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INTERNATIONAL TELECOMMUNICATION UNION

TELECOMMUNICATION DEVELOPMENT BUREAU

GLOBAL SYMPOSIUM FOR REGULATORS

Hong Kong, China, 7-8 December 2002

CHAIRPERSON'S REPORT

EXECUTIVE SUMMARY

At the invitation of the ITU Telecommunication Development Bureau Director Hamadoun I. Touré, the third annual Global Symposium for Regulators (GSR) hosted by the Office of the Telecommunications Authority (OFTA) was held in Hong Kong, China, from 7-8 December 2002 to foster a global dialogue among national communications regulators. Tan Sri Nuraizah Abdul Hamid, Chairman of the Malaysian Communications and Multimedia Commission, chaired the meeting. Mr. Pape-Gorgui Touré, BDT, Acting Head of Department of Policies, Strategies and Financing, served as the Executive Secretary of the GSR. The GSR was organized by the BDT Sector Reform Unit (SRU) within the scope of the Programme on Reform, Regulation and Legislation.

The first GSR, held in Geneva on 20-22 November 2000, marked a watershed for ITU. It was the first time a global meeting of national regulatory authorities had ever been held. Last year's event held in Geneva on 3-5 December 2001, built on this initial success. These first two GSRs enabled regulators and policy makers from all four corners of the globe to launch a global dialogue. This dialogue has given rise to many practical recommendations enabling national regulatory authorities to work together to find best practice solutions to the regulatory challenges they face. The GSR 2002 programme is largely driven by the recommendations made by participants in last year's GSR. Participants requested BDT to commission three case studies providing feedback to regulators from the three major stakeholders: the private sector, investors and consumers. Leading experts with close ties to the respective stakeholders conducted research and reported their findings and conclusions to the GSR.

The theme of the GSR 2002--regulating for end-users--is most apt for today's market. It is only by focusing on the needs and demands of end-users and consumers that businesses will be able to provide valued services--services customers are willing to pay for. Mr. H.I. Touré noted that he was pleased that BDT could also launch a dialogue on the extremely important issue of universal access, including BDT unveiling universal access regulatory models, and emphasized the importance of all stakeholders working toward the goal of universal access.

Nearly 200 delegates participated, representing more than 50 ITU Member States, including 38 regulatory authorities, a host of policy makers, 15 sector member companies and participants from regional regulatory organizations, academic institutions, the investment community, consumer groups and international organizations such as the World Bank and the Commonwealth Telecommunications Organisation. The heads of one-third of the world's national regulatory authorities participated. The first day of the meeting was open to regulators, policy makers and ITU-D sector members. The second day of the Symposium was open to regulators, policy makers and selected experts in order to facilitate a fair and frank global exchange among the participants.

SATURDAY, 7 DECEMBER 2002
ITU-D SECTOR MEMBERS/REGULATORS' DAY

OPENING CEREMONY

ITU Secretary-General Yoshio Utsumi urged participants in the 3^d Annual GSR to focus on the ICT needs of the millions of villagers in which even basic telecommunications services go unmet. He encouraged participants to think independently and not rely only on mainstream views. He invited regulators to participate actively in the World Summit on the Information Society (WSIS).

BDT Director Hamadoun I. Touré noted that there are now 119 countries that have established a national regulatory authority, and he was encouraged to see so many of them in attendance. He explained that the global dialogue started through the initial GSRs had given rise to many practical recommendations enabling national regulatory authorities to work together to find best practice solutions to the regulatory challenges they face. Since the last meeting, two major ITU Conferences were held: the World Telecommunication Development Conference (WTDC, Istanbul, March 2002) and the Plenipotentiary Conference (PP-02, Marrakech, Sept-Oct 2002). The WTDC laid out the BDT work programme for the next four years. Not surprisingly, regulatory reform was deemed a high priority, and is included as one of the six programmes of the Istanbul Action Plan. This programme will carry out regulatory cases studies, prepare model regulatory instruments, provide regulatory training, convene relevant fora, such as the annual GSR, to continue the global regulatory dialogue, and further develop the Global Regulators' Exchange (G-REX). Following decisions taken at the Plenipotentiary Conference in Marrakech, implementation of the Istanbul Action Plan has grown more challenging. It is no secret that ITU has fewer resources to implement an expanded mandate. To achieve implementation of the Istanbul Action Plan, Mr. H. Touré emphasized that we must increase the involvement of key partners in our work. Greater focus on regional activities, such as the African Telecommunication Regulators' Network and our work on regional harmonization in Central America is another key strategy. Mr. H.I. Touré noted that the theme of this year's GSR is "regulating for end users" and that the GSR programme included many sessions that would highlight the steps regulators can take to serve end users' needs. Regulating for end users is key to regulators' efforts to bridge the digital divide. Mr. H.I. Touré urged the participants to focus on universal access solutions, such as the three universal access models developed jointly by ITU and the Commonwealth Telecommunications Organisation (CTO) this year. Mr. H.I. Touré highlighted a series of innovations in this year's GSR including input from consumers and investors, two groups that have not previously participated in ITU events, and the first paperless ITU meeting in which all documents were distributed solely through the ITU TREG website. Mr. H.I. Touré's full comments are available on the TREG website: <http://www.itu.int/ITU-D/treg/>.

Anthony S. K. Wong, Director-General of Telecommunications, Hong Kong Special Administrative Region, the People's Republic of China and chairperson of the second GSR, delivered a keynote address in which he highlighted some of the conclusions of the discussions during ITU TELECOM Asia 2002 which include that there are many different effective regulatory models depending on a country's level of development. Although there are different models, each should be based on the same fundamental principles such as transparency. He also noted the importance of the endurance and toughness of regulatory officials. He suggested that countries work together to identify means of promoting Internet access in developing countries. Referring to Mr. Utsumi's invitation to regulators to contribute to the WSIS, Mr. Wong noted that regulators have an important role to play in narrowing the digital divide by promoting universal access and adopting technologically neutral licensing mechanisms to promote the use of alternative technology to achieve universal access. He suggested that universal access projects aimed at terminating one line in remote villages should consider terminating such lines in Internet cafés rather than a simple public payphone. Internet cafés served even by a single line enable villagers to maintain individual email accounts in which they can communicate with the outside world and conduct business as well as surf the Web. The OFTA Director General also invited GSR participants to discuss the balance between service and facilities-based competition, including whether regulators should promote facilities-based competition, even if such a policy results in duplicate networks, or whether the focus should be on promoting broadband access through unbundling. He encouraged regulators to share their experiences in the GSR, through the ITU Global Regulators' Exchange (G-REX), and by identifying cooperative projects among national regulatory authorities. He noted that OFTA provides staff to respond to G-REX queries on a daily basis, and invited other regulatory bodies to do the same. He proposed that regulators develop pan-regional regulatory standards, such as streamlined licensing processes by which an operator's licensed entry into one country in a region would streamline its entry into other markets in the same

region. He noted that new regulators have a green field advantage in that they can learn both from the successes and mistakes of others. Mr. Wong also predicted that the Asia Pacific region would lead the recovery of the global ICT sector.

