The Benefits of Liberalized Telecommunications Markets

Robert Pepper
Senior Managing Director
Global Advanced Technology Policy

Symposium on Basic Telecom Agreement
February 2008
Goals for Public Policy

- **Economic**
  - Grow GDP
  - Productivity growth
  - Jobs
  - Maximize social welfare = consumer + producer welfare
  - Innovation
  - Investment

- **Social**
  - Inclusion
  - Diversity
  - Culture promotion
  - Social cohesion
  - Public Safety
  - Citizenship
Arguments for Liberalization

- Competition grows markets
- Competition brings economic and social benefits

Arguments Against Liberalization

- “Market confusion”
- Competition destroys value
- Need monopoly to justify risky investment
- Competition harms bottom of the pyramid
Measuring Results

- Dramatic teledensity growth
- Price declines
- MOUs/utilization growth
- New business model development
- Measuring infrastructure investment
  - ICT mapping
    - "ICT Ecosystem" surrogate for "liberalization"
    - "ICT Infrastructure"
  - ECTA scorecard
“Mapping” ICT Development

- ICT “ecosystem”
  - Level of competition
  - Quality of regulations
  - Ease of doing business

- ICT “infrastructure”
  - Hardware and telecommunications infrastructure
  - Trained/qualified labor

- Requires balanced approach
  - Moving to the “upper right”
Two Dimensions of the ICT Development Map

- Ecosystem
  - ICT Market Competition
  - ICT Policies/Regulations
- Infrastructure
  - Domestic Networks
  - Skills for ICT

Mapping Key ICT Development Dimensions

© 2006 Cisco Systems, Inc. All rights reserved.
ICT Development Map

- High Broadband Penetration
- Low Connectivity Cost
- Low Broadband Penetration
- High Connectivity Cost

Quality of ICT Ecosystem

Extant of ICT Infrastructure

Best Practice
‘Poor’ Ecosystem and/or Infrastructure

ICT Development Map

Quality of ICT Ecosystem

Poor

Extent of ICT Infrastructure

Best Practice

Best Practice
‘Moderate’ Ecosystem and/or Infrastructure
‘Good’ Ecosystem and/or Infrastructure
ECTA Scorecard reflects (A) the institutional framework; (B) general market access conditions; and (C) the specific competitive and regulatory conditions.
OECD Regulatory Index (2004)

The regulatory index is based on:
(1) The extent to which there is free entry into the market (from a regulatory perspective);
(2) The extent to which the largest firms in the fixed and mobile sectors are privately owned;
(3) The market structure, based on market shares.

Note: * Regulatory index compiled by OECD (2004).
Source: Company Annual Reports and LE calculations, OECD.
Lessons Learned

- Theory of market liberalization has been supported by the results—"Evidence Based"
- Implementation (regulatory regime) matters
  - In telecom, regulator key to implementing trade requirement—unique
  - Details matter
  - Low entry barriers for being "under appreciated"
- Open markets and competition works
  - Arguments against liberalization incorrect
  - Consumers benefit
  - Market grows
  - Infrastructure investment grows
What’s Next?

- Focus on demand as well as supply
  - BTA/Reference Paper focused on supply side
  - Open markets for demand creating applications
- Convergence of devices with networks as well as services
- Interpretation is key
- Need to maintain open markets, free trade