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Review of Policy Making Initiatives and Regulatory Levers in the new Telco/Media Environment

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1. Presenting INA

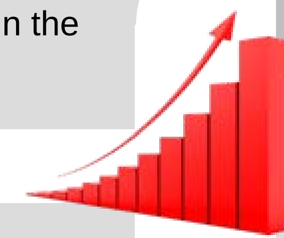
2. Migration to Telco 2.0 Model

3. Implications for Policy Makers and Regulators

INA is the catalyst for the development of the Information Society in South Eastern Europe (SEE)

- **1. Vision**
  - Become the leading ICT research and advisory organization in the SEE region
  - Be the reference point for all leading ICT stakeholders in the region

- **2. Mission:**
  - Actively develop ICT sector in the SEE region
  - Provide continuous support and assistance to ICT stakeholders
  - Promote harmonization of Policies & Standards



- **3. Brief Description**
  - INA was set up in 2000 on the initiative of FING and a partnership between leading telecom operators
  - Based in Thessaloniki, INA employs high-profile individuals with long-standing experience in the ICT space

- **4. Key Activities**
  - ICT sector development and policy modelling
  - Customized ICT research
  - Advisory services (e.g. Regulatory management, business modelling, technology strategy)
  - Delivery of high-quality training and support services

INA activities are mainly focused on the development of the ICT sector in SE Europe

Geographic Focus

	Activities
ICT Sector Development and Policy Modelling	▪ Policy making, telecoms legislation and regulation ▪ Harmonization of national regulatory frameworks to EC guidelines ▪ National development plans for broadband/NGN
e-Gov & e-Sec Services	▪ Founding partner of SEE Centre for eGovernance Development (CeGD) ▪ Analysis of e-Gov and e-Sec activities in SEE ▪ Organizing annual Regional eSecurity Forum
Participation in Key SEE Initiatives	▪ Technical advisor in the Stability Pact's eSEE initiative (electronic SEE) / bSEE (broadband SEE) ▪ Technical Advisor for Business Advisory Council SEE ▪ Initiator of Regular SEE Regulators' meetings
Training and Support Services	▪ Steering committee of ITU Centres of Excellence ▪ Node for Regulatory Training in CE & SEE region ▪ High-quality workshops to senior managers from Ministries, Regulators and Operators