Tan Sri Nuraizah Abdul Hamid, Chairman of the Malaysian Communications and Multimedia Commission was nominated as chairperson of the Symposium. Tan Sri Nuraizah thanked the audience for having nominated and appointed her as Chairperson of the 3^d Annual Global Symposium for Regulators. She noted that the communications sector is the fastest growing sector in the national economy of most countries, especially developing countries. This sector is basic and critical to the development of other sectors. Governments wish to ensure socio-economic development through healthy investment initiatives from within and outside of the country. Investors, manufacturers and operators seek a healthy, dynamic, liberal environment and ready market. Consumers expect equitable access, and good quality at affordable prices. All these parties expect and demand that the regulator takes care of their specific needs, interests and expectations. These, she noted, are only a few among the many competing interests and expectations that pose the main challenge to the role and effectiveness of the regulator. How can the regulator ensure that there is balance and rationale in dealing with all of these competing needs, interests and expectations? In particular, how can the regulator ensure that it is regulating effectively for end users? Tan Sri Nuraizah stated that, by fostering an environment in which regulators share and learn from each other, the GSR enables regulators to identify best practices and workable solutions.

REGULATORY CHALLENGES: FEEDBACK TO REGULATORS FROM THE PRIVATE SECTOR

Ms. Jennifer Bosworth, Senior Director, CompassRose International, Inc., presented an overview of the case study entitled 'Feedback To Regulators from the Private Sector'. A panel discussion followed moderated by Walda Roseman, CEO, CompassRose International, Inc. The panel comprised: Mr. H. Au, Deputy Director-General, OFTA, Hong Kong, China; Mr. E.C.A. Ndukwe, Chief Executive Officer, Nigerian Communications Commission, Nigeria; Mr. George Alexandrov, Chairman, CRC, Bulgaria; Mr. Eric Rosenberg, Director, Spectrum & Regulatory Affairs, Iridium Satellite LLC, United States; Mr. David Mellor, President, Cable & Wireless Virtual Academy, United Kingdom; Mr. Michel Huet, International Director External Relations, France Telecom, France; and Mr. Andrew Kurtzman, Managing Director, Telecommunications Industry Association B2B, United States.

Ms. Bosworth - The case study examined the regulatory factors that companies use to forecast profitability and weigh risks, and the means by which they evaluate these factors. It concluded that profitability and assessment of risks drive companies' market entry and expansion decisions. Five 'study themes' were identified as: (1) The ways in which companies view regulatory environments; (2) The ways in which companies process regulatory information for business decision-making; (3) The overall regulatory environment: private sector views of transparency; (4) Key regulatory factors in business decision-making; and (5) Interactions with regulators and regulators' business savvy.

The key findings of the study were:

1. Regulatory issues are a key factor in market entry and expansion decisions, for example, high license fees and foreign ownership/local partner requirements influence market entry decisions;
2. Interactions between regulators and operators are most challenging during times of transition;
3. Companies look at the big picture of the regulatory environment, not just specific regulations. Transparency and responsiveness matter;
4. Companies employ a variety of ways to ensure that regulatory information is factored into business planning and decision-making; and
5. Companies believe that regulators lack a strong understanding of business decision-making and would benefit from industry experience prior to serving in regulatory agencies.

In concluding her presentation, Ms. Bosworth presented the following overall conclusions:

1. Companies view their inputs as part of a collaborative dialogue, not a list of demands
2. At the end of the day, profitability and potential profitability drive companies' business decision making, and regulatory factors figure prominently in those analyses
3. Reduced "regulatory risk" increases operators' interest in markets
4. "Regulatory risks" that are too high keep operators out of markets.

All case studies and GSR presentations are available on the TREG website.

Panel discussion

Mr. Ndukwe – Companies need to have a regulatory affairs department to interact with their regulator, and regulators must open communication channels to companies.

Mr. Alexandrov – Unfortunately, there are no textbooks on establishing telecommunication markets. In his country, the approach was to introduce liberalization on a gradual basis as the basic infrastructure was not fully developed and there was a need to focus on this objective. While less regulation is an approach that may be taken in more advanced markets, it is not appropriate in developing markets as there is a need to phase in the process of market liberalization.

Mr. Au – With respect to how to strike the right balance between regulation and competition, regulation must attempt to establish effective market competition. In developing such a balance, regulators must seek a balance between regulation and competitive forces, be sensitive to both the rights of investors and the rights of consumers. Regulators rely on feedback from the private sector as to how they are performing. There is a need to be consistent and therefore reduce the uncertainty by being approachable and transparent in terms of the process and procedures.

Mr. Huet – Regulators are essential in introducing competition to the benefit of customers but should avoid ‘micro-management,’ for example, with regard to tariffs, adding that wholesale interconnection tariffs should be regulated, but not retail prices. Likewise, he argued that *ex ante* regulation is not appropriate for new services such as broadband and third generation mobile in which the business case has not yet been established. *Ex post* regulation is a better approach for such new services. France Telecom, he said, as a global company, seeks a more harmonized global regulatory framework and the challenge is how best to harmonise regulatory frameworks in light of the different structures of national regulatory authorities. He also noted that the process of tariff rebalancing in developing countries should be phased in gradually over a period of 5 to 6 years. If local prices are increased too rapidly, basic service may become unaffordable.

Mr. Kurtzman – In responding to the subject of how regulators and suppliers may work together, he referred to the example of the need to unbundle the local loop to encourage more investment in infrastructure.

Mr. Rosenberg – submitted that countries could adopt a two-tier satellite licensing mechanism including a spectrum license issued to satellite network operators such as Iridium or a subsidiary, and a separate license to national service providers. He added that if the entry fee to enter national markets is unduly high, new investment may be discouraged. National regulators need to understand the relationship between high license fees and market entry decisions by service providers.

Mr. Mellor described the policy adopted by Cable and Wireless to improve the delivery of training to regulators and policy makers. Funding is provided to a number of universities for the development of specific courses. In addition, funds are provided to organisations such as the CTO and the ITU to distribute scholarships for the purpose of attending such courses. In addition, Cable & Wireless is providing funding for 120 scholarships for an online Masters of Regulation degree that ITU is developing in conjunction with the University of the West Indies. These courses will be offered next year.

General Discussion

Participants discussed industry self-regulation. Some were of the view that industry self-regulation may not be appropriate in all cases. While some developed countries argued that there is less need for regulation and greater need for enforcement of codes of conduct developed by industry, regulators from developing countries believe that industry self-regulation may not be appropriate for newly liberalized markets.

Some participants noted that governments should be discouraged from setting high license fees, and that license fees should not be viewed as a means of generating revenue for governments.

Developing countries noted that local loop unbundling is unfortunately not an issue for them as there are not sufficient loops to be unbundled due to low levels of teledensity.

On the matter of stability and predictability of regulation, one participant noted that there is a need for continuous dialogue in which the regulator outlines the basic market development objectives and principles so that all stakeholders understand these objectives and principles.

Conclusions and Recommendations

1. The case study provides a broad outline for a framework of collaborative dialogue between service providers and regulators.
2. There is a direct relationship between regulatory risk and profitability that needs to be understood by both service providers and regulators.
3. In seeking a balance between regulation and competitive forces, regulators must be sensitive to both the rights of investors and the rights of consumers.
4. On policy and regulatory issues such as industry self-regulation and local loop unbundling, the difference between developed and developing economies needs to be taken into account.
5. The issue of policy as the ‘third’ force in the relationship between service providers and regulators needs to be considered, particularly in the developing countries where national policies are not always formally declared.

