



2nd Global Symposium for Regulators (Geneva, 2001)

Effective regulation

Speeches

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GLOBAL SYMPOSIUM FOR REGULATORS (GSR) Spotlight on Effective Regulation Keynote Address

Yoshio Utsumi
Secretary-General
International Telecommunication Union

ITU Headquarters, Geneva – 3 December 2001

Ladies and Gentlemen,

It is my pleasure to welcome you to the ITU for the second Global Symposium for Regulators. I am delighted to see that so many of you have come to the ITU to participate in the discussions of regulatory issues, a matter of prime importance to the telecommunications sector.

More than 30 years ago, when I first joined the Ministry of Telecommunications in Japan, I came across two words I had not known and with which I was always occupied: crossbar and FCC. Cross bar was replaced by digital switches and ATMs, and they are now being replaced by routers, but FCC remains a main focus point.

The subject of my thesis for the MA in political science in the States was a comparative study of broadcasting regulations, between the FCC-style commission and the Department-style regulator. That was three decades ago. Since then, the liberalisation of markets, the development of telecommunications competition, and the creation of a regulatory authority in Japan - and now worldwide - has been one of my lifetime commitments.

I am quite happy to witness today that about 80 countries have a competitive telecommunications market and 112 countries have separate telecommunication regulators from operators.

Against this background, I would like to pose you a question - How can the ITU provide its membership with the necessary services that new regulators and the market need?

My answer is that the ITU can play, through four main vehicles, an important role in helping to strengthen regulators:

? Firstly, the ITU can provide a **forum** for regulators to discuss the most current issues.

To take one example, IP telephony. Should this recent technology be considered to be an obstacle for the development of telecommunication networks and should it be prohibited or is it a technology that provides affordable services to users and encouraged by the regulator? It was a very controversial issue to many regulators in the world. We had a so-called new initiative workshop two years ago on this issue and produced a chairman's report.

The ITU so far has had 5 workshops under this new initiative program. Electronic Signature, IP telephony, Interconnection, Broadband and 3 G Mobile licensing policy.

? Secondly, through these discussions the ITU can provide a type of **knowledge centre**, or a repository of global expertise.

The ITU has already established a leading position as a source of telecommunications market data and we are expanding that coverage to incorporate regulatory and tariff data. Actually the chairman's report on the above workshop became one of the best references on IP telephony and was the basis for the discussion we had at the successful 3rd World Policy Forum last March which produced a number of shared opinions to encourage the use of new technologies for the benefit of the human being.

Other ITU products and services, such as the newly-launched series of Internet case studies, the regulatory website, the ITU World Telecommunications and Regulation Databases and other products and services are good examples of the type of added value that the ITU can bring.

? Thirdly, the ITU can provide a forum where **a specific policy and regulatory matter** should be discussed in order **to solve problems** of a global and cross-sectoral nature.

I do not need to explain that the three successful World Telecommunication Policy Forums formed a number of shared opinions among policy makers and regulators around the globe and facilitated the development of new services using new technologies.

? Then, fourthly, the ITU can serve as a conduit for the **transfer of regulatory expertise** between our Member States.

Transfer of technical expertise has traditionally been one of the main roles of the Development Sector. The demand from our Member States is now less for technology transfer and more for regulatory expertise and know-how. This is one of the goals of the ITU's Centres of Excellence programme, but we would like to improve the ITU's ability to respond to requests from our Members. I am very happy that last year at the first Development Symposium for Regulators, you yourselves acknowledged the usefulness of this forum. And now we are organizing the second one.

These are my ideas as to the role that the ITU could play in the future.

Ladies and Gentlemen,

The global information society is evolving at breakneck speed. The accelerating convergence between telecommunications, broadcasting and information technologies is generating new products and services, as well as ways of conducting business and commerce. At the same time, commercial, social and professional opportunities are exploding as new markets open to competition and foreign investment and participation.

The modern world is undergoing a fundamental transformation as the industrial society that marked the 20th century rapidly gives way to the information society of the 21st century. This dynamic process promises a fundamental change in all aspects of our lives, including knowledge dissemination, social interaction, economic and business practices, political engagement, media, education, health, leisure and entertainment.

We are indeed in the midst of a revolution, perhaps the greatest that humanity has ever experienced. To benefit the world community, the successful and continued growth of this new dynamic process requires global discussion and harmonization in appropriate areas.

That is why the ITU is now preparing, in addition to the four vehicles proposed above for policy makers and regulators, the World Summit on the Information Society together with other UN agencies.

The first phase of the World Summit will take place in Geneva, hosted by the Government of Switzerland, from 10-12 December 2003. It will debate all themes related to the Information Society and adopt a Declaration of Principles and related Action Plan addressing the entire range of topics dealt with.

The second phase of the World Summit will take place in Tunis, hosted by the Government of Tunisia, in 2005. Development themes will be a key focus of this phase and it will assess the progress made and adopt any further Action Plan deemed relevant.

I am very proud of reports among UN colleagues that this World Summit on the Information Society which the ITU is preparing will be one of most important events in the UN system.

I am delighted to be sharing these views at this opening session with some distinguished regulators from different regions of the world. I look forward to hearing their views from a broader perspective on information and telecommunications.

To conclude, I would like to wish you every success in your deliberations over the next few days and I hope to receive constructive feedback as to how the ITU can better serve its membership in the field of co-operation between regulatory agencies.

Thank you.

Global Symposium for Regulators (GSR):
Spotlight on Effective Enablers

Opening Address by Hamadoun Touré
Director, ITU Telecommunication Development Bureau (BDT)

Distinguished Guests, Minister Angela Montoya Holguin of Colombia, Minister Nyana Mphafi of Lesotho, Minister Clement Stambuli of Malawi, Minister Jean Pastorelli of Monaco, Minister Dan Nica of Romania, Secretary-General Yoshio Utsumi, Deputy Secretary-General Roberto Blois, Radiocommunication Bureau Director Robert Jones, Distinguished Chairmen, Directors General and Presidents of the Regulatory Authorities, Ladies and Gentlemen,

It is my greatest pleasure to welcome you to the second annual Global Symposium for Regulators. As I look out at this distinguished audience, I am delighted to welcome back many of you who joined us at the first global gathering of regulators last year, the Development Symposium for Regulators, which marked a watershed for ITU and the BDT. We are very happy to have you with us again this year. I am equally pleased to welcome many new faces to the Symposium. Many, many new faces!

Last year marked the first time that regulators and policy makers from all four corners of the globe united to launch a global dialogue. As remarkable as that event was, this meeting is even more astonishing. At last count, we had registered more than 55 directors general, chairmen, presidents and board members from regulatory authorities, and the participation of at least 97 countries. Such a gathering would have been unimaginable just a few short years ago. Indeed, your presence is a true testament to how the world of telecommunications has changed.

If we were to have held this meeting in 1999 we would have been hard pressed to attract as many countries with regulatory authorities. A total of 84 countries had established a regulatory body at that time. We would have had to attract every one of them. Today at least 112 countries have established a regulatory body. And the vast majority of these are represented in this room. Perhaps even more astonishing is where these regulators come from. Eighty per cent of the regulators in existence today are from developing or least developed countries. Regulation, clearly, is a development issue.

And this makes perfect sense. The telecommunication sector is evolving into a broader "information and communication technology" (ICT) sector that includes elements of telecommunication, broadcasting and computing. The ICT sector is seen not only as an economic engine, but also an enabler of social, educational and medical progress. The importance of access to ICT systems has grown accordingly. It is for this reason that

national and international policy makers are harnessing their energy to transform the digital divide into a digital opportunity. Of course, the ITU has a long-term commitment to improving universal service to telecommunications services. As the telecommunications sector evolves into the ICT sector, we are leading the effort to bridge the digital divide. This goal forms the core of the BDT mandate.