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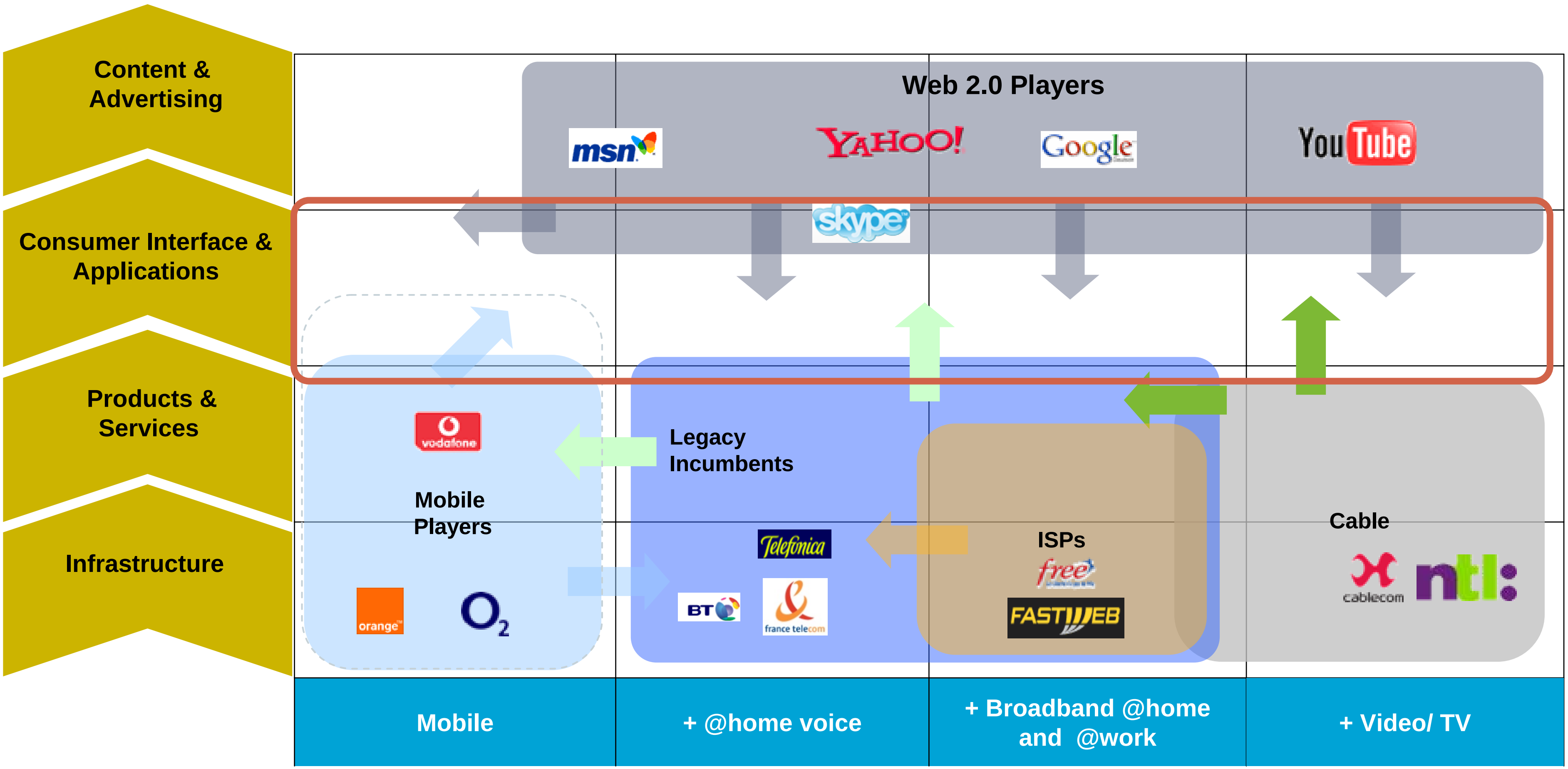
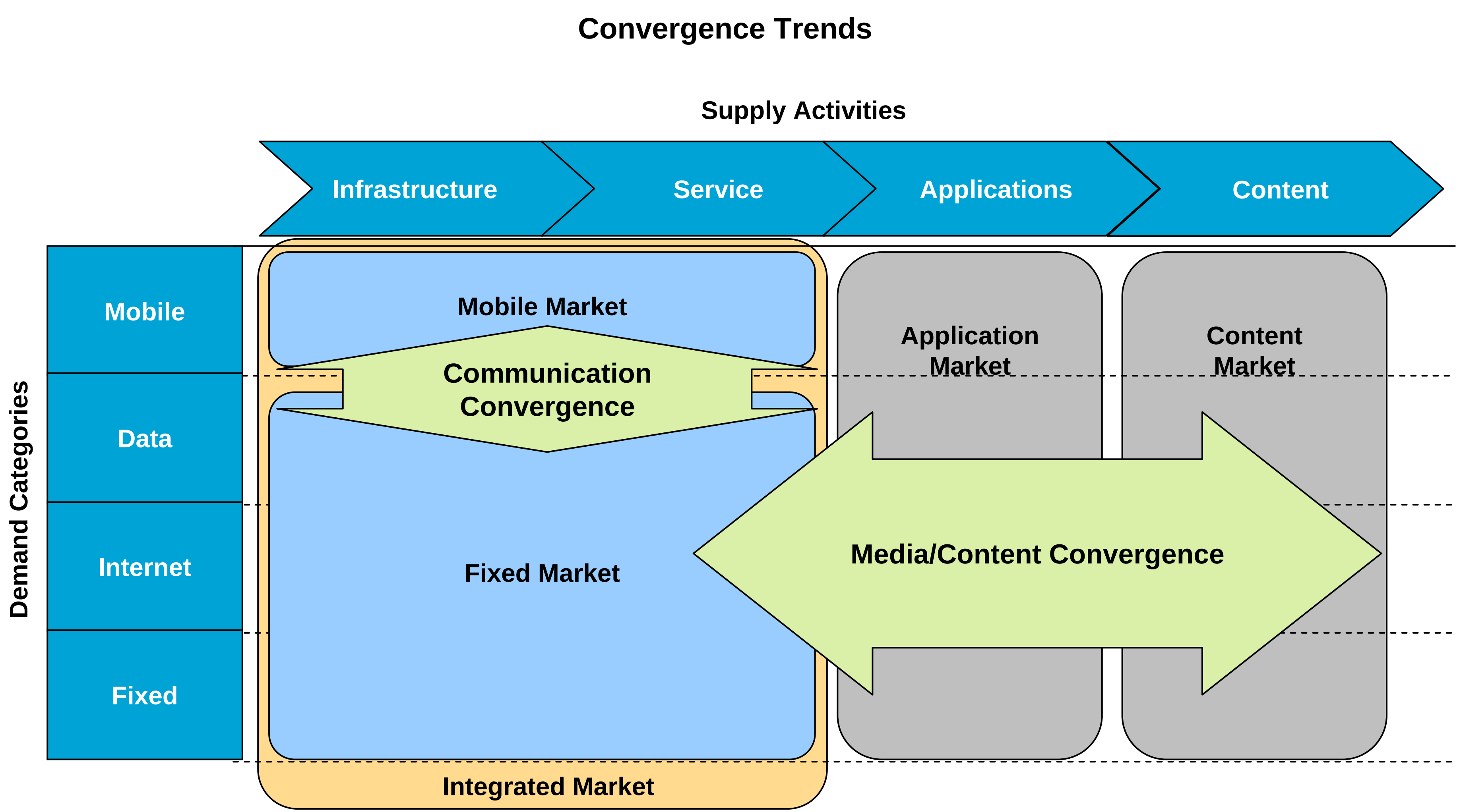
Globally, new business models are emerging aiming primarily at capturing the end consumer interface