REGULATORY CHALLENGES: FEEDBACK TO REGULATORS FROM INVESTORS

Mr. Robert Bruce, Partner and Head of International Telecommunications Practice Group Debevoise & Plimpton, presented the case study on Regulatory Challenges: Feedback to Regulators from Investors. Mr. Paul Verhoef, Head, International Affairs Unit, of the European Commission moderated the panel discussion that followed. The session included Ms. Kathleen Abernathy, Commissioner, FCC, United States; Mr. Cuthbert Moses Lekaukau, Executive Chairman, BTA, Botswana; Jens Arnbak, Chairman, OPTA, The Netherlands and Mr. Richard Feasey, Director, Vodafone, United Kingdom.

Mr. Bruce explained that today's adverse financial market conditions have focused attention on the impact of regulation on investment flows. It is important for regulators to understand how investors approach investment decisions. There is always an opportunity cost: higher risks and less attractive expected results mean finance will flow elsewhere. The viability of investment is assessed by analysing estimated projections of future financial results and risks. Financial analysts benchmark performance of telecommunication companies, relying on detailed operational and financial ratios. They use tools to try to calculate financial results and the cost of risks by using models such as operating and financial statistics. Generally risks are calculated from things that can be measured such as license fees and tariffs. One of the slides in Mr. Bruce's presentation shows the operating and financial ratios used in the financial analysis of telecommunications companies. The paper examines the effect of regulation on revenues, costs and the overall profile of regulatory risks.

Regulatory conditions have a major effect on the ratios used to decide whether to invest. Current retail price regulation, which places greater regulatory burdens on fixed line services without recognizing the substitution of mobile for fixed services, can create barriers to investment by new entrants, Mr. Bruce said. He called for regulators to consider creating incentives for cash flow both in the mobile and fixed line sectors by reducing regulation of fixed line prices and by not imposing regulation of mobile termination and roaming prices. He argued that the mobile sector has benefited from increased investment because it has been free—at least to date—of excessive regulation.

Price distortions are of great concern for investors because they do not create the appropriate investment environment. They can lead to price squeezes for new entrants while low tariffs force incumbents to develop infrastructure below cost. The solution to this problem is not to have more regulation but to create a dialogue between regulators and industry to find solutions. Effective pricing policies can encourage wide accessibility of service. In addition, regulators should foster an environment that allows for the development of alternative technologies to achieve universal service, for example, through franchising local resellers of backbone capacity in rural areas.

Investors also take into consideration costs in making their capital allocation decisions, such as the cost for spectrum. Governments have to understand that the telecom sector should not be used as a cash cow for their public funds. Mr. Bruce's paper focuses on the high costs of 3G licenses in some European countries and argues that this has led to current adverse market conditions.

In conclusion, the regulator should create mechanisms to facilitate greater private sector participation in the regulatory process. There is a need to create structures that permit new consultative mechanisms that allow key industry players to be involved in the process of dispute resolution and provide for negotiation. Regulators should ask what policies they can devise to allow them to have minimum regulatory involvement.

Mr. Arnbak agreed that the regulator can indeed roll back regulation but only where consumers have options and there is sufficient transparency. The new European Union regulatory framework, he noted, tasks regulators with providing sufficient information to consumers so they may make informed choices. Markets, he added, only work where all parties are given sufficient information. Mr. Arnbak took issue with Mr. Bruce's conclusion that high 3G license fees caused the telecommunications market meltdown, noting that there is evidence that the market meltdown preceded Europe's 3G auctions, and that investors encouraged operators to pay high prices for 3G licenses. At the time, it was believed that this would lead to increased stock values and that sunk costs would not affect consumer prices. He called upon investors to be more rational in both rosy as well as gloomy times.

Ms. Abernathy noted that the investment community has overreacted to the Worldcom situation. The investment community has gone from over exuberance to over pessimism. This is problematic because companies are paying for this attitude by not having access to capital and forcing companies to reduce their investments, and lay off workers at a time when they should be investing in new technology. While regulators cannot turn around capital markets, they should continue their policies of transparency, focus on a number of

clear rules, provide appropriate regulatory guidance and enforce rules. Regulators should also review outdated rules that deter investment. She agreed that regulators should maintain an open dialogue with industry and investors.

Panel Discussion

Mr. Lekaukau said that tariff rebalancing is a challenging issue for all regulators because less fortunate communities without access have been provided communication services through cross subsidies. Botswana, he noted, is rebalancing in a gradual way. Botswana believes in incentive regulation and a light-handed approach. The regulatory authority maintains an open dialogue with the operators, holding both formal and informal meetings with the private sector. The regulatory body has also encouraged the creation of an association of operators with which it also consults. The regulators are trying to be transparent but the operators and the investment community should also be transparent. Regulators, he noted, are the referee between the expectation of consumers and reasonable rates of return for operators.

Mr. Feasey said that operators mediate the gap in dialogue between regulators and investors. He noted that this is a very difficult role to play because when investors do not like what operators are doing, they seldom consult, opting instead just to move their capital. The regulator should try to mitigate, to the extent possible, the risks of investment. This can be accomplished by providing certainty with respect to three key issues. What is the regulator's vision of the market, including how the regulator thinks and conducts itself, and whether its actions consistent with its words? What is the regulator's attitude toward profits and prices? More specifically, does the regulator accept that some companies will make more money than others? Does the regulator seek to fossilize the current market structure or does it accept change?

The moderator asked the panel if investors prefer privatizations of monopoly incumbent operators rather than privatizations within a competitive environment. **Mr. Bruce** said that while investors prefer monopolies because there is a secure return and fewer risks, governments often obtain perspectives from a wide range of advisors, including those who do not advocate maintaining monopolies. It is often a question of whether governments wish to maximize short term or long-term results. **Ms. Abernathy** added that the FCC held a meeting with investors in which they made clear their preference for monopolies. She explained that it was not her job, as a regulator, to guarantee investments but to foster better prices and quality services for the end user.

General discussion

Mobile-Fixed Substitution

Mr. Townsend: There is no significant evidence that mobile services are an economic substitute for fixed-line services. Most mobile subscribers in developing countries do not have a choice of service provider. Mobile lines are growing faster because there is not a fixed line alternative. Mobile services are primarily used for voice, while fixed line services are used for data. Deregulating fixed line services that are provided by a monopoly operator—the case in the majority of developing countries—will drive up the cost of dial-up Internet access just as Internet services are beginning to take off in these countries.

Mr. Bruce: There is some evidence of mobile-fixed substitution among young users. Investors are concerned about the disparities in the way that fixed and mobile networks are regulated, given the enormous growth in mobile subscribers. While prices for mobile services are generally not regulated prices for fixed-line services are highly regulated. Regulators should focus instead on regulating the prices for a minimum set of access services.

Mr. Arnbak: There is not consensus on whether there is a need to regulate mobile termination rates. He noted that he would not be surprised if there is a World Trade Organization (WTO) dispute settlement case on mobile termination rates within the next five years.

Spectrum Auctions

Ms. Abernathy: The FCC used auctions because the other alternatives were worse. Hearings, like beauty contests, led to delays of years and charges of undue influence. Lotteries became a form of gambling that did not serve the public interest. Auctions were not intended to generate large revenues for the government because it had been expected that parties would not pay more than the value of the auctioned spectrum. One of the lessons learned is that parties do pay very high prices when they believe that they will receive only the portion of spectrum being auctioned. There are auction mechanisms that can mitigate high prices, such as auctioning a series of smaller portions of spectrum, rather than auctioning a full range of spectrum in one go.

