

Building a strong regulatory framework

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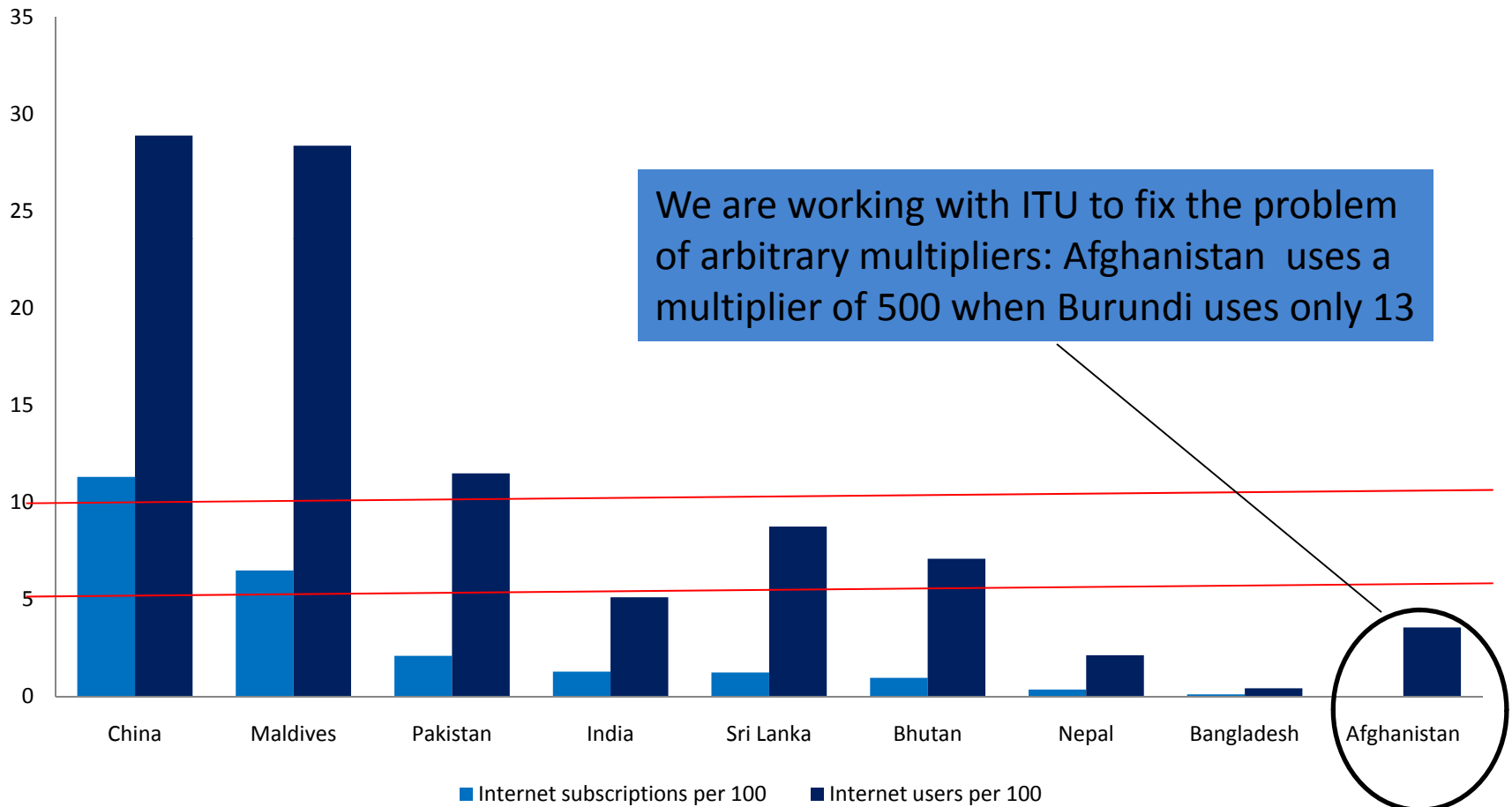
Agenda

- The success of voice and the challenge of Digital Bangladesh
- What can regulation contribute?
 - Not a comprehensive discussion
- How to do good regulation
 - Bracketing the need for new law and policy

Voice: A success in difficult circumstances

- ~100% of national territory covered by signals
- High uptake
 - 90% + say they have used a phone in last 3 months
 - More phones than radios in BOP households
- Prices among lowest in the world
 - Result of **Budget Telecom Network** (BTN) business model
- Voice has become a commodity; profits a problem → mobilizing capital more difficult

The challenge for Digital Bangladesh



A challenge that can only be met . .