Emerging Business Models in the Media and Telecom Sectors



Source: BAH

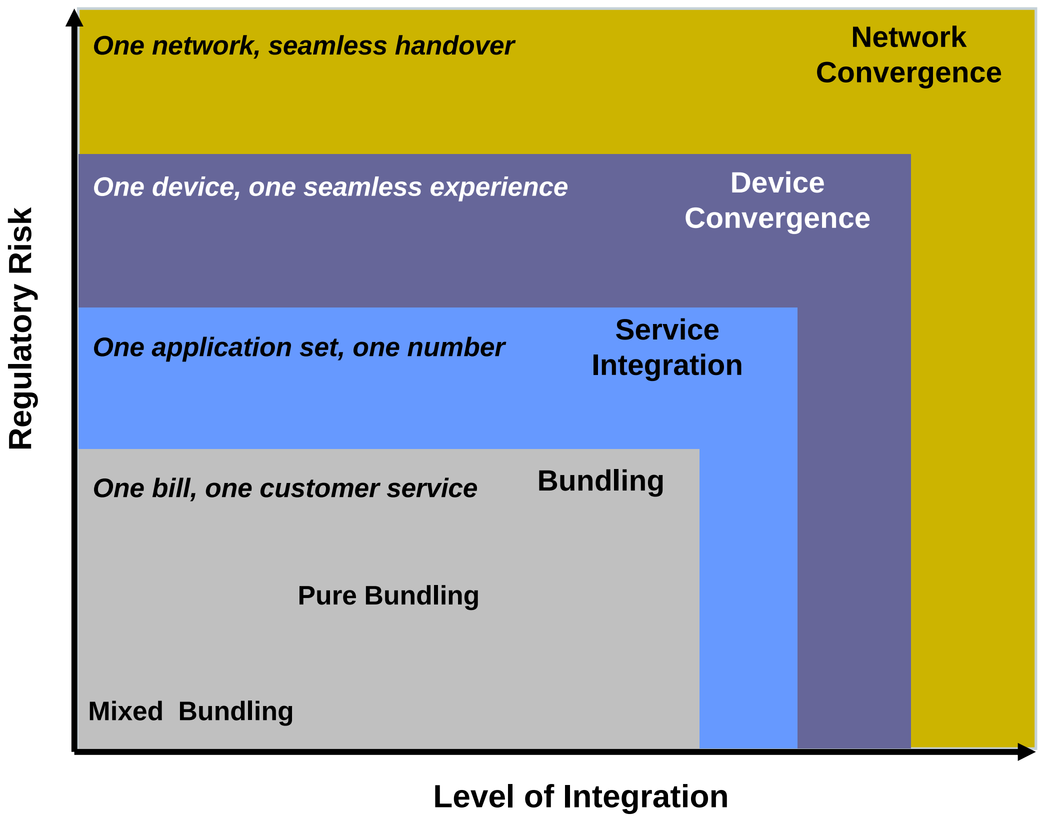
Driven by market maturity, communication and media convergence are becoming priorities for operators



