

Telecoms Regulation – Are You Ready For Change?

Telecoms regulation – the world is changing

All over the world, new approaches and new pressures are driving change in telecoms regulation. Are you prepared for these changes?

Today, regulators and governments are looking for new ways to create a stable climate for investment and a transparent regime to encourage competition. Incumbents and other operators want to grow new revenues and develop new and better products and services, without being bogged down by a maze of regulation or endless disputes.

Liberalisation

In countries where the telecoms sector has recently been liberalised, the aim of regulation is to establish a stable environment both to encourage new entrants, and reform the incumbent to enable it to flourish. New entrants need fair access to formerly-public assets which cannot be easily replicated.

For incumbent operators in these markets, a step-change in attitudes is required to adapt to a multi-player environment where regulation is complex, and competitors are also customers. Regulatory considerations need to be fully incorporated into strategy and business planning. A consistent regulatory strategy allows a constructive relationship to be developed with the regulator – reducing regulatory and dispute risk – and allowing the company to contribute to the development of national telecoms policy. A strong inter-disciplinary team must be built up, capable of dealing with regulation, strategy, and public affairs as a whole.

New structures, new strategies

In other markets, regulators and industry are looking for innovative solutions and new models to achieve a long term solution to competition issues.

In particular, there is now worldwide interest in models for the separation of the incumbent, as the basis for a new regulatory framework for the whole telecoms market. Following the successful creation of Openreach in the UK, the European Commission is now proposing functional separation as a remedy throughout the European Union. Functional separation schemes are currently being implemented in New Zealand and Sweden, and are under active consideration in Italy and Poland.

Functional (or 'operational') separation is the creation of a separate division of the incumbent to deal with its 'bottleneck' assets – those assets which are unlikely to become competitive in the short to medium term. The new division provides services over these assets to the incumbent's other divisions on the same basis as it does to other communication providers. The company is not broken up: the divisions continue to be run as one business, for the benefit of shareholders. In contrast to structural separation (the actual break-up of the incumbent, also being considered in some countries), functional separation is easier to implement, more flexible, and enables the incumbent to preserve its integrity.

The UK experience shows that functional separation is a solution from which everyone can benefit. The incumbent is incentivised to improve the access products it provides, since it is consuming those same products itself. Other operators are encouraged to invest, in the knowledge that they will get fair and transparent access to the crucial bottleneck assets. The regulator, confident of equality of access at the wholesale access level, is free to start to deregulate the downstream areas. With its regulated products concentrated in one division, the incumbent can focus on developing new revenue areas in the rest of its business. The result is a simpler, freer, regulatory environment, and a stable basis of investment for all.

New networks – new regulation?

At the same time, Next Generation Networks are challenging existing regulatory rules; for example, on interconnect, cost-based charging, and network access. In developing its own NGN (21CN), BT has developed innovative ways to manage these issues and build constructive relations with the regulator, industry and end-users.

How can BT Telconsult help?

BT Telconsult can help you understand and prepare for regulatory change, and drive the regulatory agenda.

Since becoming the first European incumbent to be privatised, in 1984, BT has been at the forefront of regulatory innovation in telecoms for over 20 years. BT has constantly transformed itself to keep pace with regulatory and market changes, culminating in the groundbreaking functional separation in 2005. We also have experience acting as a challenger in 170 countries around the world. For BT, regulation is an integral part of a business strategy to minimise risk and enable growth.

BT Telconsult, BT's external consulting arm for the telecommunications industry, can make that regulatory experience available to you. Whether you want to develop a regulatory strategy or regulatory department, understand and manage regulatory change, or build compliance and transparency, BT Telconsult can help with practical advice based on real experience.

We also have experience on actual implementation of transformation, for example in systems, compliance, monitoring, finance, training, and consultation. Our experience can help you save time and money when it comes to making change.

BT Telconsult can also offer advice on the specific regulatory issues which concern you:

- Obtaining a licence
- Understanding regulatory accounting and LRIC models for interconnection
- Drafting and publishing a Reference Interconnect Offer
- Getting your point across in consultations
- Making disputes and complaints more effective
- Next generation networks
- New approaches to spectrum policy

Offices worldwide

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Next steps

When it comes to dealing with regulatory change, there are clear advantages in working with people who have already faced the challenges and overcome them. We can help evaluate the various options, and come to a solution which is right for the particular circumstances of the national market and the individual company.

We would be happy to organise a high-level workshop led by BT managers experienced in regulation and strategy, including advice from the pioneers of functional separation in the UK.

About BT Telconsult

BT Telconsult is a global telecoms management and technology consulting business with 30 years experience in providing consultancy services in more than 90 countries. We are part of BT Global Services and leverage BT's experience as a 21C Next-Generation Communication Provider to help our clients. Our consultative practitioners have a deep understanding of how to address end-to-end business, technology operational, and regulatory challenges, using best practices and methodologies developed by BT, to support your business transformation.

