Session: Forum Closing Conversation - Regulation

The industry is experiencing a time of great challenge with increasing costs and falling revenues. There has been a move from a time/distance charging mechanism to an unlimited data model that was recognized as being unsustainable.

Significant investment is required to upgrade both fixed and mobile networks to meet the data needs of tomorrow. In many economies, the level of investment required is beyond the capacity of individual operators.

The over the top (OTT) players are providing a great challenge to operators' business models, diverting revenues that some operators regard as their own. Changes are needed to operators' business models, and regulatory settings to meet the demands of the future. As one regional CEO commented, in a take off of an Oldsmobile ad, "your father's ICT is not your ICT".

There was general agreement among operators that their traditional business model had to change - the focus had to be on customer satisfaction; as one CEO said "the game is now a service game'.

There was considerable discussion about the need to separate infrastructure and services, as they involve quite different skills and require "a totally different DNA". One CEO expressed the view that in 10 years separate network and services businesses would be the norm, and would develop by natural evolution.

In addition to separation of infrastructure and services, there was also reference to separation of layers or tiers of access or service provision, as an alternative way to monetize networks, moving away from flat rates to differentiated charging for basic to premium services. This is the model adopted in New Zealand, where an entry level 30 Mbps/10 Mbps is priced at the wholesale DSL rate, but consumers can increase their package in a series of steps up to a 100 Mbps symmetrical service, with the cost of the package increasing at each level.

Another suggestion was access to educational or health apps and services could be free of charge in the future, while entertainment or business apps could be charged at incremental rates. This idea of differentiation is reflected in some spectrum sharing models, using LTE and other newer technologies, to vary upstream/downstream data according to need, time, location, and customer.

In relation to the OTT players, most operators expressed the view that the challenge they faced was best dealt with by commercial negotiation. The view that there was a need for regulatory intervention, or the imposition of a sending party pays principle for internet services, was clearly a minority view, although it has to be said it was a very passionate minority.

The issue which raised the greatest concern was how to make the investment required when revenues where falling. Operators where in general agreement that the level of investment could not be met individually, and there needed to be more sharing of infrastructure and collaborative infrastructure investment. The networks of the future would in effect be enabling platforms, available for use by all services providers on a non-discriminatory open access basis.

In many cases state funding would also be required, and PPPs would become commonplace.

Regulators also needed to change their approach. What would once have been regarded as collusion was absolutely necessary for the future. Infrastructure sharing should be encouraged and facilitated by regulators, with robust competition occurring at the services level.

Operators identified the regulatory framework as the number one consideration in an investment decision. They needed to be satisfied the there was regulatory certainty, and the regime allowed an acceptable ROI – if there was no ROI there would be no investment.

Regulatory models have been evolving as economies have implemented broadband plans to meet the challenges outlined above. Best practice has evolved in the development of open access obligations on the infrastructure provider (which require that infrastructure services be provided in a transparent and non-discriminatory manner to all customers including the service provider's downstream businesses), coupled with robust monitoring of compliance with, and if necessary enforcement of, these open access obligations. This model has been adopted, in various forms, by countries in South East Asia, South America., Africa the Middle East and Europe.

A variety of open access models have emerged, from mandated wholesale access (Malaysia) through to some form of separation between the infrastructure business and the downstream services business (Singapore, Australia, New Zealand). In most cases where Governments have made a decision to provide funding for broadband infrastructure, they have typically imposed conditions mandating structural separation if the incumbent wished to take up the state funding (Singapore, New Zealand), or created a new Government owned and operated infrastructure provider (Australia's NBNCo, Qatar's QNBN.). This approach is designed to remove once and for all the economic incentives to leverage the market power associated with the monopoly infrastructure into downstream competitive markets.

In the mobile markets, the same infrastructure sharing issues arise as in fixed markets. There is a recognition that LTE roll out will involve a greater degree of infrastructure sharing (and also spectrum sharing) than has been seen in the past, and this should be encouraged by regulators.

Finally, there was unanimity on the need for more spectrum, and refarming of existing spectrum, to meet the demands of the future, and the need for harmonization of bands.