She also noted that the FCC has looked at tax and bidding credits but emphasized that operators made their auction bids in a fully transparent environment and that the FCC has no intention to bail out industry.

Mr. Bruce: Operators are competitive entities but the rules for the allocation of spectrum frequencies should not put them into a corner and not be able to have other options but to bid incredibly high prices for an essential input.

Mr. Verhoef: Europe, like the United States, is unlikely to bail out the telecommunication industry.

Mr. Arnbak: The problem with 3G auctions was that they were conducted within a framework that pre-empted competitors from obtaining additional spectrum at a later time and that they occurred just before the sector meltdown.

Mr. Feasey: Market players should be able to buy and sell spectrum.

Conclusions and Recommendations

1. There is an enormous amount of financial analysis created by the investment community. BDT could contact banks and others in the investment community to obtain this analysis and make it available to a wider audience.
2. Investors should be consulted and included in the regulatory process.
3. Spectrum auctions should be structured so that they are not conducted to generate large revenues for government.

REGULATORY CHALLENGES: FEEDBACK TO REGULATORS FROM CONSUMERS

Mr. Geoffrey Cannock, Project Director, Apoyo Consultoria presented the case study Regulatory challenges: Feedback to Regulators from Consumers. Ms. Maev Sullivan, General Counsel & Director of Regulatory & Corporate Affairs, REACH, moderated the panel discussion that followed. Ms. Sullivan introduced the session by focusing on whether or not consumers are sufficiently involved in the regulatory process. Ms. Sullivan briefly chronicled the involvement of consumers from the time, during monopoly regimes, when consumers had no voice at all, to the advent of competition, which has given rise to greater concern about consumer welfare. She noted that consumers began organizing themselves about two decades ago in order to defend their interests and monitor the transparency of regulators to ensure that regulators were not captured by the interests of incumbents or new entrants. The panel included Mr. Willy Jensen, Director General, NPTA, Norway; Mrs. T.R. Mangadi, Manager, Consumer Affairs BTA, Botswana; Ms. Armi Jane Borje, Commissioner, NTC, Philippines; Mrs. Jai Ok Kim, President, Citizens' Alliance for Consumer Protection, Korea; Mr. Hanuman T. Chowdary, Chairman Federation of Andhra Pradesh Consumers', India; Mr. Victor Hung, Chief Trade Practice Officer, Hong Kong Consumer Council.

Mr. Cannock presented the results of a study he carried out to determine consumers' views regarding how they are affected by the rules adopted by regulators, as well as to identify what regulators can do to raise consumer awareness and involvement in the regulatory process. Mr. Cannock explained that he conducted two different surveys, one of residential consumer associations and the other of national regulatory authorities. The most significant findings of the study include that:

- Consumer organizations are quite critical of current consumer protection policies
- Protection policies have not been well defined
- There is a large gap between defining rights and their effective enforcement
- Consumers ranked regulators' performance in enforcing their rights as very low (77% rank it as mediocre or poor)
- Only 28% of consumer organizations consider that the regulator's decisions are transparent
- Consultation methods commonly used by regulators with operators and other stakeholders are considered inappropriate for consumers

If consumers feel that their views are neglected, regulators' efforts to promote competition and to install a sound regulatory framework may not prove sustainable. It is important that the regulators develop consumer protection policies inspired in normative principles such as the United Nations guidelines for consumer protection.

Roles should be defined for each component of the consumer protection value chain (definition of rights, dispute resolution, information, education, representation, etc.). It is in the regulators' best interest to create incentives to place a greater burden in terms of efforts and costs on the private sector, while ensuring adequate consumer protection.

A proactive approach to consumer protection is the best practice. It is far more cost effective for regulators to resolve consumer complaints through information dissemination and personalized attention (e.g., call centers) than through formal dispute resolution or litigation. Expensive litigation can often be avoided by informing and educating the consumer, e.g., school textbooks, public dissemination of information, advertising campaigns, research, joint projects with universities, call centers or mobile offices.

Ms. Mangadi said that the challenge posed to regulators derived from the significant evolution of consumer demands from consumers that formerly demanded only quality of service and complaint resolution to more sophisticated consumers that want to be involved in the regulatory process itself. She explained that Botswana is trying to include consumers as much as possible in the consultative regulatory process by allowing them to send their views by fax and e-mail, rather than limiting consumer consultation to in-person participation in consultative forums. In addition, one of the Board members of BTA serves as a representative of consumers. She nevertheless recognized the need for BTA to be more proactive and conduct deeper research into what consumers' needs are.

Ms. Borje pointed out that although the study presented by Mr. Cannock did not focus on Asia, its conclusions nevertheless apply to the Philippines. This shows that consumer concerns are similar throughout the world. She summarized NTC's approach to consumer protection as follows:

- Inform the public
- Inform the regulators
- Identify roles
- Implement plans/take actions

Mr. Jensen said that the fact that consumers are not satisfied with regulators should not come as a surprise to anyone. Regulators, he said, should accept responsibility for this because often they have forgotten the essence of their mission--which is to ensure that end users get quality service at low prices--by focusing on other issues. Regulators should shift their thinking from the supply side to the demand side of the equation. Norway has tried to focus on the demand side by introducing number portability and per-second billing for mobile services. An informed consumer is an empowered consumer. Regulators should make every effort to empower consumers. NPTA has developed a website called the "Interactive Price Guide" in which all operators are required to provide data about the costs of their services, so that consumers can calculate the costs of different service offers and switch to the provider which best-suits their needs.

Ms. Kim congratulated ITU for demonstrating a concern for consumers and expressed her agreement with Mr. Cannock's report. She noted that while in the past the telecommunication sector had been more concerned with technology than consumers, this is now changing. Three years ago, the first action of Korea's consumer association was to lower the prices of mobile phone calls. It now participates in the regulatory process. It has recently developed consumer protection guidelines for e-commerce that have been included in the new law for e-commerce. As regulators have started to listen to consumer organizations, Ms. Kim noted, there is a need to strengthen those organizations and help them build more credibility within society.

Mr. Hung said that Hong Kong consumers are well represented in the regulatory process. In the beginning, the consumers' main concern was pricing, but today it is shifting to other aspects such as quality of service. Consumers have understood that price is not the only issue. Low price as the only goal will impact service quality, innovation, sophistication of new services, etc.

Mr. Chowdary also thanked ITU for giving consumers the opportunity to express their concerns to regulators. He stressed that the regulator should be the protector of the consumer. Therefore, the way the members of the regulatory body are selected is key. Transparency and submitting candidates' names to public scrutiny become very important. He also agreed that price should not be the only concern; rather the relation between price and quality of service should be the key issue. It is also important that prices allow an adequate development of the network, in order to ensure that services reach and be affordable to increasing segments of the population. Costs should be known and should be the only drivers of price increases. Consumers should be periodically consulted on whether they are satisfied with the results of sector reform and competition policies.

General discussion

A dispute resolution system is required for cases of consumer fraud. Consumers should not pay for services pending resolution of the dispute.

- Operators are the only ones that possess the specific cost-related information for telecommunication services. Regulators and consumer associations should engage specialists and researchers that are able to scrutinize the data submitted by operators and detect possible inaccuracies.
- The return on investment of operators is not as high as it was under monopoly regimes and before technology changes posed an investment risk. Regulators today should tolerate a reasonable return on investment. Operators should change the way they maintain their accounts to show what they invest in rural and universal access and network development, etc. While regulators may opt to impose this reporting method, due to confidentiality principles, it is not always feasible to share such reports with the general public.

