

## BT perspectives on the 10<sup>th</sup> anniversary of the WTO telecoms agreement

---

Gordon Moir

Vice President & Chief Counsel

BT Global Services



## Alfonso X, King of Castile, 1252-84

---

“Had I been present at the creation, I would have given some useful hints for the better ordering of the universe.”

## BT in 1998

---

- February 1998: enthusiastic welcome for WTO agreement
- Chairman to shareholders: *“It is the competitive nature of the global market that spurs innovation and delivers customer benefits....it is the rapid change that generates opportunities we are determined to seize.”*
- May 1998: £1 bn network modernisation and expansion announced to support anticipated growth in worldwide traffic

## BT Global Services in 2008

---

- Ten years of growth. Customers looking for ever more seamless, cross border services
- BT focus on provision of networked IT services to multisite organisations worldwide:
  - Unilever, FIAT, Philips, Credit Suisse, Microsoft, UK National Health Service, Bristol-Myers Squibb, Pepsi, Lufthansa, Visa, Fujitsu and governments world-wide
- 30,000 employees in more than 50 countries
- Customers in more than 170 countries
- The world's leading MPLS network: 28,000 ports in over 70 countries
- 19 companies acquired in last 2 years
- Innovation in network security as well as customer requirements in, eg mobile

## So what hints can we offer for “better ordering of the universe”?

---

- Progress has been good (more signatories for Reference Paper, more commitments by existing signatories)
- Where liberalisation has progressed, innovation has increased and customers have benefited - both business and residential
- Need further commitments and enforcement of those commitments already given. Some suggestions follow

## So what hints can we offer for “better ordering of the universe”?

---

### ■ More attention is needed to:-

- Further moves to remove foreign ownership rules and to ensure market access and transparent, clear enforcement of rules protecting against abuses by dominant operators
- Different nature of business markets must be recognised
- Significance of non-price discrimination needs to be addressed
- Role of business telecoms as key facilitator for rest of WTO agenda
- Regulatory solutions to guarantee “equivalence of inputs”
- More harmonisation of regulatory solutions across borders
- Proportionate national security based rules
- Customers want more seamless services
- BTGS still often feels like a freight forwarder which has to unpack its shipping containers at the national frontier but business is getting more international

## Business markets are different

---

- Major business customers require:-
  - High levels of reliability and security (public internet is not sufficient)
  - Simultaneous connection of widely-scattered global sites
  - One-stop-shop for global needs
  
- Regulatory approaches designed to achieve competition in consumer markets – notably, local loop unbundling (LLU) – have little impact in the business sector. Even after aggregation of needs of all potential customers, economies of scale will rarely justify nation-wide investment in local access.
  
- Operators specialising in the business segment must continue to rely of wholesale inputs from incumbent operators (typically 40% of costs)
  
- Effective regulation of these inputs is critical to innovation and competitiveness

## Non-discrimination is not enforced and must be:-

Country	Key Performance Indicators (KPIs)	KPIs published	KPIs measure conditions of internal supply against those to third parties
A	x	x	x
B	✓	✓	x
C	x	x	x
D	✓	✓	x
E	✓	✓	x
F	x	x	x
G	✓	x	x
H	✓	x	✓
I	✓	✓	✓

