market in Ireland to date has been in terms of increased competition leading to more choice, more services and better prices for the consumer.

Since liberalisation, the Irish telecoms market has changed dramatically. Ireland has moved from having a monopolistic state owned telecoms operator to a position where there are now over 70 licensed operators including some of the giants of the global telecoms industry.

One of the greatest challenges facing any telecoms regulator is to anticipate and prepare for new issues that emerge from this rapidly evolving sector, and the ODTR is increasingly looking to the future. The purpose of this conference was to look beyond the immediate developments in the liberalised market and forward to 2010.

The conference provided an opportunity for all participants to look at global trends and developments over the next decade and to consider how Ireland can achieve the maximum overall economic and social prosperity from its communications sector. Their contributions will help the ODTR develop regulatory plans to assist in the

realisation of a vibrant communications industry in Ireland and to anticipate where market developments and technological innovations are heading.

As one of the speakers noted, the future can indeed be difficult to forecast, especially in a fast-moving sector such as telecoms. It is also important to bear in mind that regulation facilitates not dictates the future. So, while regulation can help in introducing a degree of stability to a turbulent market-place, it cannot eliminate uncertainty and risk. Indeed regulation itself must be flexible and responsive, varying according to changing market conditions and technical developments.

We stand a better chance of anticipating and preparing for new issues that emerge from this rapidly evolving sector if from time to time we step back and take stock of broad trends in technologies, markets and consumer demand. This conference was designed to give people an opportunity to do this. We have opened up the debate; the challenge now is to keep it going. If we succeed, we will go a long way towards creating a vibrant telecommunications sector that delivers even greater improvements in “price, choice and quality” to consumers than has already been achieved.

Identifying and prioritising the issues that face the telecoms sector into the next decade:

There are three main forces shaping the information and communications technology revolution, these are:

- Market forces
- Technology forces
- Policy, legal and regulatory forces

Market Forces:

Issues that emerge from changing market forces relate to satisfying consumers i.e. price, quality and choice, changes in competitive behaviour, and the impacts of mergers and acquisitions, market consolidation and expansion of sector boundaries.

Technology Forces:

This sector is going through unprecedented change in terms of technical innovation. Some innovations stimulate market convergence while others lead to market divergence. Challenges facing the industry include maintaining the availability, reliability and integrity of the telecom infrastructure in the face of increasing network complexity and global interconnectivity.

Policy, Legal and Regulatory Forces:

International and national sectoral policies and agreements represent key forces in the development of the telecommunications sector in Ireland.

Issues raised

A wide range of issues were raised during the conference and the workshops: some largely technical; some stemming from commercial considerations; and others reflecting wider policy and social concerns. Some may require regulatory attention, while some should probably be left to market forces, and others may need to be addressed by the wider policy making community.

The following is a brief summary (illustrated with quotes) of some of the main issues that were highlighted by the speakers and by workshop participants. It was instructive to observe how much overlap and crossover there was between the various workshops. Most of the issues raised can be conveniently grouped under the following broad headings, (rather than the original workshop themes, which were intended and served merely as starting points for discussions). It was also interesting to note how little time overall was spent discussing purely Irish issues. This would suggest that for the most part those present perceive telecommunications as global, rather than as a sector that should be viewed in a narrow national context.

• **Infrastructure and access to it**

Investment in telecommunications infrastructure is an obvious and necessary precursor to being able to deliver effective and efficient communications services. Telecommunication networks are capital intensive and become liable to technological and business risk factors.

- “Truly nation-wide connectivity at a suitable data rate is required to offer all groups ...the potential to participate in the information society.”
- “A wide-ranging discussion touched upon issues such as: the importance of literacy; the availability of access technologies either in the home or in genuinely accessible public places...and the need for simple, user-friendly interfaces”
- “Stock market ‘bubble’ and its apparent collapse...will determine network futures.”
“...other bottlenecks...of long term significance (included)...siting/provisioning of masts, planning permissions and rights of way...”
- “should investment in low density areas be more protected than high population density areas?”

• **Power of incumbency**

Traditionally, the term incumbent has been used almost synonymously with the former PTT and exclusive licence holders. In recent times it has taken on a wider meaning, to include any well-established player which has the ability to dominate a market. Despite the trend towards liberalisation and more competition, there is a view that at a global level not only will incumbency remain as a major issue into the foreseeable future, but that the power of incumbency will actually increase if left unchecked.

- “Incumbent operators can be tenacious.”
- “Carrier inertia is a major factor in network evolution.”
- “...economies of scale, scope and density as well as externalities...will continue to underpin telecommunications economics...and the incumbent is likely to be the operator most able to exploit these underlying characteristics.”

