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PTC '08: Return of the R-word

Regulation of NGN unavoidable even if undesirable, say experts

by Stephen McClelland (Special to Telecommunications)

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Telecom visions for the future of the market used to be very simple, says Eli Noam, telecom guru at the Columbia Business School. “When we thought about the future in telecom, we thought there would be competition and then more competition, and regulation would eventually become unnecessary and then fade away,” he says, but adds: “I would argue none of this has happened or will happen, and if anything regulation will become more important than ever.”

Noam’s remark—at PTC '08—may acknowledge just how in the course of less than two decades, attitudes to telecom regulation have become a focus for a major rethink, but why has this happened? “The first reason is the fundamental economics of the technology used: high fixed costs, low variable costs, and an industry dominated by large operating companies, so market power will continue to exist,” says Noam. Governments, he says, when faced with the question of how to regulate the new environment will simply address the least mobile and most restricted part of the value chain in the industry—the infrastructure part—and regulate it.

Moreover, every developed society has woken up to the criticality of the ICT infrastructure. In Japan, Vice-Minister for International Affairs at the MIC, Kiyoshi Mori, underlines the key place of the ICT industry in a developed society like Japan: “The ICT industry accounts for about 40 percent of the real GDP growth in the country,” he says.

Like his counterparts across the world, he also presides over a major rethink—this one slated for 2010—on how future networks should be regulated. He ticks off a list of ten major policy items that will have to be considered to shape the NGN industry from promotion of competition amongst facilities-based carriers to consumer obligations and USO concerns.

Regulation, in short, has become a pressing need for those nations pushing to improve their economic and social climate and maintain a competitive edge, and the same issues confront industry and governments in Washington, Brussels, Bonn, Tokyo and Singapore. But after years of decrying regulation, how now should we take advantage of it? Must it be an inevitably negative thing?

Matthias Kurth, President of Germany’s Federal Network Agency, argues that regulatory-inspired competition was effective and was good for the consumers in terms of new services and falling prices. But he ponders on how infrastructure will get upgraded and built for the next generation, and in particular who will pay for this and with what business model. “We see in Europe revenues are stagnating and the question is on the business model



of the future," he says.

So the hunt is on to deploy a regulatory system that allows players to deploy future networks. And that is not the only concern. Kurth says the market has seen the possible emergence of new forms of walled gardens particularly where particular mobile handsets are tied to particular services supplied to consumers. He suggests that walled gardens that limit the consumer will be a negative aspect of the marketplace and should be addressed by regulatory tools.

The prospect of more regulation does not fill everyone with unalloyed optimism, however. Visionaries in the net community, such as ICANN's President and CEO, Paul Twomey, fears that regulation will take the form of 'classical' approaches, more suited to traditional telecom networks rather than acknowledge the fundamental differences that the Internet means.

"The Internet model promotes innovation at the edge of the network," says Twomey, "whilst the telecom model places emphasis on innovation at the core of the network. What does that mean? In the Internet environment, it has allowed entrepreneurs to find niches of customer interests faster, first in communications but now increasingly in other industries." Twomey argues that fundamentally, the new business models of the internet of posing new questions of convergence but convergence that seeks to displace other industries from new markets.

The future, however, may be closer than we think. Across the world in Singapore, the challenge of NGN is being confronted now with new broadband infrastructure network projects inspired by the governmental need to maintain a competitive edge. Singaporean authorities, says Keng Thai Leong, Director-General at Singapore's IDA, have addressed the regulatory challenge directly. The new network will be clearly defined and separated in a layered structure, treating network and operational issues on a partitioned basis. A Netco organization will be structurally separated from an Opco organization and any other telco interests. There will be a focus on competition, however, at the services level. A smaller scale project to provide national Wi-Fi has been a proving ground for such public-private partnership structures. One point that other governments could take note of—Singapore ploughs back some of the money it makes on telecom license fees to start these network rollouts off.

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