Source: BAH

However, different levels of integration prevail prior to migrating to FMC

Levels of Integration



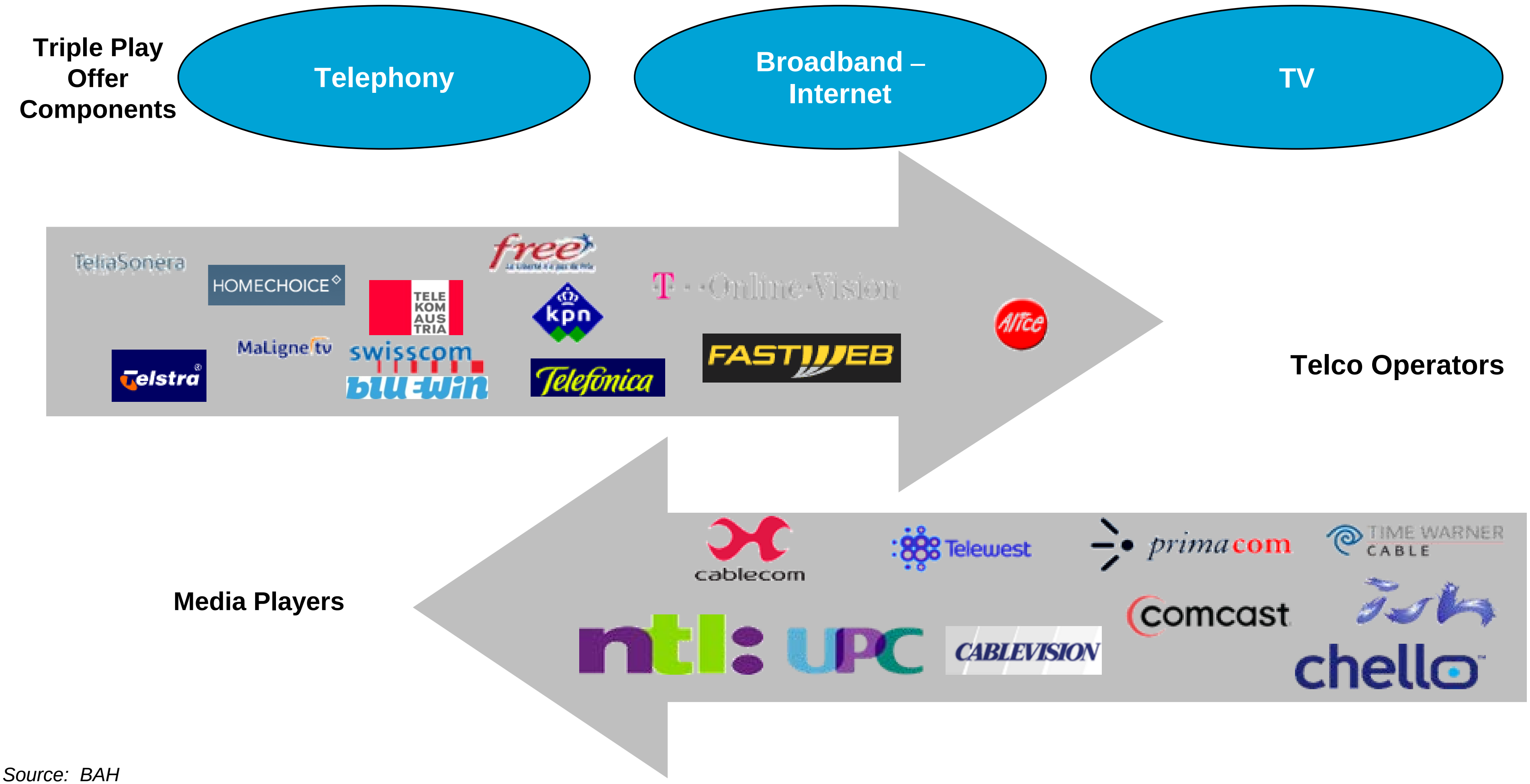
Regulatory Implications

- The higher the level of integration , the more likely it is that the Regulator will impose some obligations (access obligations) and restrictions (price controls)
- Market participants can reduce risk and improve opportunities either:
  - **Directly**: when defining the FMC service, product definition should cater for replicability through retail and wholesale functions; bundling should, where possible, involve non-SMP services
  - **Indirectly**: by pushing regulators to draft clearer guidelines on convergence

Source: Ovum

Content-Media Convergence is the merger of telecom products with TV in an effort to offer triple play services