Conclusions

Consumer associations should be empowered in order to ensure that consumer rights are upheld. Rather than merely seeking consumer protection (which implies that consumers are victims) regulators should ensure the active participation by consumers in the regulatory process.

SUNDAY, 8 DECEMBER 2002
REGULATORS' DAY
REGULATING FOR END USERS: IDENTIFYING BEST PRACTICES

SESSION ON CONSUMER ISSUES

GSR Chairperson, Tan Sri Nuraizah Abdul Hamid, moderated the session. Mr. Bob Horton, Deputy Chairman, ACA, Australia and Mr. Swee Hoe Toh, Senior Manager, Malaysian Communications and Multimedia Commission presented reports from the Asia-Pacific Telecommunity Forum on Telecommunication Policy and Regulation held in Kuala Lumpur 17-18 May 2002. Mr. Gustavo Peña, General Secretary, Regulatel, followed with a presentation on Local Telephony Quality and Price: Advantages for Operators and Consumers.

Mr. Horton made a presentation on Telecommunication Consumer Protection in the Asia-Pacific Region. While the Asia-Pacific region is marked by geographical and cultural diversity, it has also exhibited commonalities of approach to consumer protection, including regulation coupled with a managed transition to liberalization, creation of communications-specific regulators and the use of consumer advisory committees to ensure consumer input into policy-making. Some of the common regulatory initiatives of the region include universal service obligations, pre-selection and number portability, development of industry standards and codes of practice, consumer education and information programmes, the development of new quality of service performance indicators and specific programs to address Internet and e-commerce applications.

Mr. Horton noted:

- The importance of the ongoing efforts of many Asia-Pacific countries to find a balance between market-based consumer protection and direct regulation of consumer protection.
- The importance for the industry to work constructively with consumers and regulators when developing self-regulatory arrangements.
- The need to continually assess the adequacy of consumer protection measures to technological changes arising from innovation and the importance of concise information essential to consumers to understand the impact of new technologies and services.

Mr. Toh made a presentation on Quality of Service (QoS) Performance Indicators for Converged Services that focused on the need for new performance indicators to manage the rapidly increasing volume of converged services in the market. The aim of these indicators is to facilitate effective regulation of the industry by managing QoS to the satisfaction of consumers. These indicators need to take into account the status of convergence of services, including the mix of applications and media that create new services such as receiving voice mail by email, web-enabled call centers and video messaging, as well as the activation of services, billing, handling of complaints and expectations of consumers.

Mr. Toh noted that:

- It may be necessary to conduct regular consumer satisfaction research to develop indices to monitor performance improvement.
- Involvement of service providers may be required to provide QoS guarantees to customers.
- There is also a need for a robust consumer protection mechanism.
- Consumers should be involved and educated.
- It may be necessary to set up codes of practice and service level agreements to ensure QoS for applications services.

Mr. Peña made a presentation on local telephony quality and price. He addressed QoS indicators applied to monitoring the performance of operators which include:

- Level of consumer satisfaction;
- Faults per 100 lines;
- Call completion during high traffic times;
- Average time to repair;
- Average time for installation

Mr. Peña described a formula used by regulators to link tariff revisions to QoS. If quality degrades below a threshold limit, the formula restricts the operator from increasing tariffs. In one example, an operator was not

permitted to increase its tariffs due to the degradation of quality of its network. In response to this action taken by the regulator, the operator improved network performance the following year.

General Discussion:

Mr. Hung stressed the need to monitor effectiveness of QoS from the consumer's perspective. One example of the lack of QoS accountability is the non-acknowledgement of delivery of a text message within an expected time limit. This may compel a user either to repeat the message or originate a voice call to confirm receipt of the message. He also recommended that the average cost per minute or average cost per megabyte of representative samples of baskets of voice and IP-based services should be measured.

Mr. Chowdary noted that often consumers do not readily understand all QoS parameters. He stressed the importance of educating the consumer.

India's Telecommunication Regulatory Authority, TRAI, reported the success of the outcome of conducting periodic QoS surveys by outsourcing the activity to the private sector and publishing the results of the survey.

Malta's Communication Authority noted the fruitful outcome of a self-regulatory approach with ISPs but indicated the same approach was not successful with cellular operators.

Spain's Telecommunications and Information Society's Secretary of State commented on the suitability of a self-regulated approach over a regulated one and stressed the importance of using complaint procedures and friendly consultative means to resolve consumer issues.

Conclusions and Recommendations:

In summary, the session noted the need for regulators to adapt the quality of service indicators they currently use to better reflect changing technology to assure that end users are provided the best quality ICT services and suggested that industry self-regulation, through promulgation of industry codes enforced by national regulatory authorities, could also better serve end users and help to bridge the digital divide. The session emphasized the importance of

1. Educating consumers;
2. Empowering consumers to participate in the decision making process of sector reform;
3. Encouraging industry to fund consumer education programmes; and
4. Developing expertise in consumer bodies.

SESSION ON UNIVERSAL SERVICE/ACCESS MODELS

The session on universal service focused on a three-part universal access model developed jointly between ITU and the Commonwealth Telecommunications Organisation (CTO) in 2002. Part I of the joint ITU-CTO Universal Access model focuses on universal access policies, and universal service fund policies, regulations and procedures. Part II focuses on minimum subsidy auctions and interconnection and tariff regulation to promote universal access. Part III focuses on community telecentre policies. The models were prepared and presented by Mr. Edgardo Sepúlveda, Senior Telecommunications Economist, McCarthy Tetrault LLP and Mr. David Townsend, President, David Townsend & Associates. The session was moderated by Mr. David Souter, Executive Director, Commonwealth Telecommunications Organisation.

Mr. Souter introduced the session by explaining the differences in universal service/access definition and in its level of importance from industrialized to developing countries. In industrialized countries, universal service is defined as residential access to telecommunications, or one phone line for every household. In developing countries, universal access is the major challenge, providing every village/community with telecommunications. Universal access is the number one priority in developing countries but a marginal one in industrial countries.

Ms. Schorr, Regulatory Officer, ITU/BDT, explained the reasons why the universal service/access models were developed and their purposes. Many ITU member states have indicated that they have been mandated to create a universal service fund and are looking for guidelines on how to implement their mandate. She highlighted that ultimately each nation must make its own set of choices to best meet its national ICT development goals. The models are intended to serve as a useful and practical tool for policy makers and regulators alike, given their detailed descriptions of the various elements of creating and implementing universal service/access policies, regulations and procedures. The models propose the creation of a universal service fund as a central mechanism within a broader market-oriented approach to achieving universal access in developing countries. The models foresee that universal service funds may be used both for projects to provide basic telecommunications services and for projects providing more advanced communications. While the models may be adopted in whole, as part of a comprehensive package of universal service/access policies, regulations and procedures, they may also be used in a modular fashion with countries utilizing only selected recommendations.