Research conducted with global customers and local experts

Anonymised country data

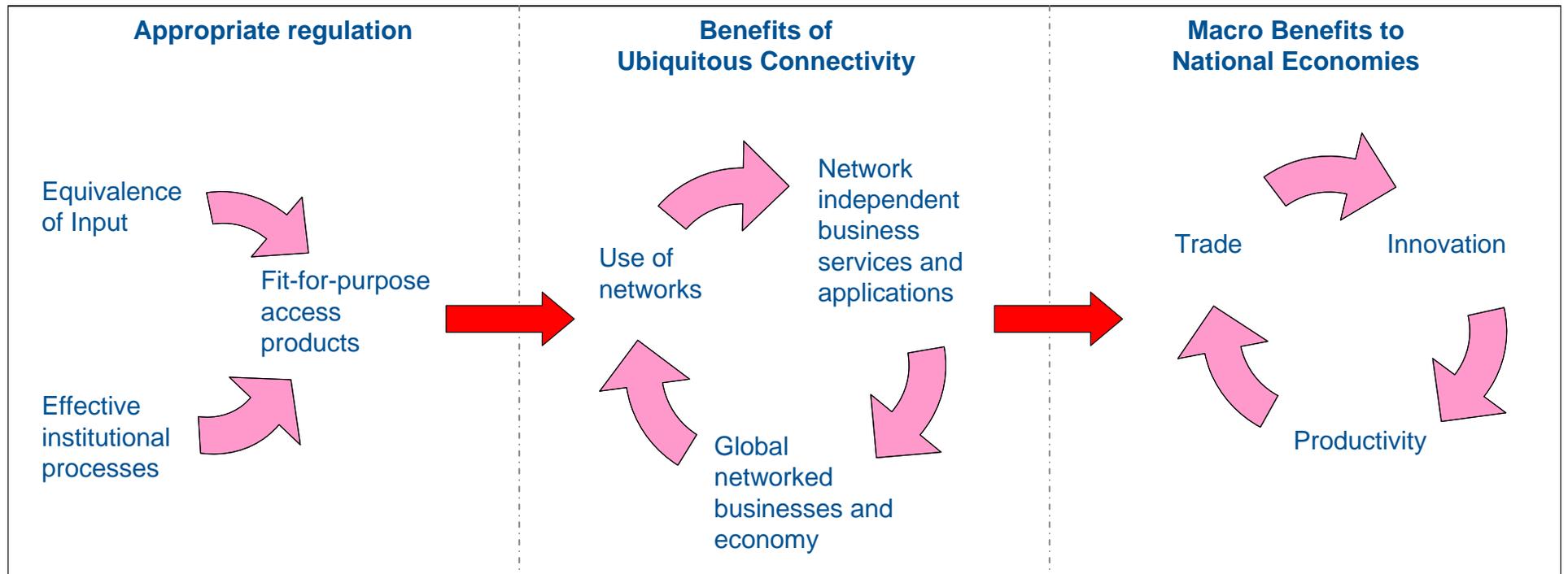


## Competitive business services will boost the global economy

---

- Investment in computers does not in itself increase productivity. Computers must be linked effectively together to allow business process innovation.
- Interworking of IT applications in different geographic sites promotes a new business paradigm:
  - Rationalisation of corporate functions in most appropriate geographic sites
  - Outsourcing to concentrate on core competencies
  - From “command and control” to “flat” organisations
  - From vertical integration to long-term collaboration between multiple entities
- New business paradigm promises to boost international trade and investment but supply of “ubiquitous connectivity” remains slower, less comprehensive, and more costly than it needs to be.
- Governments and regulators need to revise almost exclusive focus on private consumer telecoms.
- ***Potential benefits of genuinely competitive business telecoms within EU: customer costs 15% lower, GDP at least 1.5% higher***

## Competitive business telecoms are key facilitator for rest of WTO agenda



## Obligation for Equivalence of Input (EOI) is one solution

---

Provision of monopolised access and backhaul products to competitors on same basis for both incumbent operators' downstream arms and incumbents' wholesale customers:

- Same products
  - Same supply times and terms and conditions (including price and service levels)
  - Use of the same systems and processes
  - Same reliability and performance for systems and processes.
  - Same controlled access to and sharing of commercial information.
- 
- **ie, non-discrimination plus**

## Functional separation is potentially the best EOI guarantee

---

- How to incentivise equivalence without constant regulatory review?
  
- An upstream business unit (clearly separate from the incumbents' other business units) with:
  - Transparent, forceful obligations (published and monitored)
  - Separate staff, management and remuneration incentives
  - Specific obligations with respect to confidential commercial and customer information
  - Monitoring and oversight by an independent Equality of Access Board
  - Governed by an independent management Board
  
- Effective regulation to ensure enforcement, including the following penalties for breach:-
  - Directions from the NRA or a court
  - Threat of competition law action
  - Third party actions for damages

**Thank you**