The majority of ITU Member States now recognize that sector reform is the bedrock on which digital divide initiatives rests. Perhaps the most fundamental task of ICT sector reform is to establish an effective and transparent regulatory authority. Many governments have created regulatory entities in recent years, either as separate agencies or as functional units within government ministries or offices. Many more are planning to create regulatory bodies in the near future (more than 35). For governments, much is at stake in these efforts. It should come as no surprise, therefore, that more than half of the recognized regulatory bodies directly represent their country at the ITU, 57 at last count. In addition, four regulators are ITU sector members. This is a testimonial to the importance of the ITU as a neutral platform for regulators to converge and share and benchmark their experiences.

Competition in the ICT sector has fueled the skyrocketing rise in the number of mobile subscribers and Internet users worldwide. But competition cannot, by itself, achieve all social or economic objectives ICTs promise to bring. Competition is just one important element of a comprehensive strategy for economic and social development. Nor can market forces by themselves ensure fair competition in most ICT markets in the world today. Regulators must increasingly take an active role to ensure that vital building blocks of competition, such as interconnection and resale, are provided in a fair and transparent fashion. At the same time, regulators must develop enforceable universal service programs that bring networks and affordable services to rural and urban populations alike.

That is why BDT devoted this year to the study of effective regulatory authorities. Effective regulation is the theme of this year's Global Symposium for Regulators and the theme of the annual BDT report, *Trends in Telecommunication Reform*. Effective regulation was also the theme of a series of five case studies BDT conducted around the globe this year. The case studies are perhaps the most comprehensive reports on regulatory authorities published to date. They focus on key issues including the sequence of the sector reform process in each country studied, regulatory powers and mandate, transparency in the decision-making process, staffing and financing of regulatory authorities.

We'll be taking a closer look at the Effective Regulation Case Studies this afternoon, and are delighted that the heads of the five regulatory authorities we studied, Botswana, Brazil, Morocco, Peru and Singapore have honored us with their presence today.

Tomorrow, we'll be taking a close look at the *Trends* report. Each of the authors will present his or her findings, and we have developed a series of distinguished panels that will explore the themes of our report in greater detail. *Trends* is based not only on the independent research of the authors, but also the invaluable information we gathered as part of our case studies and the annual regulatory survey we conduct each year. We learned so much from you, from the regulatory authorities examined in the case studies, and from those of you who faithfully respond to our survey each year. I would like to thank all of you for your help in our work, and am pleased that we are able to host an event like this in which we can share our work with the very broad community of regulators and policy makers.

One of the most fundamental lessons we learned this year is that regulators are much more than referees ensuring fair competition—although that role is central to their mandate. More than referees, they are enablers, promoters, and developers.

In many ways regulators are like a lighthouse shining a path of light into a safe and prosperous harbor. They provide a signal that their market has the security of clear investment rules applied in a fair and transparent fashion. Although regulators themselves do not ply the waters of trade and commerce or operate the “shipping lanes” of ICT networks and services, or sell products or services to customers, they, like a lighthouse, create a climate conducive to enabling those that do to conduct their business. They enable networks to be rolled out, new services to be launched, create new job opportunities and ensure that customers are satisfied. It is for this reason that we have selected the image of a lighthouse for our cover of the latest edition of *Trends in Telecommunication Reform*.

Like regulators, we in the BDT aim our efforts at customer satisfaction, including responding to your requests. Last year, the Development Symposium for Regulators backed a 4-point action plan to continue the global dialogue among regulators. Part of that plan called for annual global regulators' meetings. That request is the basis for this year's Global Symposium for Regulators. It is clear that our Global Symposia for Regulators have responded to a need that up until last year had gone unanswered. The ever-growing number of regulatory authorities in developed and developing countries have a great thirst for sharing their views and experiences. BDT has tapped a well to quench your very real thirst. Rest assured that we have already factored a third annual Global Symposium for Regulators into our operational plan for next year.

You also asked that BDT provide an on-line forum and regulators' hotline to provide a venue for further exchange of views and experiences among regulators and policy makers. As many of you know, we rose to the challenge and launched the Global Regulators' Exchange (G-REX) on 8 May. Since its launch, G-REX has grown in popularity. We'll be offering the regulators and policy makers who participate in G-REX an opportunity on Wednesday to provide their recommendations on how we can shape this useful vehicle in the future to better serve your needs.

I also know that many of you have come to this meeting armed with further proposals to enhance the services we provide to those of you on the front lines of sector reform. I can assure you that BDT is ready to rise to the challenge and to work with you. We are confident that our efforts to help regulators and policy makers will help meet the goal of improving universal service and bridging the digital divide.

I would also like to extend this challenge to those of you in the audience from the private sector that we invited to participate in today's session. One of the valuable lessons we learned from our work this year is that regulators do not operate in a vacuum, but work closely with partners, including the private sector. Like the regulators, BDT too needs partners to enhance its range of regulatory products and services. We look to you to make proposals on how you can join our valuable work.

In fact, we look to all of you to help us to develop our future work plan to better meet your needs. Of course, we are all planning for the Plenipotentiary Conference next September. But first we will host the World Telecommunication Development Conference (WTDC) in Istanbul, Turkey from 18-27 March. This Conference will set the work plan of the BDT for the next four years. I am delighted that Fatih Mehmet Yurdal, President of the Turkish Regulatory Authority, who will serve as Chairman of the WTDC, is here with us for this Symposium. Mr. Yurdal has been a great supporter of our work, participating in this Symposium, and is a very active G-REX moderator and contributor. For all of this, I wish to say thank you.

I would also like to invite all of you to come forward with proposals for the WTDC to help shape our future work programme. ITU Administrations and ITU-D Sector Members are invited to submit their proposals by 8 January 2002. We will also be listening to your proposals this Wednesday. The Chairman's Report from this Symposium will also be provided as a contribution to the WTDC. If you would like to make a written proposal for our Wednesday session, you are invited to do so.

Ladies and gentlemen, distinguished guests, I don't want to take any more of your valuable time. We have very important issues to discuss. And our learning process continues. I would now like to turn the remainder of this meeting over to you, the regulators and policy makers, so we can continue to learn from you and respond to your urgent needs.

Thank you very much.

DAY 1 -- December 3, 2001 (Monday) Morning

Speech by Mr. Anthony SK Wong

Mr. Utsumi, Mr. Toure, Honorable Ministers, Distinguished Delegates, Ladies and Gentlemen,

I am very honored to have your trust in appointing me as the chairperson of this very important Symposium attended by so many esteemed Regulators around the world.

We live in a world of extremely rapid changes in telecommunications technologies. Not so long ago the telephone network was regarded as a natural monopoly. The telecommunications regulators in those days, if any were in existence, were mainly dealing with the question of how to regulate the rate of return of the monopoly telephone operator. Within the last decade or so we have seen what tantamount to miraculous inventions of new equipment and new services – the optical fiber, the cellular phone, the digital and compression techniques, the internet, just to name a few. These have led to the emergence of whole new opportunities and markets in the telecommunications sector, resulting in competitive provisions of a large variety of facilities and services. Regulators are faced with a whole new ball game in their courts. They have to look at issues like the economic, technical and accounting aspects of interconnection. They have to work out rules of fair competition. They have to make sure limited resources like the radio spectrum and the numbering plan are allocated in the most efficient manner among the many operators.