Mr. Townsend provided an overview of Parts I and III of the universal service/access model. He noted that while many policy makers and regulators seek a magic formula for achieving universal access, none exists. Countries continue to experiment with various universal access policies and procedures. The goal of the models is to provide a common foundation of best or promising practices that can be further developed. Part I: describes “model” Universal Service Fund policy and procedures, based upon extensive research into and experience with a wide range of USFs in developing and developed countries around the world. The model covers issues such as universal access enabling laws and policies, sources of contributions to a universal service fund (USF), management and administration of the fund, procedures for determining fund allocations and project definitions and criteria that administrators and policy makers may consider when implementing, or revising, their own USF policies. The models suggest allocating subsidies to universal access projects to jump-start projects that are expected to become economically sustainable. Part III addresses the options for supporting telecentres as a key resource for community access to basic and advanced ICTs, such as rural infrastructure development strategies, telecentre supply and demand and the telecentre implementation process and a telecentre business plan.

Mr. Tamayo, Partner, JOSE LLOREDA CAMACHO & CO. provided an overview of Colombia’s Compartel Programme and showed a film presentation of the Compartel Programme. Colombia has established a universal service fund financed both by general government funds and contributions from ICT service providers. The Compartel programme is bringing both basic and advanced communications to isolated rural communities throughout Colombia. The film presentation included the testimony of many new rural ICT users who indicated that access to communications had changed their lives.

Mr. Sepúlveda presented Part II of the universal service/access model on minimum subsidy competitive auction mechanisms and tariff/interconnection regulation for the promotion of universal access. Mr. Sepúlveda explained that Part II of the model describes a set of processes and procedures for USF financing to construct

and operate public access facilities in rural areas in developing and least developed countries based on a minimum subsidy competitive auction process: The model:

- Focuses on public payphones as the 'mandatory' designated service to be provided, but can also be used for advanced communication services.
- Brings together best or promising practices for each of the various processes and procedures based on extensive research and on successful experiences in Chile, Peru and Colombia, which did not impose universal service obligations on specific operators but used incentives to promote universal access; all operators could compete for subsidies
- Provides analysis and recommendations for applicable consumer tariff and interconnection charges to promote universal service.
- Describes development of a programme of projects, including parameters to use in defining services to be provided and regions to be covered, the sequencing of projects and the process of estimating the amount of the subsidy.
- Describes the bidding process and procedures, which are initiated by the Request for Proposal (RFP) document issued by the universal service fund administrator. It covers competitive bidding, transparency, distinguishing the process from general government procurement, attractiveness of bid opportunities, the impact of regulatory, license and other fees on the subsidy requested and measures to ensure mandatory services are provided.
- Describes the relation of consumer tariffs and interconnection rates to the success and viability of rural/regional licensees.

Mr. Tamasiga, Director, Market Development and Analysis, Botswana Telecommunication Authority, presented the guidelines prepared by the Telecommunication Regulators Association of Southern Africa (TRASA). He emphasized the need for guidelines to harmonize universal service/access policy in Southern Africa Development Community (SADC) region to promote telecommunications development across the region. The objectives of the guidelines include ensuring the delivery of services, promoting greater private sector participation, achieving social and economic development in the SADC region, expansion of the telecommunications network and promoting foreign investment. The strategies include promotion of fair and effective competition, establishing a universal service fund (USF) to which telecommunication operators would contribute a percentage of their revenues, obligations on licensees to ensure the delivery of service and encouraging community participation in the provision of telecommunication services. Financial activity related to the USF should be made publicly available on the website and/or by written request of any citizen. The policy guidelines are presented to SADC Member States so that the policy harmonization process will be enhanced and be conducive to attracting local and foreign investment. Member States are urged to scrutinize their respective legislation in the light of the policy guidelines.

Panel Discussion

Mr. Souter moderated the discussion among the following panelists: Mr. Riel Barey, Deputy Director, Ministry of Posts and Telecommunications, Cambodia; Mr. Pereira Filho José Leite, Member of the Board of Directors ANATEL, Brazil; Mr. Orlando Jorge Mera, President of the Board of Directors, INDOTEL, the Dominican Republic, Mr. Emmanuel Caquot, Head Department of Technologies and Information Society, Ministry of Industry, France and Mr. Alvin Lezama Pereira, General Manager of Universal Service, CONATEL, Venezuela.

Mr. Barey, Deputy Director, MPT, Cambodia - Cambodia is one of the first developing countries where mobile subscribers exceeded fixed-line ones. He explained the status of universal service and competition in his country. A universal service obligation is imposed on the monopoly operator which is also allowed a cross subsidy to provide services especially in rural areas since the population is widely dispersed. When competition was first introduced, operators were not interested in rural consumers. To attract companies in the rural areas, the government designed a universal service policy that includes a subsidy.

Mr. Leite, Member of the Board of Directors, ANATEL, Brazil, explained mechanisms and implementation of universal service in Brazil. There are two mechanisms: a mandatory obligation by the state-own operator to establish specific targets, and a universal service fund. There are four universal service providers, including the state-own operator and concessionary companies. Privatization in Brazil began in 1998 is to be completed in 2005. Universal service targets established in 1999 are to be completed in 2005. These targets include that

communities with 100 inhabitants will have at least one payphone while communities with a population of 300 or more will have individual telephones; access must be provided to those with disabilities and operators must provide circuit switched telephony upon request without delay. As of 2001, there were some 50 million lines; most communities with 300 inhabitants, including indigenous Indian communities, have payphones, while those with a population of 600 have individual telephones. Also, low cost technologies are encouraged through concession contracts. The government defines universal service targets: e.g., Internet for all public high schools, hospitals, remote areas etc. All the concessionaries will contribute to providing services.

Mr. Jorge Mera, President of the Board of Directors, INDOTEL, Dominican Republic, highlighted issues and requirements for universal access based on experiences from the Dominican Republic. He noted that the Dominican Republic published its request for proposal (RFP) in foreign newspapers and received interest from 15 multinationals that were not currently concessionaires in the country. He stressed the need for a transparent process for allocating funds from the USF, a clear social policy for universal service and clear and accurate information on project implementation. The Dominican Republic has witnessed extraordinary social impact from its universal service policies. It has funded projects not only for rural telephony, but also distance education and telemedicine. The biannual plan of 2003-2005 will be to bridge the digital divide. Mr. Jorge Mera noted that the success of all universal access projects depend on community awareness, since many citizens in developing countries may not be aware of the effects and benefits of ICT services.

Mr. Caquot, Head, Department of Technologies and Information Society, Ministry of Economy, Finance and Industry, France, pointed out the relevance and status of universal service in France. The concept of universal service is relevant not only to the developing countries but also to developed countries such as France. France has a unique situation where significant segments of the population are dispersed in remote, mountainous regions. The telecommunication market was opened to competition in 1997. Because of the importance of universal service, a fund was established. At present, the main issues include: net costs throughout the country based on rebalancing tariffs; net costs for specific users, such as low income or handicapped consumers; distribution of public phones; implementation of a universal service fund to ensure that telecommunication services are available to all users, even those in remote areas, at the same price throughout France. Universal service is not an outdated idea but an important tool to promote future mobile access and high-speed communications.

Mr. Lezama Pereira, General Manager of Universal Service, CONATEL, Venezuela, articulated key elements to the development of telecentres providing Internet access:

- Relevance: Internet content must have local relevance.
- Belonging: Community centers should belong to communities.
- Sustainability: There should be sustainability of financing, and they should not be the sole initiative either of the State or private sector.
- Tools and human resource training. Telecentres are tools, and tools require training in order to be used. The end goal is not simply to provide tools, but to develop human potential. Venezuela is developing training for teleworking.
- Impact: The digital divide will not be solved simply by installing lines and telecenters but by concentrating solutions on local community needs. Venezuela has developed a toolkit to develop training and software to meet local community needs. It has portals with icons for health, economics and education and grants awards for the best local content.