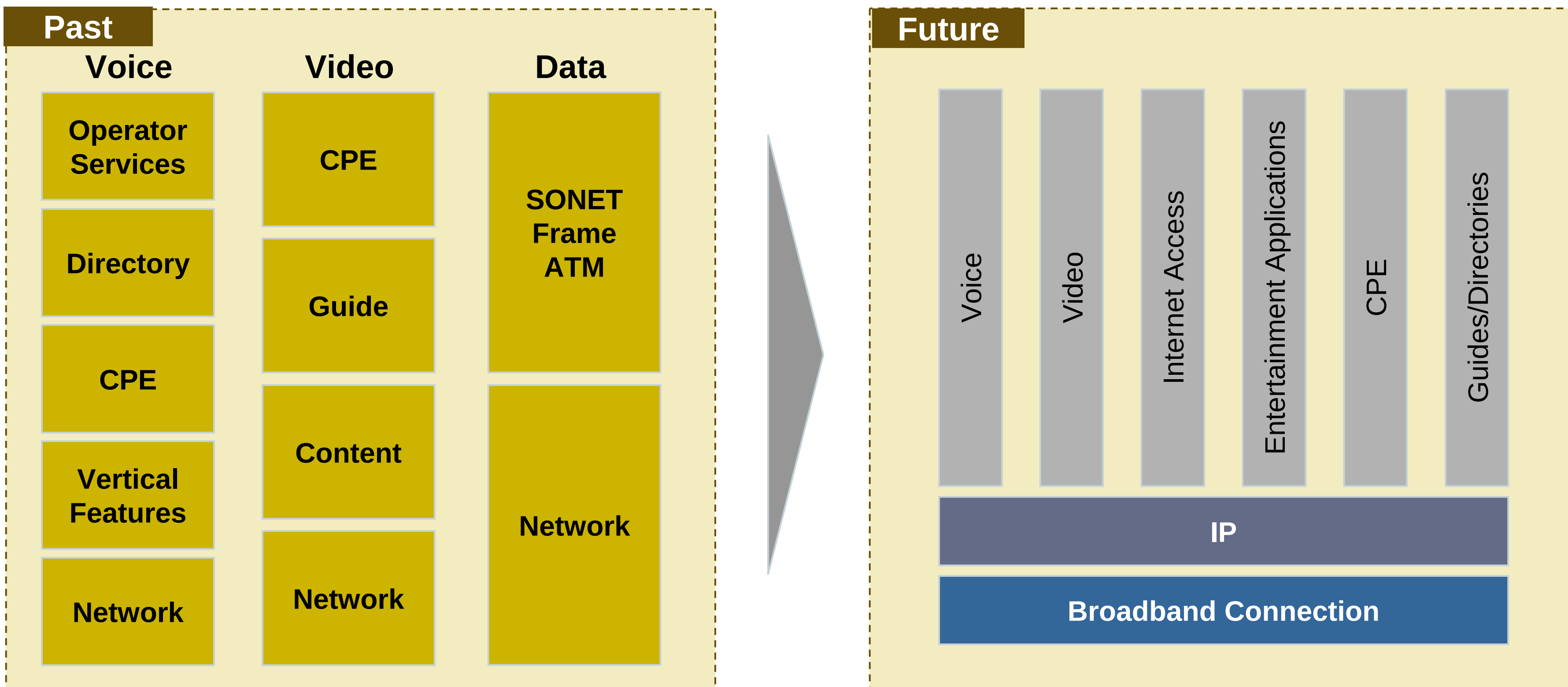
Media/Content Convergence Overview



Source: BAH

NGN permits the development of new services over a horizontal layered infrastructure