The work of the regulators is not made any easier by the recent ups and downs in the economic climate. The over-supply of investment and capacity caused by the dot-com fever and the aftermath of the Asian financial crisis, the dot-com bubble burst and the recent 911 incident all pose significant challenges to the telecom regulator.

On a global basis we also see significant differences in the state of technology deployment and in the level of market development among different countries. While telecommunications services have become a basic necessity for every citizen in the industrialized countries they remain a scarcity in many parts of the developing world, leading to a more and more polarized digital divide. With the assistance of organizations like the ITU, it is comforting to see that many developing countries are putting much greater efforts in their telecommunications developments. This is evidence also by the fact that we are seeing a rapid growth of the number of telecom regulators – from what was a handful a decade ago to the current count of over a hundred and growing day by day.

The GSR is an important initiative for the building of a bridge and a platform for regulators to

share their experience and exchange views and findings in the vastly complex field of telecommunications regulation. Not only is it useful for the newly created regulatory agencies to gain useful information from others successes or mistakes, it is also valuable for all regulators, old or young, to come together to look at issues of common concerns and identify common solutions to tackle those issues. As the telecommunications services are fast becoming globalize this platform for shared information and concerted action becomes all the more important and necessary.

I am pleased to see the overwhelming support for this Symposium. We have three days for us to have a meaningful dialogue among ourselves. Although I do not expect everyone will go home with their problems solved, with you co-operation and contribution I hope we could at least make a good start in the building of this meaningful bridge among us and take home an action plan for immediate implementation.

Thank you.

KEYNOTE ADDRESS

By

**H.E. Mohamed Jamil A. Mulla
Governor , Saudi Communications Commission**

Global Symposium for Regulators

**Geneva
3-5 December,2001**

H.E. Mr. Utsumi, Secretary General, ITU,
Mr. Toure, Director, Telecommunication Development Bureau,
Mr. Jones, Director, Radio communication Bureau,
Mr. Zhao, Director, Telecommunication Standardization Bureau, Fellow
Regulators from around the world,
Distinguished delegates, Ladies and Gentlemen,

Good morning and friendly greetings from Saudi Arabia.

It is my privilege and honor to address this important gathering. We are thankful to ITU for organizing this global symposium for telecommunication regulators and providing us an opportunity to exchange views and benefit from each other's experiences. I am particularly thankful to Secretary General, ITU and Director of the Development Bureau for giving me the honor and opportunity to share my views.

We are quite aware that there is an information revolution sweeping the world. This revolution manifests itself most clearly in two main areas : Convergence among telecommunications, computing and broadcasting to form the information highway, and Globalization of telecommunications. These two salient features of the information revolution have far reaching effects on the economic and social structure of almost all nations and impose serious challenges to these nations and, in particular, the developing nations. Two options are available: meet the challenges to survive and prosper, or ignore them and wither in isolation.

A new telecommunications environment has materialized around the world, where the key words are liberalization, privatization, competition and market forces. In this scenario, the Kingdom of Saudi Arabia decided to liberalize its telecommunication sector and allow fair competition in order to provide adequate and advanced telecommunication services and equipment of best quality throughout the country and at affordable cost for all sectors of the national economy and society.

The Kingdom of Saudi Arabia took the first steps towards the liberalization of the telecommunication sector as early as 1998 by converting the government telecommunication service provider into a corporate body, named Saudi Telecommunications Company (STC). Services like wire line telephony, cellular mobile telephony and satellite-based services are provided by STC in most parts of the Kingdom. At present, STC has telephone exchange capacity of about 4.5 million lines,

with 3.2 million working lines and about 2.5 million cellular subscribers. Internet Services, which have grown rapidly in recent years in the kingdom, are provided by several service providers. Expansion is planned in the next two years for the addition of approximately a million fixed lines and three and a half million cellular subscribers.

It has become more and more evident that to develop the telecommunication facilities and services in Saudi Arabia to meet the national policy objectives of the government and projected demand, investment of large sums of money is required. In addition, many more participants need to be allowed to enter the market. In other words, orderly evolution of competition is deemed necessary. It is realized that to achieve this, clear policies must be formulated and developed and a solid legal and regulatory environment created to allow implementation of these policies in an orderly and effective manner. Thus, the Telecommunications Act as well as the Ordinance establishing the Saudi Regulatory Authority, named the “Saudi Communications Commission” (SCC), were promulgated and published in the Official Gazette in June of this year. The Commission is still at an early stage but work is in progress to develop it into an effective operating organization.

The basic role of the SCC is to implement the strategic policy of the government for the telecommunication sector with the objective to create a favorable environment for the provision of advanced, adequate, reliable and affordable telecommunication services throughout the Kingdom, by promoting and encouraging fair competition.

In accordance with the Ordinance, the Commission has a legal standing and is administratively and financially independent. The actions of SCC have to be fair, firm, equitable, transparent and impartial in the eyes of all parties. It has to maintain a fine balance between the interests of the three major players in the field, these being the Government, the public consumer (end user) and the service providers.

The basic functions of SCC are to regulate the telecommunication sector and implement the approved policies, plans and programs for its orderly development, and also to encourage investment in the sector. SCC will issue and enforce By-laws for the regulation of the telecommunication sector. The Commission will also issue relevant licenses to operators and ensure adherence to the license conditions.

SCC, in coordination with the concerned parties in Saudi Arabia, will review the National Frequency Plan. Management of scarce resources

such as the Radio Frequency Spectrum, Orbital Positions, and Numbers is an important aspect of the functions and activities of the Commission. A proposal to adopt economic measures in Spectrum Management through spectrum pricing instead of the conventional equipment licensing, is being considered. SCC will also establish the basis for a fair price/tariff for various telecommunication services and encourage the introduction of new services. It will establish interconnection regulations and charges and settle disputes between operators and address service related customer complaints and disputes. The Commission will stimulate research and development, and encourage innovations in the sector and be an agent of technology transfer in the field.

The Commission is addressing the following on a priority basis:

- Assessment and Analysis of the Telecommunications Market in Saudi Arabia in order to determine the market structure, sequence and timing for the orderly evolution of competition.
- Development of the By-laws of the Telecommunications Act.
- Establishment of the Rules and Procedures of the SCC.
- Development of the Licensing Framework and preparation of the License Documents for various types of Service Providers including, STC, the incumbent operator.

ITU has played a pivotal role in the development of telecommunications globally through its various initiatives and important activities of Radio communication Sector, Telecommunications Development and Standardization Sectors. I am confident that ITU would continue its active role and valued support for varied and important activities related to the development of national telecommunication regulatory authorities.

In conclusion, I wish to state that SCC would like to benefit from the experiences and practices of other telecommunication regulatory authorities and continue the dialogue through correspondence, visits and deliberations in fora such as these.

Thank you for your kind attention.

ADDRESS TO THE OPENING MEETING

Global Symposium for Regulators

Geneva, 3-5 December 2001

Mr Secretary-General,
Distinguished Director of the Telecommunication Development Bureau (BDT),
Honourable Participants in the Symposium,
Ladies and Gentlemen,

Following on from the first symposium for regulators held last November, the success of which can be gauged by the tremendous number of participants at the present gathering, once again organized by the ITU Telecommunication Development Bureau, our meeting over the next few days promises to be filled with exchanges of experience and knowledge.

The importance of regulation in the telecommunication sector, characterized as it is by privatization and liberalization and the rapid change to which this gives rise, needs no further illustration. Indeed, can there be anyone attending this symposium who is unaware that a football match without rules of the game and a referee to ensure that they are followed by both teams would be impossible?

In the same way that the rules of football are drawn up in an impartial manner by a body away from the pitch, regulation of the telecommunication sector is likewise effected in an objective and deliberately progressive manner.

