

Next Generation Regulation

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Date: November 8th 2005

Trends in the Telecommunications Industry

- Transition to IP-based Next Generation Networks
 - Capability to carry voice, data, video and multimedia over the same network
- Multiple access networks
 - Co-existence of different wireline and wireless access technologies
 - Convergence of fixed and mobile services
- Intelligence moved to/outside network edges
 - Separation of service provision from network infrastructure operation

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Implications for Operators

- Traditional sources of revenue will decline
 - Replacement of fixed telephone lines by IP phone services and mobile services
 - Bypass of circuit-switched international services by IP phone services
 - Avoidance of access fees and universal service contributions by IP phone services
- New sources of revenue will arise
 - Video/multimedia content and applications
 - Functionalities not feasible on circuit-switched networks

Challenges to Regulators

- To preserve the incentives for efficient investment in network infrastructure so that the infrastructure of sufficient speed and capacity will reach as many users as possible at affordable prices; and yet
- To safeguard the long-term interests of consumers and users by promoting network openness and maintaining a healthy level of competition of content, applications and services operated over the network infrastructure so as to enhance choice, quality, value-for-money and innovation

Preserving Investment Incentives (1)

- Policy should enable investors in network infrastructure to earn a return commensurate with risk
 - Unbundling requirements for access to local loops built under the protection of a monopoly may not be applicable to newly invested infrastructure (e.g. optical fibres, broadband wireless access)
 - Multiple access networks may eliminate bottleneck at access level
 - Unbundling obligations to continue for “essential facilities” only

Preserving Investment Incentives (2)

- For access to transport network by non-affiliated service providers, commercially agreed arrangements are preferred to regulator-imposed ones
 - Regulatory intervention only when the transport network constitutes bottleneck/essential facilities
 - Access to transport network by non-affiliated service providers to be facilitated by competition in network infrastructure
- More flexibility in pricing and bundling end-user services subject to fair competition rules

Safeguarding Long-Term Benefits of Users (1)

- Market entry barriers to be lowered
 - Regulatory entry barriers to be lowered
 - Limited resources (e.g. radio spectrum and numbering) necessary for market entry to be made available in an efficient manner
- Potential new bottlenecks, if any, on upper layers, or between layers, of Next Generation Networks to be identified and tackled
- Network openness principles to be upheld
 - Users and consumers free to access services and applications on the Internet

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Safeguarding Long-Term Benefits of Users (2)

- Networks to be interconnected for communications between users, and access to services, on different networks
 - Basic interconnection rules to be maintained
 - Effective mechanism to resolve inter-operator disputes by regulator or arbitrator
- Customer switching barriers to be lowered
- Asymmetry of information between operators and consumers to be corrected
- Effective operator/customer contractual dispute resolution mechanism to be established

Regulation to Evolve with Market (1)

- Prescriptive *ex ante* regulation progressively replaced by *ex post* enforcement of competition law as effective market develops
- Regulation not to impede the deployment of new technologies
 - For example, for IP phone services, OFTA adopts a two-class regulation approach
 - “Substitutes” for conventional telephone line services – existing regulation applies
 - Other future services – only regulation necessary to safeguard consumer interests remains

Regulation to Evolve with Market (2)

- Institutions, legislation and policies to cope with ICT convergence
 - Horizontal layer-structured regulation instead of vertical segments
 - Unified regulator for holistic approach
 - Harmonization of telecommunications and broadcasting regulation
 - Technology-neutrality ensures technology-proof regulation
 - Converged regulation for fixed and mobile services

Thank you.
Questions welcomed.

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