Impact of NGN on Service Delivery

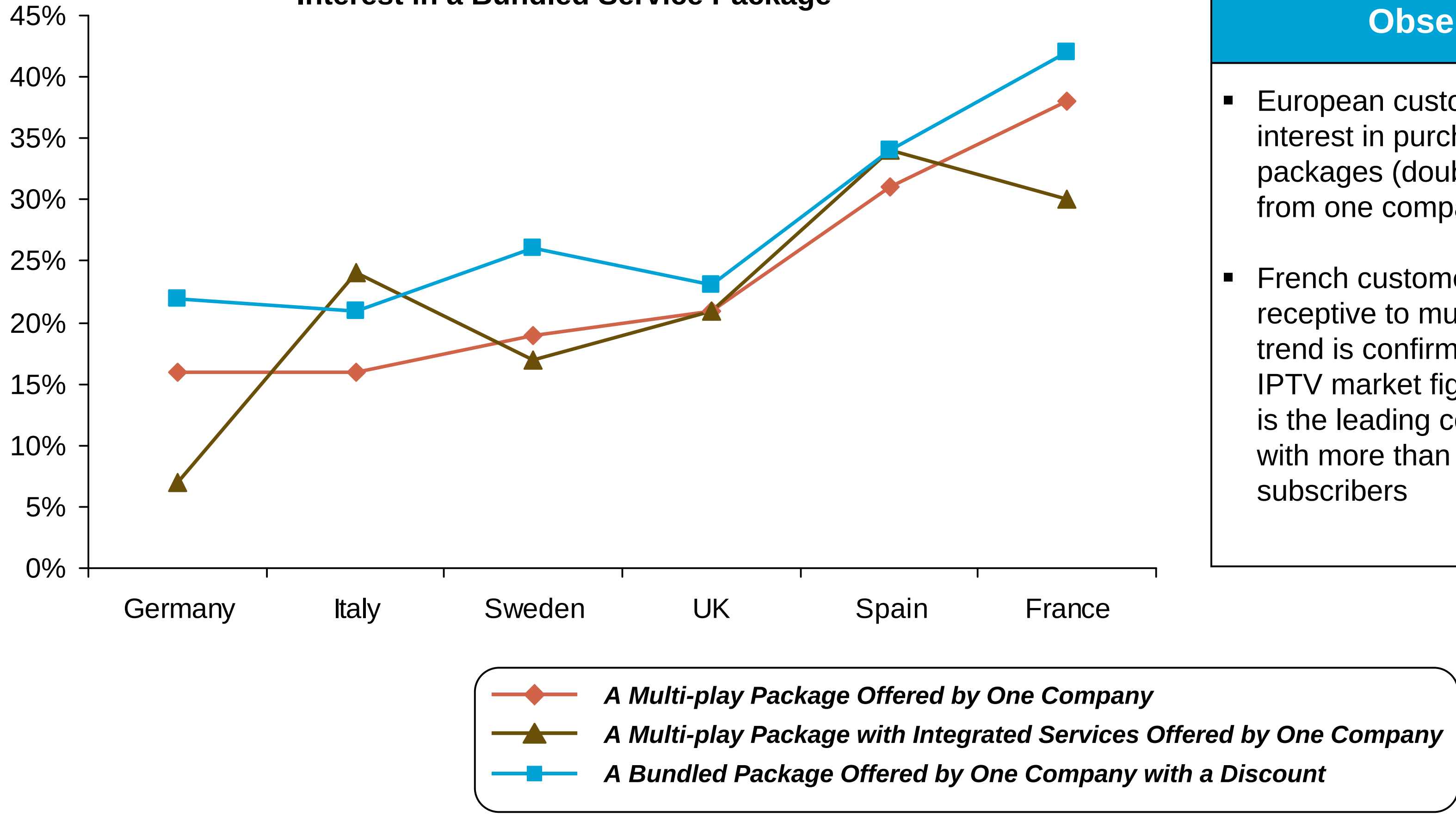


- **NGN combines the network and BSS/ OSS in a single horizontal layer, enabling significant cost savings from non-replication of integration and operation costs for each new service**

Customers in European markets are showing significant interest in multi-play packages

Multi-play Bundles Adoption

Interest in a Bundled Service Package [1]



Observations

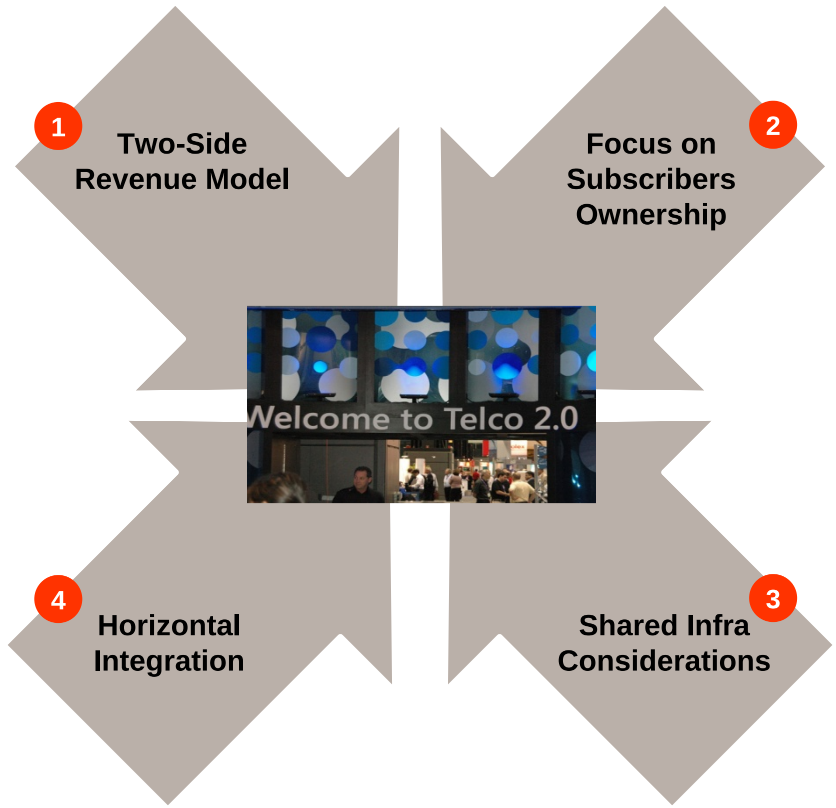
- European customers show a high interest in purchasing multi-play packages (double-play, triple-play) from one company
- French customers are the most receptive to multi-play, and this trend is confirmed by the current IPTV market figures, where France is the leading country worldwide with more than 1 million IPTV subscribers