The equivalent, in our world, of the football referee is the regulator, who, like his counterpart, must ensure strict compliance with the regulatory texts and must be prepared to apply sanctions, where necessary preceded by a warning. This telecommunication referee must, as in football, be independent, honest, incorruptible and fully conversant with the regulatory texts.

As in our analogy, therefore, regulation remains equally important regardless of the country or continent concerned: the fact that we are all governed by the same constraints of global competition makes it altogether realistic that the notion of regulation should be a global one.

Regulation, then, is a matter of importance for all countries and all continents, but that importance is heightened still further in the developing countries.

Indeed, the ITU-sponsored study which gave rise to the Maitland Report and its references to the "missing link" pointed to the disparity between telecommunication development and the means for accompanying that development and to the consequent imperative need for developing countries to privatize their telecommunication sectors in the interests of levelling up the development of infrastructure and services among all the Member States of the Union.

An inevitable consequence of this privatization process, which began some ten years ago, is the establishment of a regulatory body whose functions include:

- fostering investment in the telecommunication sector in a healthy and stable environment;
- encouraging the rapid modernization of networks and services, with particular emphasis on full digitization and the new services that that permits;
- the creation of hundreds of new jobs, both direct and indirect, through the encouragement of competition;
- making telecommunications more accessible through increased service availability and regular reductions in call costs as a result of competition;
- boosting sector development in the interests of achieving a higher penetration rate. The example of my country, Côte d'Ivoire, is instructive in the latter regard: in 1997, when privatization was introduced, there were 120 000 telephone subscribers, whereas today, after four years of competition, the country has one fixed and three mobile operators, almost one million subscribers and several hundred new jobs.

Since last year's symposium for regulators, the main resolutions have been put into effect by ITU-BDT, in particular those relating to the perpetuation of the symposium and its perceived role as a catalyst for the activation of a dedicated network of regulators and encouragement of a symbiosis with the private sector in exchanges of experience and outlooks; and to BDT's new GREX initiative designed to promote dialogue between regulators the world over through, among other things, an on-line interactive forum and a direct "hotline" by means of which regulators can obtain an immediate response to their concerns.

Everyone knows that eating whets the appetite, and such eminently praiseworthy initiatives inevitably lead us to expect still more from global encounters such as this one, at which we are looking to derive considerable benefit from our discussions on such important topics as **the independence and effectiveness of the regulatory body**.

The independence of regulatory bodies must be understood *orbi et urbi*; in other words, independence at the country level, but also vis-à-vis the structures and organs of the Union.

Through BDT, ITU currently plays an extremely positive role as a catalyst of energies, forum for encounters, centre for exchanges of experience and facilitator of synergy between the private sector and regulatory bodies. However, its role should stop short of regulating the regulators, and ITU should itself be a standard-bearer for the principle of **regulator independence**.

What I now have to say is directed towards the private sector.

Last year, the private sector demonstrated the value of its participation in events of this kind, constituting, as it clearly does in its role as the driving force of a liberalized telecommunication sector, the number one partner of the regulator.

The succession of global regulatory symposiums gives us cause to look forward to greater participation by our partners in the telecommunication development sphere. However, not wishing to put quantity before quality, we are happy to have with us today the heavyweights of the private sector, and call upon them to give voice to their presence, thereby enriching both the discussions and flow of ideas, and to make the kind of financial contributions that will permit the continued holding of a symposium that has already become an essential event and which will help them to convey their main concern of reducing regulatory barriers to the greatest extent possible.

There can be no doubt that the present symposium, just like last year's event, will help us to identify the key issues facing both the private sector and the regulators, thereby globalizing the sector's concerns.

Finally, Ladies and Gentlemen, it is my hope that the role of facilitator of meetings and exchanges that ITU currently plays through BDT will ultimately enable us to address such crucial issues as:

- *the publication of a specialized journal devoted to telecommunication sector regulation;*
- *problems inherent in the policy of network interconnection;*
- *the introduction of structures to assist with or promote the provision of additional training for legal specialists and economists in matters pertaining to the world of telecommunications;*
- *the organization, upstream of the global symposium, of regional meetings for the exchange of experiences and ideas;*
- *the introduction or fostering of regional private expert structures to assist regulatory bodies, with a view to offsetting the lack of specialized and experienced human resources in the sector.*

In expressing the hope that ITU, through BDT, will continue to pursue its innovative work in the regulatory sector, I should like to conclude by wishing all of you a very successful three-day meeting.

Thank you.

GNON Lesan Basile/Director-General, Agence des Télécommunications de Côte d'Ivoire

INDEPENDENCE OF THE REGULATOR
A POTENTIAL UNTAPPED FOR ADDRESSING
REGULATORY CHALLENGES

By

M.S.Verma

Chairman,

Telecom Regulatory Authority of India

I. **Introduction**

1. I thank the ITU and BDT for organising this Global Symposium for Regulators, following a highly successful one that took place last year. I notice from the programme that wide-ranging discussions have been planned and look forward to three days of highly fruitful and rewarding interactions with the Delegates to this Symposium. I have today, the privilege of expressing some thoughts at the beginning of the Symposium and would like to utilise this opportunity of placing before you some issues relating to the independence of the Regulators, as I feel, it covers a good part of agenda that we will be addressing at this meeting, including major regulatory challenges and effective regulation. I hope that in the discussions that follow in the coming two days, these will receive some attention and may be, catalyse further thinking on the subject so as to provide us, especially the newly set up Regulators, with some answers which most of us seem to be looking for.

2. By now, the independence of the Regulator is no more an issue. Save exceptions, in principle, whether or not the Regulator should be independent is a settled question; the answer is unequivocal that the Regulator should be independent. However, differences surface as soon as one begins to probe deeper into the meaning given to independence. In this regard, I wish to raise some questions for your consideration and also propose that we try to develop an approach which would help us handle

these issues in our respective environs with greater confidence. We could, at this meeting itself, take some initiatives aimed at assisting our decision making processes in future. I do hope that we end this meeting with a clearer understanding of the various issues that need to be addressed regarding Regulatory independence, and lay a firm ground for establishing and enhancing the Regulators' independence.

Potential for Independence

3. The question of the independence of Regulators can be viewed from two different aspects both of which are crucial. One is the potential for independence that is provided in the legal basis which creates and empowers the Regulators. This addresses the scope of a Regulator's powers and defines, what may be called, the "possibility frontier" for the Regulator. It is about enabling the Regulator to be independent and may cover inter-alia, such factors as its funding, manning, modes and terms of appointments and dismissals, manner of accountability and its standing vis-à-vis other Regulators like the Competition Regulator and the judiciary. These work as the limits of the "possibility frontier" or one may say, provide the boundaries of the independence the Regulator is going to enjoy in its functioning.

4. The various elements that build independent functioning of the Regulator are well known, I will not dwell on them in detail. Suffice it to say that independence depends not only on the extent of flexibility available to the Regulator but the predictability and impartiality with which it exercises that flexibility.

Effective Independence

5. The other aspect is that of effective independence i.e. the extent of independence that a Regulator earns for itself by building its credibility on the basis of its functioning. While effective independence is, to a great extent, circumscribed by the potential for independence which, as I have stated earlier, is provided by the legal basis, it is possible for a regulator to

transcend the “possibility frontier” and enhance its potential. It amounts to earning independence.