General Discussion

Uganda noted that a USF should be thought of before market liberalization because it affects licensing. Rollout obligations should precede establishment of a USF. Stakeholder involvement in legislation and policy is very important.

Peru reported that telephone penetration is 5.9 % per 100 habitants. Twenty-five percent of the population uses the Internet in public Internet booths, which were initiated by an NGO 7 years ago.

Burundi proposed that the theme of universal service should be looked at carefully in light of the digital divide, which has many faces. For instance, calls between Burundi and other African countries are transited through Europe. Thus, this should be discussed in the World Summit on the Information Society (WSIS).

South Africa indicated that there are more than 50 telecentres in South Africa, but most of them are not sustainable. South Africa noted that consumer tariffs affect sustainability, adding that there have been duplications in rural areas between public payphones and telecentres, which need to be avoided.

Tanzania reported that its universal service fund is spent in sectors other than telecommunications due to the lack of rules.

Mr. P.G. Touré, Acting Head of Department of Policies, Strategies & Financing, ITU BDT, noted the need for cost models to calculate interconnection rates and reported that ITU has developed its COSITU software which complements the universal service/access models.

Mr. Townsend agreed with Venezuela on the need for policies and projects to have input from the local community.

Mr. Sepúlveda said that project selection criteria should be made at the national levels, and that the community's requests should be reflected in the decision-making for future sustainability. Consumer tariffs should be examined and implemented for affordability and sustainability. Regulators need to ensure that projects don't duplicate licensing obligations.

SESSION ON REGIONAL REGULATORY INITIATIVES

This session was devoted to regional initiatives taking place in the Americas, Africa and Europe. The session was moderated by Mr. Gustavo Peña, Secretary-General, Regulatel.

Ms. Garcia-Murillo, Assistant Professor, Syracuse University School of Information Studies, made a presentation on the telecommunications harmonization study she carried out for BDT in Central America to support Plan Puebla Panamá Telecommunications Project of regional harmonization. Plan Puebla Panamá is an initiative of the President of Mexico to improve the lives of people in Central America. Prof. Garcia-Murillo provided an overview of the countries studied and highlighted the differences and commonalities that exist between them in their economic, social, legal and network development levels. She explained that the Plan Puebla Panamá seeks to harmonize the national networks to create a regional telecommunication network throughout Central America, to increase the market and make it more attractive to investors. To fulfill this goal, countries need to harmonize their legal frameworks, rules and regulations, including licensing, enforcement, rights of way and interconnection regimes. While there are major differences in the legal and regulatory frameworks of countries in Central America, Prof. Garcia-Murillo recommends that countries sequence the harmonization process by starting with licensing, rights of way and interconnection and then move onto more difficult issues such as infractions, sanctions and level of competition, recognizing the importance of a common dispute settlement mechanism.

Mr. Ndukwe, Chief Executive Officer of the Nigerian Communications Commission, (NCC), spoke about the West Africa Telecommunication Regulators Association (WATRA). WATRA's objectives are to coordinate common positions on regulatory issues such as interconnection. Seven countries endorsed WATRA's charter in November 2002. WATRA is a response to the need identified by the Economic Community of West African States (ECOWAS) for regional cooperation for the development of essential infrastructure. Market liberalization must come with a strong regulatory framework. Regulators must be skilled and well trained and the regulatory framework must be clear. While many ECOWAS countries, individually, have small markets, they can work together not only to achieve economies of scale in creating their regulatory framework, but also in creating a more attractive market for investors which has common standards and regulatory processes. Mr. Ndukwe encouraged all regional regulatory associations to work together to ensure the goal of universal access. He noted appreciation for the efforts of ITU, and in particular its Dakar office, for supporting WATRA.

Ms. Ouedraogo, Legal Advisor to the Directorate General and Head of the Legal Affairs Unit of the National Telecommunication Regulatory Authority of Burkina Faso, reported on the 3rd Forum on Telecommunication Regulation in Africa hosted by ITU. She explained that the 2001 forum saw the creation of the African Telecommunication Regulators Network, which aims to establish an exchange network between regulators. The network consists of a training programme, creation of a database of experts and creation of a telecommunications database. She identified the main issues of the 3rd forum, Internet and Voice over IP, new services and electronic commerce, and international and regional cooperation and provided an overview of the recommendations of the forum, which are contained in the Final Communiqué (<http://www.itu.int/ITU-D/treg/Events/Seminars/2002/Burkina/>).

Mr. Arnback, Chairman of OPTA, Netherlands, talked about the newly created European Regulators Group (ERG) for Electronic Communications Networks and Services. Mr. Arnback, selected as the president of the ERG, explained that its task is to assist and advise the European Commission on regulatory matters in an effort to achieve harmonization of the five new European Commission directives on electronic communications networks and services. Most countries in the European Union have achieved a free market. Under the new regulatory framework of the European Commission, national regulators must make a market analysis to determine if their markets are sufficiently competitive and propose remedies where they find they are not. All proposed remedies must now be submitted to all other national regulators and the European Commission. Where no comments are received, national regulators can implement the proposed remedy. This marks a significant change in the regulatory approach taken in Europe. Mr. Arnback noted that Europe's two different legal systems (common law and Cartesian) pose a major challenge to implementation of regional harmonization. He also noted that the Independent Regulators Group (IRG) would continue to exist to provide an informal exchange among national regulatory bodies.

Panel Discussion:

Mr. Horton noted that a common approach to standards is needed to achieve regional harmonization.

Mr. Ndukwe indicated that the West Africa region is at formative stage. While it plans to develop a common approach to standards and regulation, this has not yet been achieved.

Mr. Arnback indicated that manufacturers are interested in realizing a common approach to standards and to develop a common EU standard to compete with other regions. This is a complicated and controversial process that was accelerated in Europe by the European Telecommunications Standards Institute (ETSI). Europe has enjoyed a few notable successes, such as the Global System for Mobile communications (GSM) standard. The success was instrumental in paving the way for third generation mobile services (3G). However, he noted it remains to be seen if 3G will be proven a success.

Kenya indicated that the Common Market for Eastern and Southern Africa (COMESA) is also seeking to harmonize its members markets and act as a region.

SESSION ON GLOBAL REGULATORS EXCHANGE (G-REX) AND FUTURE WORK

BDT Director Touré opened this session and explained that the World Telecommunication Development Conference held last March in Istanbul elaborated the Istanbul Action Plan. This Plan charts a course for developing countries to transform the digital divide into digital opportunities. It is a comprehensive package that will enable developing countries to promote the equitable and sustainable deployment of affordable ICT networks and services. The Istanbul Action Plan includes six programmes to be implemented by the BDT: Regulatory Reform; Technologies and Network Development; E-strategies and Applications; Economics and Finance; Human Capacity Building; and a Special Programme for LDCs.

Past GSR recommendations are now enshrined in the Istanbul Action Plan, including the request for BDT to prepare models and case studies. The past GSRs gave also rise to the Global Regulators Exchange (G-REX) and the creation of the G-REX Steering Committee, in which Mr. Wong has taken a prominent role.