(1) Graph shows only highly interested respondents

Source: Global Digital Living II, 2007

In summary, Telco 2.0 future model is based on four key pillars, with a special emphasis on consumer experience

Telco 2.0 Model Four Key Pillars



- Operators leverage both upstream and downstream parties as revenue sources (ad-funded type of operators)

- Accessing and processing end-users data, better understanding the needs and owning subscribers is a unique competence of operators

- Provision and support of blended IP services over common SDPs and shared core infrastructure. Migration from vertical silos to horizontal logic

- Operators may consider spinning-off infra elements not relevant to Telco 2.0 model. Focus on sophisticated billing and customer care systems

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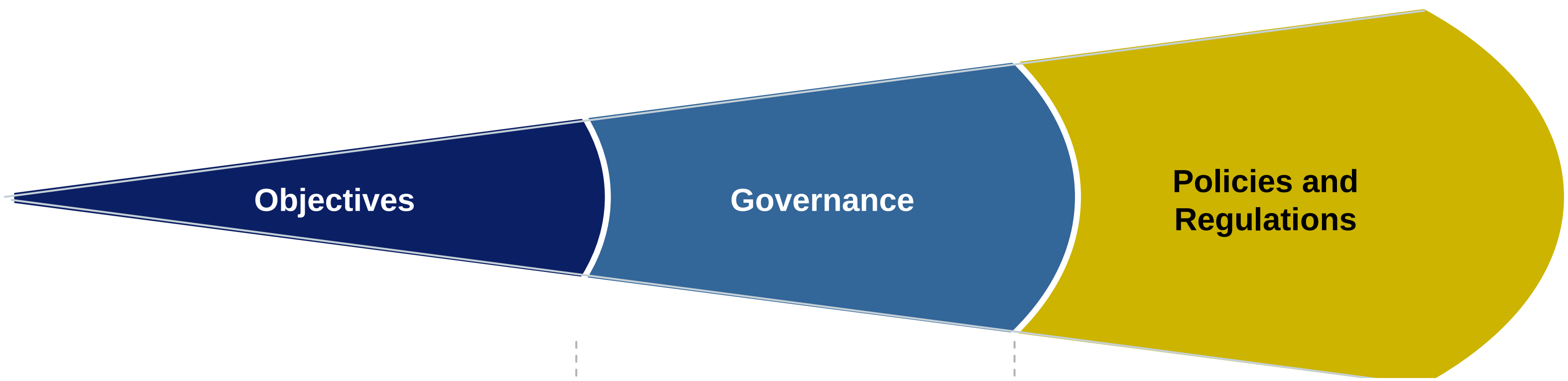
Convergence and NGN are forcing changes to regulatory environments, requiring NRAs to consider new models

Impact of Convergence and NGN on Regulations



- Sector Objectives:
  - Economic
  - Social
- Policy Impact

- Media vs Telecom Regulators
- Industry led (NGNuK) versus Authority-led

- Licensing
- Spectrum
- Numbering
- Interconnection
- QoS
- Universal Service

- Content regulation
- Local Loop Unbundling
- VoIP
- SMP (Dominance)
- Consumer Protection

Impact on Regulations

Light **Heavy**

The stated objectives to regulate the ICT sector remain unchanged with the arrival of convergence and NGN

Telecom and Media Regulation Objectives

Economic Objectives

- Promote and sustain competition and choice as a means of minimizing price and maximizing quality of communications services
- Encourage investment and innovation
- Maximize the contribution of the communication sector to economic growth and performance
- Efficient allocation of spectrum

Social and Cultural Objectives

- Affordable access to a universal service specified in terms of telephony, broadcasting and Internet access
- Plurality of voices in the media
- Cultural diversity and national identity reflected in content
- Consumer protection and privacy

- Convergence of telecommunications and media will not impact the stated objective to regulate telecommunications
- The declared objectives will remain the broader guidance for policy and regulation formulation
- Convergence and NGN developments are an outcome of existing policy and regulation

Until now, a developed few countries have integrated their regulators to cater for convergence