6. To earn independence is to convert potential independence into effective independence by one’s own efforts. Earning such independence, however, is not easy because in most cases, the Regulator is a new entity and has to establish its value in the eyes of all concerned, viz. the Government, the service providers (in particular the incumbent), the end users, and the media. While the Government often takes time to come to terms with the divestment of powers to the Regulator, the service providers find it worth their while to test the limits of the Regulator’s powers. The end user is often in a hurry to obtain results and in the initial phase has expectations which are, perhaps, difficult to satisfy even for established Regulators. The media too seems to be looking for quick fix solutions and often provides to the pressure groups a platform for questioning regulatory decisions in a manner that may raise more questions than provide answers. Often, it appears, that the regulator and its different stakeholders are working at cross purposes. It, therefore, occurs to me, that there is an urgent need to engender some kind of complementarity between the regulator and each of these stakeholders. It is also important to search for mechanisms to increase such complementarity.

7. Regulator’s credibility depends not only on a job well done but also on a job perceived to be well done. It would, therefore, be useful to gain insights from the several participants here on how to address the problems that a Regulator faces when dealing with the various entities such as the Government, end user, service providers and the media. Do we need to project our performance so that there is a clearer and better understanding about our important objectives and achievements amongst all the stakeholders? If so, what would be the ways of doing so. Should there be seminars, special training sessions, media relations, or any other means? Or should the Regulator keep an image of being distant from any publicity of its achievements?

8. I believe that the results of the deliberations and initiatives at this gathering can be of great help to us all in establishing effective independence in our respective domains. Our meeting today includes Regulators with varied experiences and ability to effectively deal with the variety of policy matters that we face today. From those with more experience than others, we would surely gain insights on how to enhance our credibility and effectiveness. However, in the past few years, the changes in the telecom sector have taken place so rapidly that all Regulators commonly face a number of issues to which, it seems, there are yet no ready or final answers. This observation will gain further validity in the next few years as the era of greater convergence engulfs us all. For a large number of Regulatory bodies established in the past few years, the situation is quite complex as they have to simultaneously

- deal with legacy in their effort to change the policy environment,
- work on developing institutions and methodologies in the absence of which even routine and simple regulatory functions turn into big challenges,
- take crucial policy initiatives with inadequate information,
- deal with several emerging policy concerns and uncertainties in the environment as technology and services converge.

The opportunity for developing a commonality of approach which this meeting provides for Regulators of various vintage, can help us all.

Special Studies on Regulatory Issues

9. Last year the Regulatory Forum established the G-Rex which has been a useful source of support for the new Regulators and can be more useful if its scope is enhanced. However, we should now be developing other more focussed sources for assistance to the Regulators in problem solving. In my

opinion, it is possible to develop a good basis to enhance regulatory effectiveness if we can identify key areas in which most of us would need assistance. Once such areas are identified, arrangements may be made to commission special studies to be completed urgently, let us say, within the next six months. A more detailed study can take place over a longer period of the next one or two years. Completing the initial set of studies within a period of the next six months or so would equip us with well researched views on these issues which could form the basis for further initiatives when we meet at the next regulatory symposium.

10. For these studies, we may decide to identify subjects and experts, persons as well as institutions, who will prepare reports on matters that arise with respect to the policies followed in different countries, their techno-commercial effects and the relevant benchmarks. These preparatory studies, in my opinion, should focus on the practical approaches by which anticipated regulatory problems can be tackled based on how similar problems have been tackled in the past and what lessons have already been learnt. A prior knowledge of possible responses to the emerging situations will greatly enhance the performance ability of the new regulators which in turn will add to their credibility and effective independence in future.

11. To select subjects for such studies we may identify issues, the non-resolution of which constrain our operational flexibility or add complexity or uncertainty to our decision making process. May I offer a few examples of such issues, from my own experience.

(i) Dealing with Legacy

12. Most of the Regulators who were established within the last ten years have to deal with past legacy when addressing major changes. This legacy could be in terms of the old technology in use, or the existence of a prevailing License regime or existing Licensees that may not wish to migrate

to another regime, or tariff/access charge regimes which are not easy to change quickly. With this past legacy, introducing a multi-operator environment, ensuring interconnection, equal ease of access, or even a regime of calling party pays for cellular mobile, may require considerable time and involve technological changes and costs that are not easy to deal with. Views on how these problems have been addressed or should be addressed would be very useful to us.

1. I have often wondered whether:

- a part of the answer lies in changing the contents of the License to make it simple,
- a number of problems can be dealt with through a model interconnect agreement,
- self regulation by the operators in comparatively early stages of market development has any value,
- special mechanisms are required for bearing the cost of upgradation of technology so that customers do not have a major burden in the short term. If introduced would such mechanisms hinder the development of a competitive market.

(ii) Regulating the dominance of the incumbent

13. Ensuring the incumbent's adherence to the regulatory framework is an important objective of the regulator, and requires it to take steps to ensure timely, equitable action by the operator in areas such as interconnection, quality of service, data sharing etc. Availability of benchmarks in areas like these would help the new regulators immensely by adding to their confidence and lowering the incumbent's resistance to regulation.

14. The private sector has a major stake in the stability and effectiveness of a Regulator, because the Regulator is the key to maintaining level playing

field and stabilising competition. The private sector can significantly fill the gaps in the information required by the regulator in its efforts to encourage and stabilise competition in the market. However, in actual practice often considerable hesitation is noticed on the part of the new operators in providing the regulator with the required information and cooperation. Lack of such cooperation, is, indeed a set-back to the regulator's endeavours to control the dominance of the incumbent in the interests of developing a competitive market.

(iii) Introduction of self-regulation by the industry

15. An important issue to which, I hope, the conference would give some consideration is whether the industry should adopt, at least, in some areas, self-regulation much earlier than is normally expected during the process of reform. For this process to be properly implemented, however, it would be necessary to establish practices for managing exceptions.

(iv) Link between different policies and the sequence of adopting these policies

16. Efficiency of regulation increases if we are aware of the links between different types of policies, e.g. tariffs, interconnection charge, and USO, and are able to identify whether some of these policies should be implemented earlier than others for greater overall consistency and efficiency. We could consider prioritising the policy issues that need to be addressed in the initial phases of reforms.

(v) Major issues likely to arise in the future

17. At a time when we have to address a number of basic policy matters relating to costs, market linkages and quality of service, the technological and service-related developments are creating new areas and uncertainties that both expand the work-programme of telecom Regulators and make it

more difficult to take decisions based on a consistent and comprehensive understanding of the situation. For example, with internet technology, there will be changes in the present mechanism for implementing the settlement rates, the prevailing tariff structure, and even in respect of Universal Service Obligations and the ways in which these could be met in the short to medium term. I commend the ITU/BDT for producing in the last two years its publications on two important subjects, namely convergence and interconnection. At the time of their publication, the changes in the environment were more anticipated than real. Today, these changes are imminent, and several countries have already started developing regulatory processes and institutions to deal with them. These developments complicate the task of those Regulatory Agencies which have been established in the past few years, and are yet battling with policy decisions on conventional issues.

18. I think, as convergence closes in, we need to address the issue of regulating competition far more effectively than most of us are in a position to do at present. What would be the building blocks of an effective competition policy which may be followed? I feel, it would be a step forward if we support our preparations for a converged environment by looking for approaches.

- that would be relevant for all countries, irrespective of the extent of development of their telecom sector;
- and those that are linked to certain developments in the telecom sector

(vi) Suggestions from the Private sector operations

19. In this regard, I suggest that we may also seek specific views from the private sector (which is a special invitee to this session) on the likely developments in the telecom sector that should be considered by

Regulators, and whether in their opinion these developments would alter or modify their expectations from the Regulators.