- “Beware of (well-disguised) incumbent/significant player protectionist arguments.”
- “...the implicit model of an orderly migration from monopoly to freely competitive markets operating without intervention is illusionary.”

- **Threats to quality and continuity of service**

Mergers and acquisitions activity, fierce competition for experienced and skilled staff, and instability (“self-delusion”) in financial markets could all pose threats to quality and continuity of services.

- “The financial environment has the potential to squeeze out the very companies which typically produce innovation.”
- “...quality of services, and the extent to which on-line services/communications technologies meet real community needs would be instrumental in determining their success or failure...”
- “Broadband connectivity raises the prospect of direct access to broadcast quality television services via the Internet and potentially enables content providers...to deliver their output to consumers, bypassing traditional delivery platforms.”

- **Scarcity of resources**

The radio spectrum and numbers are the two resources that regulators commonly think of in terms of scarcity. However, trained staff, finance and equipment components could all become scarce in future and thereby affect the development of the telecommunications sector.

- “Whilst regulators may be unable to influence this situation, these factors will need to be borne in mind when developing policy.”
- “On spectrum matters...the speed of change will mean that regulators will need much greater flexibility to reallocate spectrum from one use to another.”
- “...the process of deciding new allocations should involve...discussion between regulators, equipment suppliers and network/service providers.”

- **Convergence, divergence and bundling**

Convergence can for example be considered in terms of increasing overlap between telecommunications, broadcasting and information technologies. However, while the process of convergence may have been started by technology advances, it is now being increasingly driven by consumer needs. Simultaneously, we are witnessing divergence, in the sense that the telecommunication sector’s boundaries are widening, through the introduction of many new applications, and through the arrival of new players from different sectors, (e.g. content industries, retailing).

- “A concern...as to the ability of operators to bundle services and “lock consumers in” (thereby) limiting their choice.”
- “...we see examples of convergence of broadcasting and the internet...if successful, such developments would clearly extend the utility of the internet and compete with other types of broadcasting.”
- “...three principal issues arising from convergence...namely access to bearer networks, technical standards and regulation of content.”
- “...important to recognise that different market segments exist...requiring different regulatory approaches.”

- **Stability versus technological evolution**

On the one hand, innovation is seen as the friend of the consumer, for example, by widening choice, delivering valued new technologies and services, and improving the efficiency with which they are delivered. On the other hand, it can be viewed as a source of instability, disrupting familiar and trusted services.

- “Without stable platforms there can be no stable applications”
- “Is there more to life than Moore’s Law?”
- In the context of disadvantaged members of society, “...promotion by...regulator(s) of open/harmonised standards was seen as a way in which to create a ... more (viable) market for specialised technologies.”
- “If standards are set through regulation, an operator or service provider will not be able to differentiate himself or add value which in turn would have a negative impact on competition.”
- “A core or minimum set of standards would need to be introduced via regulation in order to protect the consumer...”
- “...how to interpret market dominance where there is oligopolistic competition between large international companies but where this dominance can be eroded by innovative activity.”

- **Universal service and social inclusion**

Promoting social inclusion and fostering balanced regional development feature prominently in the National Development Plan 2000 - 2006. Achieving an inclusive information society requires a responsive regulatory framework that is sensitive to and is designed to protect the various public interests and to avoid exclusion.

- “Two types of exclusion were recognised: exclusion arising from geographical location; and exclusion arising from individual characteristics such as age or physical capabilities.”
- “To what extent would a combination of government incentives and greater universal service obligations serve to help avoid or alleviate problems arising from some form of “digital divide?”
- “To what extent will the new information and communication technologies and services themselves serve to bring about greater social inclusion?”

- **Maturing of the sector**

Until April of this year, some observers claim that the telecommunications sector displayed characteristics akin to a gold rush. By October however, many telecommunication stocks had lost more than 50% of their value, and a period of consolidation began. At the same time, the Internet is showing signs of maturing, becoming commonplace and widespread in its use, (see Allan Tumolillo’s analysis of “General Purpose Technologies”), and dividing into two parts: one to serve consumers; the other to serve enterprise. On the other hand, there is the view that change within the telecommunications and related sectors is still accelerating, (see David Cleevely’s “chessboard” analysis).

- “Regulation will need to contend with shifts from few to many content providers, limited to open platforms, and restricted to multiple access.”

Conclusion

The above summary is intended to give a flavour of the discussions which took place, rather than to provide a record of the day's proceedings. The ODTR will, in the coming weeks and months, be devoting time and effort to examine those issues pertinent to the Office in greater detail, and the results of our analyses will in due course be reflected in our work programme.