Governance Setup Benchmarks

Telecom and Media Regulated Separately

Jordan	Singapore
Albania	Slovakia
Latvia	Slovenia
Lithuania	Croatia
Morocco	Czech Republic
Poland	France
Romania	Germany
Bulgaria	Turkey
Lebanon	Hungary
Estonia	Saudi Arabia

Integrated (Converged) Regulatory Body

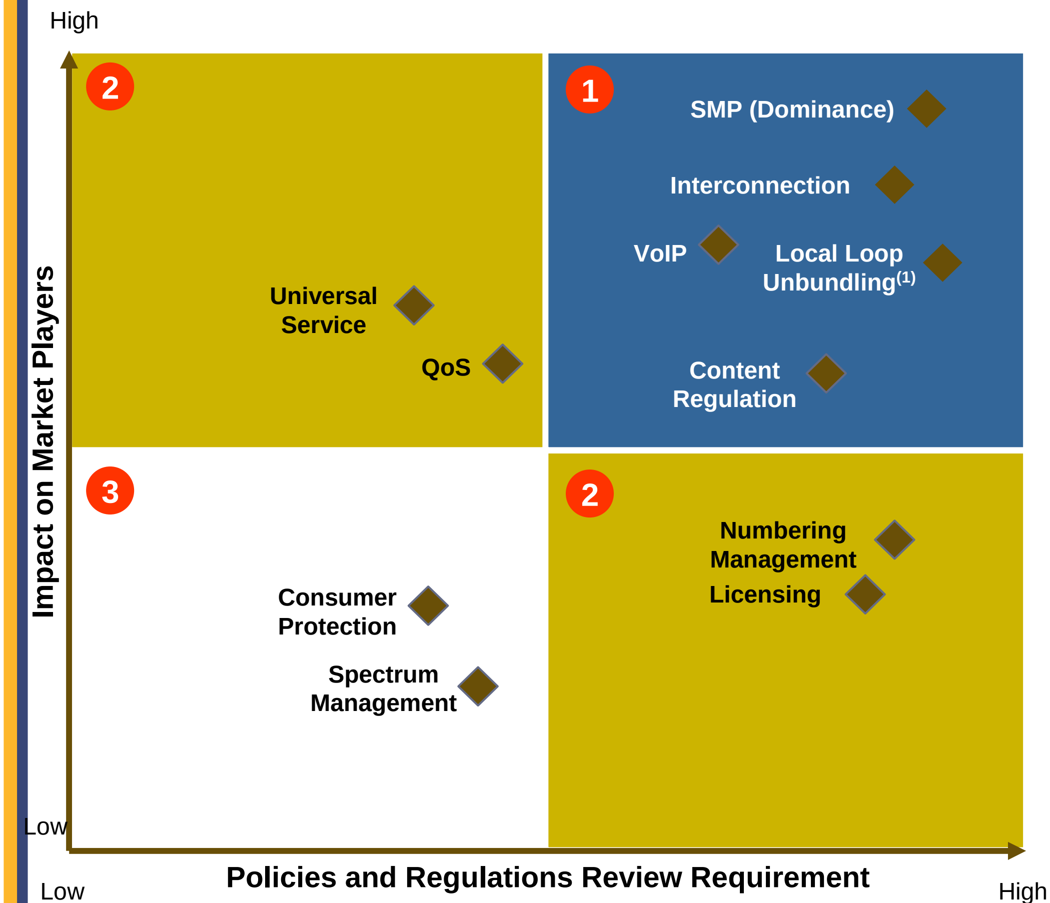
- Australia
- Italy
- Malaysia
- UK
- Canada
- USA
- Finland
- South Africa
- Tanzania
- Malawi

Advantages from an integrated regulatory body:

- Stakeholders have a one-stop-shop for resolving regulatory issues resulting
- Operational efficiencies as wider resources are available
- Less overlap and turf battles between government agencies
- Operators find it easier to comply with only one regulatory authority and to address their issues
- Better reflection of the marketplace where operators now offer triple play and quadruple play

Policies and regulations should thus need to undergo an overhaul program with potential impact for stakeholders

Policies and Regulations Review and Impact



1 *High Priority*

2 *Medium Priority*

3 *Low Priority*

Comments

- Several Policies and Regulations will have to be revised following the advent of convergence and NGN
- The impact of these policies and regulations on ICT stakeholders vary in importance
- Consumer Protection will involve limited change and will have limited impact when compared to the definition of SMP in a converged environment with NGN availability
- Additionally, some existing regulation may not require a considerable amount of change thus the disparity criteria
- For example, Universal Service Obligation will not vary greatly following the advent of convergence as opposed to interconnection

(1) Will cover the Next Generation Access aspect