(vii) Linking up with Regional Organizations

20. There is a need to strengthen the regional organizations and to encourage interaction among the Regulators at the regional level. The relevant information, including on regulatory practices and benchmarks, may be collected for identified regions under the aegis of ITU/BDT and discussions and interactions organised at that level. The idea would be to provide assurance and confidence to the regulators in different stages of their growth and stability that a strong support system is working for them. Such an approach, in my opinion, will add to the value and credibility of not only the regulators and the regulatory organizations at the regional levels but also of the ITU/BDT.

21. To improve effectiveness of Regulatory Bodies, regional and international organizations can provide training, information and expertise. For those who wish to obtain general specific training, one possibility is to consider organizing trainings back-to-back with various meetings including, for example, this meeting.

Conclusion

22. I hope I have been able to provide some thoughts and suggestions in respect of a few of our current pressing concerns. At least, some of these will receive this august body's consideration in the deliberations that follow. It is also my hope that it will be possible for us to decide upon some joint initiatives which will facilitate our tasks and add to our ability as regulators. I thank you all for your patient hearing.

The privilege and responsibility of being an example

Speech delivered by the president of the National Telecommunications Agency (Agência Nacional de Telecomunicações, Anatel) at the Global Symposium for Regulators, in Geneva (Switzerland), 3-5 December 2001, during the presentation of the ***Effective Regulation Case Study: BRAZIL 2001***, prepared by the International Telecommunications Union (ITU).

This moment is gratifying for me, for the institution that I am honored to preside and represent here, and also for my Country. To see and feel the National Telecommunications Agency, Brazilian Anatel, nominated as a regulating agency example because of its seriousness, efficacy, coverage and due to the transparency of its work, is a feeling that touches and elevates the healthy nationalism that resides within each one of us who form and give life to this institution.

Established on November 5th, 1997, Anatel was conceived according to the same strategic view that, since 1995, has been building the new model for Brazilian telecommunications. Its creation resulted from the understanding, a daring one for that moment of the national political history, that in order to restructure and modernize Brazilian telecommunications, it would not suffice to open the market and privatize the sector's state-owned companies. The task, wide-ranging and profound, demanded an agent that made the process viable and lead it, one that would carry out the role of regulator and inspector in the sector in which the State would no longer be performing as an enterpriser.

Anatel is such an agent, and it has authority to be so. The authors of Case Study : ***Effective Regulation - BRAZIL 2001*** were right when they said: "One thing is a country making the political decision to create an independent regulating agency; another thing, quite different, is to give this agency power to work in an independent and effective manner." Anatel started from scratch, without a national antecedent to mirror itself on, without a book composed of chapters and verses teaching how to operate, how to regulate and how to inspect. Nonetheless, it has shown everyone what it came into being for.

During the year before Anatel was established, the Communications Ministry carried out, throughout Brazil, a little more than 7 thousand inspections in the telecommunications sector; this year, up to November, we had already surpassed the mark of 400 thousand inspection actions. Never before had a Brazilian public institution applied so many warning, pecuniary and reparation actions, even though we believe that an educational function, and not punishment, is the scope a regulation authority must have. Anatel's uniqueness is completed by the fact that, during its four years of existence, recently celebrated, the Agency produced 23 thousand documents.

I must offer you, ladies and gentlemen, a few more details on Anatel's profile, many of which explain the facts that I have just revealed. The agency that regulates Brazilian telecommunications is a special autarchy, not subordinated to political powers and not connected to the

sector's service renderers. Gifted with an institutional personality, it is autonomous both administratively and financially. Anatel's decisions are terminative, and can only be altered by the Judiciary Power. The Agency gives its acts total transparency and all decisions are taken by the higher management collegiate, a format that favors decision-making and avoids personalism. These are the reasons why Anatel is an expressive and pioneering mark in the change of the Brazilian State's posture regarding public services.

Anatel participated actively in establishing the framework for the privatization process of the state-owned telecommunications companies, preparing the regulatory ballast for these companies to be sold and putting together the scenario in which private service renderers and their future competitors would perform in. It is now working on the task of regulating, granting licences and of inspecting the exploitation of Brazilian telecommunications services. In the sequence of the process that builds the new model for the sector, it is up to Anatel not only to maintain the conquests that have been guiding telecommunications in my Country, with significant social, economic, political and cultural reflexes; the Agency must also sustain the modern profile, the evolutionary dynamics of telecommunications and of the segments correlated to them, and it has the attribution of perfecting and making its activities adequate.

To conclude this profile, and in order for the evolution that took place in Brazilian telecommunications to be understood well, I will emphasize another fundamental and remarkable aspect of Anatel's activities and of the new model: all of the revolutionary work that builds this model is based on the principles of universalization and quality competition, in order to fully attend, in the telecommunications field, to the needs and rights of the Brazilian citizen of all social strata.

I can safely claim that Anatel has been fulfilling its attributions to their fullest potential. I am proud to say that thanks to the work the Agency has carried out, in consonance with a daring and strategic project, in the past few years the Brazilian telecommunications have left stagnation behind and reached the podium of those who are moving forward. I can also claim that this sector's near future reserves equal or even greater surprises, even for those who have kept up closely with Anatel's activities and with everything this regulating agency has been accomplishing in telecommunications in Brazil. I will start by offering you examples of our consolidated conquests.

In April 1997 – thus, before Anatel –, having access to fixed telephony used to cost approximately \$1.200 (up to \$5.000 in the parallel market) and it took years for the service to be installed; today, in a few regions, such access costs some \$7. Moreover: nowadays it is common to see operators offering the user a second line to be installed immediately. There are no more waiting lines; and the privilege of owning a telephone line, that used to be only for richer families, has been expanded to all. Unquestionable numbers, collected solely in the three and a half years post-privatization, signals this period in which the process was under Anatel's responsibility.

On the date of the privatization – July 29, 1998 – Brazil had 20.2 million fixed accesses installed; in October, this year, this plant reached 45.7 million. In the same period, the index of the poorer families that have a telephone line jumped from 8% to nearly 50%. Public telephones have gone from 547 thousand to 1.35 million; anyone who does not have an individual telephone line does not have to walk more than 800 meters to find a public telephone. All locations with more than 1.000 inhabitants have at least one of these telephones, including native Brazilian tribes imbedded in the most isolated and remote regions of the Amazon. Mobile telephony also made giant leaps. The plant, of 5.6 million accesses in July 98, in October 2001 neared 27.5 million.

The adoption of the call by selection scheme in July 1999, released the user from the ties to a single provider for long distance calls, both national and international. The competition, that used to exist only among mobile service operators, advanced to fixed telephony when mirror companies (regional) and “little mirror” companies (local) began operating. This opening reached satellite services, increasing competition. Data communication services, until recently rendered by 32 state-owned companies, currently add to more than 200.

Among the several interaction channels Anatel has with the society, the Call Center alone answered 4.7 million calls in 2000; we already have 18 of the 26 “Citizen Rooms” foreseen for each one of the Brazilian capital cities installed. Last year, our digital (virtual) library published more than eight thousand documents and received 4.3 million visits. Furthermore, we gave continuity to the activities of the Anatel Cultural Space, an art support center that is currently a reference among the Brasília cultural addresses, the city where the Agency's headquarters are located.

I will now speak about the near future, a horizon of great changes, but equally prepared by Anatel in order for Brazil to receive, assimilate and use technological advances that have been arriving here too.

Building the new Brazilian telecommunications model will enter, in January 2002, in the deregulation phase, as had been foreseen strategically. The freedom, without technical or geographical borders, that the companies will conquer, next year, to perform in the area of their competitors in rendering diverse services will certainly shake the sector up once again. New and wide-ranging benefits will result from this shake-up, and they will strengthen both the economic democracy and the society as a whole.