Mr. A. Wong pointed out that the Regulators Hotline is the most popular activity of GREX. The G-REX Steering committee, created following a recommendation of GSR 2001, has met to identify further ways of developing G-REX to supplement the hotline. The Steering Committee comprises regulatory agencies from France, Hong Kong, India, Kenya, Morocco, Papua New Guinea and Venezuela. The majority of the members of Steering Committee met during the World Telecommunication Development Conference 2002 in Istanbul and formulated the following recommendations:

1. Permanent training activity to provide basic regulatory information for new regulators

This first activity would be designed for new regulators and would provide basic information and training on topics of interest to new regulators, such as the role of independent regulators, licensing, ICT legislation, competition safeguards, interconnection etc. G-REX could offer online self-study training programmes on a variety of subjects, supported by tutorials and chat rooms held at specified times. G-REX could also provide regulatory distance learning courses offered to smaller groups of regulators to provide training on a more intense and targeted basis. G-REX could develop a permanent online training activity to provide basic regulatory information and training for new regulators.

2. Collection of in-depth information on practical solutions to regulatory problems

To assist regulators that have already begun to implement their mandate and seek practical solutions to the regulatory challenges they face, in-depth G-REX conferences would be organized. One topic would be addressed at a time for a period of approximately three months in the following manner:

- A proactive moderator would collect information in the form of case studies from a selected group of regulatory authorities with experience in the topic under consideration.
- Once the case studies are prepared and posted on G-REX, the moderator would encourage other regulators to share their experiences.
- Where new questions are raised, the moderator would take a proactive role to ensure that regulators with experience in the issue respond to these questions.
- At the end of the discussion period, BDT would be requested to prepare a report summarizing the problems faced, solutions found and identify the best practices and benchmarks.

The Steering Committee recommended that “interconnection” be the first topic to be addressed.

3. Virtual Conferencing

This activity is designed to address cutting edge regulatory issues and would take the form of a brief virtual conference, e.g. a virtual conference of one day. Selected participants would be invited to make oral power-point type presentations, followed by live chat, where other participants could pose questions or make comments. Those making presentations should ideally stay available for approximately one week following the conference to respond to any email questions by those unable to participate in the conference.

BDT has initiated efforts to implement the Steering Committee’s recommendations, and will continue these efforts in 2003. Mr. Maniewicz made a presentation on BDT’s regulatory training initiatives. Prof. Garcia-Murillo, made a presentation on a software package that could be used to support virtual conferences. Ms. Schorr indicated that while BDT may provide a software platform, implementation of virtual conferences should be kept simple, at least initially, including holding virtual conferences in one language and among a small group of participants that do not span too many time zones. The greatest difficulty with regard to implementing the recommendation on pro-active moderators has been to locate such moderators from the pool of current regulators. Regulators often do not have the time to carry out the tasks this activity requires in

addition to meeting their regular duties. One proposition is to hire professional moderators, such as recently retired regulators, or to request ITU-D Study Group Rapporteurs to play the role of the moderator.

Mr. Maniewicz, BDT, presented an overview of BDT regulatory training. Regulators have been involved in past BDT training programmes. To enhance services provided to regulators, last year BDT designed training programmes specifically for regulators. There are commonalities in training needs in various regions. Six weeklong regulatory workshops were co-designed with CTO. Case studies will complement the course work, and the workshops and case studies will be adapted to the region in which the courses are delivered. Regulatory and policy workshops have been delivered through the ITU Centres of Excellence in French-speaking and English-speaking Africa, the Arab States and in the Asia-Pacific region. On-line regulatory training has been provided in Latin America and the Caribbean and a self-development regulatory programme is offered through the Asia Pacific CoE in partnership with OFTA, Hong Kong, SAR, permanently available online at http://itu-coe.ofta.gov.hk/index_ie.htm. Online training enables ITU to target a larger audience and reduces costs and time of training. ITU is embarking on a new initiative: to develop a distance learning Masters Programme in Telecommunications for the Caribbean sub-region supported by Cable & Wireless and others. Regulators are now asking for training related to best practices and benchmarks. HRD can develop such training with the contribution of subject matter experts. Mr. Maniewicz requested that GSR participants offer their services to such capacity building efforts.

The session supported the proposals and recommendations made.

CLOSING CEREMONY

BDT Director Touré thanked OFTA and especially Tony Wong for his generosity in hosting this year's GSR. He stated that he was very encouraged that the initiative in inviting new players to the GSR fueled such interesting and fruitful discussion. The BDT Director thanked the investment and consumer representatives who participated so actively and led to the success of this year's GSR and strongly encouraged all participants to continue the dialogue between major ICT stakeholders: regulators, policy makers, private sector, investors and consumers. Mr. H.I. Touré noted that he was pleased that BDT could also launch a dialogue on the extremely important issue of universal access, including BDT unveiling universal access models, and emphasized the importance of all stakeholders working toward the goal of universal access. He looks forward to developing new models and case studies next year based on the GSR discussions. This year's GSR has been a success because it provided a setting for a free and frank exchange. By adopting a light-handed approach, much as regulators have been encouraged to use light-handed regulation, it allows the focus of the meeting to remain on the participants. Mr. H.I. Touré reiterated his commitment to continue the GSR annually, and encouraged greater interaction with the private sector, investors and consumer groups.

GSR Chairperson Tan Sri Nuraizah Abdul Hamid in her closing remarks stated how encouraged she was to see that so many lessons, good practices and workable solutions were brought forward at this meeting. She commented that the similarity and commonality of issues and situations in countries, rather than the differences, had been rather striking - so much so that it would be difficult to attempt to distinguish between one jurisdiction and another.

She summarized some of the more salient points that had been discussed during the meeting:

1. The private sector is concerned with profitability and risk factors and ranks the regulatory environment as one of the key considerations. Regulators need to have a better understanding of the way business decisions are made.
2. For operators the bottom line counts, whereas for regulators the primary concern is the duty to ensure protection of public interest.
3. There needs to be a balance between the incumbent operator and newcomers. Openness and transparency are essential while feedback from the private sector is also crucial.
4. Regional harmonization of regulations poses challenges where countries are at different stages of development and have different policy and regulatory frameworks. Regional harmonization may be pursued to foster improved coverage, quality and access to services and the industry as a whole.
5. The financial sector has called for regulatory reforms to maintain a more sustainable investment environment.
6. Convergence is very important and should be on the minds of all regulators. With convergence comes the need to re-examine basic issues, such as: technology neutrality, universal service, access regimes, consumer issues and others.
7. The regulator is asked to play the role of a juggler to balance the needs of the operator and consumers. She noted that the similarities among consumers worldwide are astounding.
8. The need for performance indicators is vital so that regulators can measure consumer satisfaction and quality of service.
9. On the subject of universal service, many issues were raised regarding affordability and sustainability of universal service and the suitability of the telecentre franchise method as an option. Nevertheless, there is still the need to pursue the search for a workable solution, bearing in mind that "no one size fits all" and that universal service is still on a development mode.

She stressed that the output of the GSR would be invaluable to the preparatory work of the World Summit on the Information Society. The meeting supported her recommendation that the Chairperson's Report on this Third Symposium be submitted as input to the preparation of the draft Action Plan to be considered by the next Prepcom for WSIS in February 2003. This would, among other things, ensure that there will be mention of the key role that regulatory bodies could play, if strongly supported by the international community, to prepare and enforce regulations, provide guidelines, develop models and financing mechanisms while recognizing both the role and expectations of the private sector as well as the social dimension of services and applications provided through communications services providers.