Anatel will continue firm in the purpose of insuring the players do not establish themselves only in the most attractive and lucrative telecommunication services. The essential principles that guide the construction of the new model – universalization and competition – remove from our posture any populist sense, such as someone could mistakenly classify it. It also poses no threat to the number of competitors nor to the competition level, as some are concerned may happen. Also, no commitments will be being imposed that may make it more difficult for operators to act or which may represent threats to the companies' financial results. Quite the contrary, we hope to continue attracting and stimulating investments in the sector.

In other words, ladies and gentlemen, Anatel will continue guiding the performance of the revolutionary work that is restructuring and modernizing Brazilian telecommunications according to technical and economic parameters, to juridical principles and social objectives. The era in which regulating the sector was aimed at the operators and not at the user is dead and buried. This means that this revolution's main focus continues centered on the citizens' needs and rights.

Deregulation will cause other changes. As of next year, mergers, consolidations and partnership restructuring among business groups will gain shape. This process will start with Personal Mobile Services. This will continue with new entrants, regional mirror companies that fulfill all of the contractual obligations foreseen for December 2002 and, finally, with the Fixed Telephony concessionaries that move up and accelerate the goals committed for December 2003. This is a long process, foreseen for conclusion by 2005.

The modernity the Brazilian telecommunications system has reached in the past few years is unquestionable. One of the strong examples of this evolution that goes beyond the positive economic and social reflexes was seen in the Brazilian elections in October 2000. Had not the new Brazilian telecommunications model brought-on technological development, preparing the system for the era of telematics, the

electronic ballot boxes would have been worthless, and the economy they represent in resources and effort, in trustworthiness and in quickness in the electoral process could not have been achieved.

Once voting had been concluded, what was witnessed was surprising. An extraordinarily large flow of information, coming from all quadrants of the Country's 8.5 million square kilometers, began instantaneously, fed data centers and was placed at the disposal of each Brazilian citizen in real time. For the first time in our Country, voting and vote counts began and were virtually concluded in less than 24 hours, with the counting of 310 thousand electronic ballot boxes that totaled 92 million votes. On that occasion, the legislative power and the head of the executive of 5,500 Brazilian cities were elected, totaling 70 thousand people put into office in a universe of 382 thousand candidates.

The near future of the Brazilian telecommunications, I repeat, will be the scenario of major and surprising achievements. The time in which Infoways will open to all citizens – from the native Brazilian tribes to the most developed urban centers – communication channels in order for components of all social strata to participate directly in decisions that influence national destiny is nearing. The resources of the Telecommunications Services Universalization Fund as on the General Telecommunication Law (the Fundo de Universalização dos Serviços de Telecomunicações, Fust) will insure, by and large, the construction and arrival of the Infoways to the most remote locations in Brazil.

In the immediate future, the Fust resources start to assist the needs of rural telephony in regions that don't even count on roads or trails as communication systems. The Fund will serve to implement public telephone programs and projects in nucleuses with up to 100 inhabitants, over and beyond individual access in schools, health units and libraries located in isolated locations. In other words, units that will count on support for distance learning and for professional capacitation and training, among other benefits in the medical and sanitary and teaching fields. In sum, ladies and gentlemen, the Fust has everything to begin a revolution in the already advanced revolution that is changing the profile of Brazilian telecommunications.

Important advances are also expected in the Pay TV sector, which, in the past four years, has grown from 96 to 216 licensees. When all of these stations are operating, they will cover a huge area where there are nothing less than 21 million homes. Thanks to the major increase in competition, instead of the five groups that used to perform in the area until very recently, more than 100 companies will be operating in the

sector throughout the Country. With this, it is expected that paid TV will jump from the current 3.5 million users to more than 10 million users in the next few years.

The new model of Brazilian telecommunications, although it is still in construction, has already reached a clear stage of competition in the mobile service, satellite, long-distance and data communication segments. The major challenge is still local telephony, where the new entrants have yet to respond adequately to market expectations. This situation, even though it was not desired, was foreseen.

This context concludes a lesson. Wide-ranging and total opening, in and of itself, does not mean full competition. To reach such a stage, it is necessary to have a certain balance between competing forces. In this step, regulatory asymmetry – differentiated treatment among operators – will allow for less strict levels of requirements, commitments and capillarity to be established for new entrants than those that were required of the dominant providers.

The regulation of a new service, the Multimedia Communication Service is another fact that gained major repercussion. This regulation resulting of technological convergence, creates competition incentive mechanisms and stimulation for multi-service platform expansions (audio, video, data, sound and image) in the Brazilian telecommunications market, whether they are based on optical or radio-electric means, whether they are destined to home or corporate users. Creating a new integrated fixed service, in which the combination of the telecommunications form that is used, of the medium that is used and of the selected technology will open an infinity of multimedia service rendering alternatives.

The entry in operation of new Personal Mobile Service companies allows one to forecast the increase in the offer of mobile telephony services and the increase in competition among operators. The Personal Mobile Service, a service flexible to accept new technologies that will follow the Cellular Mobile Service, currently rendered in Brazil by several A and B band operators, will doubtless be a vector for other qualitative and quantitative leaps in this segment.

On purpose, I reserved for the last part of my speech, the matter of selecting the digital standard, one of the most expressive facts expected for the near future of telecommunications in Brazil. This technological advancement will open to Brazilians, among other things, the possibility to take advantage of the marvels and benefits of high-definition TV. A few people may think this has taken a long time to happen. To those who

have such an opinion, I repeat: if the matter were evaluated in a superficial and simplified manner, we may already have made the decision, since there is great technical richness and a huge set of subsidies available for this. Why is it, then, that after two years of work, such a decision has not been made as of yet? Because this issue is not limited to selecting the technology for digital standard television transmissions, rather, going from the analog to the digital standard represents a major transition, a revolution that goes well beyond the technological aspect. Unfolding this passage involves:

- ✓ Full review of the current paradigms;
- ✓ An opportunity to develop political and administrative, educational, economic and cultural aspects;
- ✓ Contribution to eradicate the “digital divide”;
- ✓ Forming a new business model for the entire value chain in the broadcasting sector;
- ✓ International balancing items and investments;
- ✓ Strengthening the industry’s research and development activities;
- ✓ Technology transference and continual capacitation;
- ✓ Industrial plant restructuring associated to production of high technology components;
- ✓ Search for and maintenance of balance in the commercial balance.

One must emphasize that the television segment did not have, thus far, an opportunity to aggregate other businesses to the current one, of entertainment and information. To work as telecommunication companies will require the current television stations to have a new business vision in order to better take advantage of the wide horizon that will be opened to them with digital technology.

Over and above all of this, any change in the open television segment interferes with the interests of more than 95% of the Brazilian society. It is also necessary to consider, on the other hand, that digital signals will gradually be adopted in the radio broadcasting field. This will be another extraordinary hop. Finally, it is imperative to consider that broadcasting is strategic for any country. These reasons justify the caution this matter has been being dealt with. In spite of this, we are closer to a definition than one might imagine.

Ladies and gentlemen, this is what we had to say. I cannot conclude this message, however, without before inviting the countries that are interested in getting to know our experiences as a regulator in a deeper and wider manner to feel free to contact us. We will be happy and proud to receive you at Anatel to show you all of the Agency’s organizational

and operational aspects, over and beyond all of the actions that have been building the new model of the Brazilian telecommunications.

Thank you very much.

**Michael K. Powell, Chairman
U.S. Federal Communications Commission**

**Remarks
at the**

ITU 2nd Global Symposium for Regulators

Geneva, Switzerland

**December 4, 2001
[as prepared for delivery]**

It is a great pleasure and honor to have an opportunity, in my first year chairing the United States Federal Communications Commission, to join all of you at the second annual Global Symposium for Regulators. I think there is no better forum to be a participant in than this one – to be with my colleagues from around the world who are struggling with similar problems and challenges as I am. And it gives me an opportunity to interact with each of you as we develop work goals and practical solutions.

I want to personally compliment Mr. Toure for his untiring efforts to continue to drive this organization and for his efforts to provide the opportunity for each of us to spend time together.

Unique Circumstances but Common challenges

We each have different systems; at times we each have different priorities. But in many ways we wrestle with the same problems in each of our countries, as we attempt to affirm the welfare of our citizens through telecommunications development.

Though we are all unique, we struggle with three common challenges.

First, trying to continue or develop a solid and reliable telephone infrastructure.

Second, being called upon to try to be sure that the infrastructure is competitive; and

Third, finding ways to introduce new and advanced technology, broadband services and Internet services.

It is very difficult to juggle these challenges. And indeed all of us face the pressure, political or otherwise, to deliver results in our countries knowing that if we do well we may not receive the accolades, but that if we do poorly we' ll be the first to be criticized. I

wanted to take this opportunity to talk with you about that third challenge: the technology challenge we all struggle with to bring advanced broadband services to our nations. I thought I would share with you the way we have begun to wrestle and conceptualize this challenge in the United States.

The Challenge of Broadband

Let me begin by talking about what broadband is. One would think that there was a uniform understanding of what this technology is that we are trying so aggressively to provide. First and foremost it's important to recognize that this service is unique; it is not a simple extension of the telephone system, nor is it simply a new version of wireless services. It is actually a fusion -- a coming together of three very central components.

The first we are very familiar with -- communications technology and communications power.

The second we are becoming increasingly familiar with -- computer power. And lastly, content. Broadband can best be seen as the coming together or fusion of these three things. If any one of them fails to materialize effectively, then the promise -- the digital opportunity afforded by broadband -- will not arise. In the United States, we struggle with how to conceptualize this new service.

Another important attribute of broadband technology is its power as a platform for innovation. With regard to the telephone system, we all understood and still understand what the key applications are: simply to communicate through our voices. The broadband platform is unique in this regard because there are many potential applications. And, more importantly, the innovation and development of them will come not just from governments, not just from institutions, but from individual citizens who can take advantage of this infrastructure -- and its power to innovate -- and can create applications and services with their fellow countrymen. Domestic regulatory regimes are not accustomed to a platform that has to constantly experiment and evolve in its efforts to find the key applications for consumers.

U.S. Principles for Broadband Development

In the United States we have begun to try to figure out and conceptualize the parameters and principles of government policy for broadband services.

First and foremost, we recognize that broadband deployment is an economic development issue. It is not simply a utility problem for regulatory authorities to consider. For it will

demand and require the effort of the entire government and all of our creativity in order to develop an environment in which this new service can flourish. We know that it has to be a system that can attract private investment in order to deploy these new and advanced infrastructures.

As telecommunications regulators, we do not control all of the pieces required for successful broadband deployment. But without all of the pieces we will not have broadband. Therefore, the key, as we see it as regulators in the United States both at the federal level and the state level, is to conceive of ourselves as ambassadors for broadband. And in this role we must do more than wrestle only with the problems that exist in the regulatory authorities, we must be a spokesperson with the legislature, and an advocate with the president and the ministers responsible for related areas such as finance and trade. We must help these political players see the importance of the economic development that will stem from this new service.

Secondly, we have made a commitment that broadband must exist on as many platforms as possible. We believe it is incorrect to conceive of broadband as a telephone infrastructure, or cable modem infrastructure, or a wireless infrastructure, or a satellite infrastructure. It is and must be all of these things, and we hope to develop policies that are neutral as to each of them, and to promote each of them.

Why is this important? First of all, it allows multiple solutions for different parts of a given country. There is a very different challenge in the rural parts of our nations for broadband than there is in the urban centers of our nations. Satellite unquestionably will be the most important and viable broadband platform in the rural parts of our countries. In more dense populations and urban centers wireline solutions will be more valuable. And wireless networks will play a critical part. If we don't have an environment that fosters and develops each of these platforms, we run the risk that major parts of our populations will remain unserved or underserved.

Multiple platforms are also important because they promote competition in distribution. For many, many years we have regulated a monopoly infrastructure in which a single institutional player or small number of players controlled assets to users. The more platforms there are, the more competitive choices there will be for distribution and the less need there will be for heavy and onerous regulation.

Finally multiple platforms are important because we do not know where this technology ride ends. We need to make sure we have an environment that allows for constant change and migration as these new technologies evolve.

The third area in which we are dedicating government energy is the promotion of partnerships between communities and the government in order to aggregate demand for these new services. We all understand that infrastructure does not get built unless there are markets and users prepared to operate on them. Not only is government a central customer to produce demand for the infrastructure itself, but in the United States we have begun to form partnerships, or promote partnerships in communities so they can collect their resources and create the demand that will allow those services to be brought to their communities.

Finally, and very importantly, we recognize that we must facilitate content availability over the infrastructure. Our citizens do not buy network lines. They do not buy satellite dishes. They buy what is delivered to them over those infrastructures. That content will not materialize for broadband if our laws are too onerous. In the United States we struggle with copyright – and to what degree it is an impediment to content provision. The result of this struggle will be a critical and third piece to broadband.

How should it be regulated? In our view, the broadband environment should be one of minimal regulation. The reasons are simple. First of all, as I mentioned earlier, we recognize that broadband is a new and unique service. We do not accept automatically that the assumptions of our regulatory choices in the telephone or telecommunications arena automatically apply to this new service. We fear that we run the risk of making mistakes by assuming characteristics from the past that are not necessarily true with regard to the future.

We also recognize that we are trying to build an infrastructure as opposed to regulating a mature infrastructure. Thus, we need a regulatory environment that provides the incentives necessary to deploy new services on the part of the private sector. The more onerous the regulatory environment, the costs of deployment become higher and riskier and more difficult.

And most importantly, we believe in a minimally regulated environment because the services have yet to take shape. We don't know what it is that our consumers are waiting to do with this new broadband infrastructure, and we are fearful of intervening prematurely

in a way that frustrates experimentation and creativity on that platform. Perhaps one of the most notorious examples is IP telephony. In the United States we have yet to choose to regulate IP telephony and are confident of that decision. We do not assume it is simply a new form of an old friend. Indeed, what is IP telephony? Certainly, at its most basic it is a replication of existing communications.

But remember that it need not be. While with telephone service I may speak to my friend and have my voice come out the other end, IP telephony offers the promise that I may speak in English and my voice will come out in French. Or, I speak about a news event and data associated with those events will be delivered at the same time. It is a mistake, I believe, to see IP telephony in only its most basic form. The real possibility of IP telephony is that it rides as an application on other data networks. We believe that there is much to be learned from our example in this regard, and are happy to be engaged with many countries as they struggle with the question of how to treat this new service.

Finally, we all have the challenge that we must act on universal service. We are committed to ensuring that all Americans in our nation have access to the new technologies, and at affordable rates. But we also recognize that the old solutions of direct subsidies or other forms of service may not be the best way to do it. We are committed to the goals of universal service but we continue to be open-minded as to the solutions and approaches to achieve it.

In conclusion, broadband and digital technologies are great inventions that hold out great promise for our economies and for the lives and welfare of our citizens. But only if we give these technologies an environment that is nurturing and will allow them to blossom and develop into the great platform that we envision. If a third of us in this room get that right, we will have presented a digital opportunity for our citizens that would be unparalleled in world history. I look forward to working with you as a friend and colleague as we attempt to work through that challenge. Thank you very much.