- By extending the **Budget Telecom Network** model to broadband
 - Low prices must be offered
 - Costs must be kept down to make low prices sustainable
- By enabling the build out of wireless access networks capable of handling data cost-effectively
 - Backed up by non-discriminatory, cost-oriented access to backhaul, including redundant capacity
- By offering applications that are of value to consumers, giving them reason to use broadband

Regulatory contributions to Digital Bangladesh

- Understand that what amount to overlay networks will have to be built; Also understand that creating platforms for applications will require investment
 - Major investments, with relatively long gestation periods, required
 - **Regulatory risk** must be reduced, especially re licenses, renewals & spectrum
- Develop, in consultation with stakeholders, a roadmap on when and what spectrum will be made available
 - And adhere to it
- Leverage the BTN model to achieve policy objectives, rather than work at cross purposes to it

Reduce regulatory risk for Digital Bangladesh networks

- Market entry
 - Current discussion on license renewal should not be limited to these licenses or to renewal only
 - Model: Pakistan licensing policies of 2003
 - Emphasized transparency and predictability
 - Resulted in all operators being brought to a level playing field
 - Renewal handled in exemplary manner
 - But market-entry policies incomplete without market-exit rules

Reduce regulatory risk . . . (market exit)

- Who can best decide number of suppliers?
 - Not Minister; not regulator; but the market
 - Transparently assign as many licenses as resources (spectrum) permit in blocks adequate for data and voice; no point in fragmenting → increasing costs
 - Allow secondary trading so operators can find the optimum distribution of spectrum
 - Create orderly exit mechanisms (ideally, known at time of entry), so that market can settle at optimum level
 - Includes rules on spectrum, secondary trading is a solution
 - Also safeguards for consumers

Reduce regulatory risk . . . (scarce resources)

- Spectrum is the most critical input in providing wireless broadband access
 - Spectrum refarming is central
 - All users of spectrum must understand that assignments are not for ever; that countries that are technology-takers must realign their spectrum assignments periodically
 - Difficult process; I did it in 2002-04 (900 and 1800 bands)
 - Requires extensive consultation with all affected stakeholders
 - Lots of listening and talk
 - Need to use proceeds of auctions to compensate “losers”
 - Operators must be able to plan and to mobilize resources
 - Not just a question of auctions versus administrative allocation
 - Auctions are best, but unless embedded within a **roadmap**, they will distort bidder’s incentives

Reduce regulatory risk . . . (road map)

- Best way to improve spectrum regulation is to set out **principles** and a schedule for reforming actions (known as roadmap)
 - Build on 2009 consultation, but make principles explicit and include time (when specific blocks will be reformed/made available)
 - To the extent possible, reduce technology bias in spectrum assignments: e.g., why should 900 band be limited to specific technology?
 - Change and certainty
 - All should recognize that nothing is permanent in spectrum assignments
 - But change should be predictable and the path decided through extensive consultation based on principles

Reduce regulatory risk . . . (other scarce resources)

- Costs (time and money) of obtaining rights of way are escalating
 - Multiple levels of government involved
 - Not necessary to rewrite laws/Constitution
 - Simply enact amendments that provide for compulsory arbitration and time limits
- Numbers are a finite resources that is running out because all (regulators and operators) are treating it as infinite
 - Consider pricing and incentives to reuse
 - Start work on numbers/addresses for a converged world

Focus on high priority tasks and pull back from others

- As retail prices come down, greater attention must be paid to vertical price squeeze
- Government may find it useful to consider separation of BTCL's backhaul operations (including international)
- Pull back from tariff regulation
 - A form of banded forbearance exists in Bangladesh
 - Why not make it formal, allowing reallocation of regulatory resources and reducing regulatory risk

How to regulate well

- Focus on **legitimacy** = acceptance in the eyes of others
- Sources of legitimacy
 - Expertise
 - Transparency
 - Fair procedure, including consultation
 - Willingness to explain reasons for actions
 - Openness to review and appeal

Expertise → legitimacy

- Requires good hiring procedures
 - Focus on those willing to learn; continual need for new knowledge
- Ability to hold and motivate good people
- Consistent focus on training
- Now, both Ministry and BTRC require expertise
- Without expertise, little basis for ex-ante, sector-specific regulation
 - But state of markets and technology are such that individual expertise alone is not enough

Procedural legitimacy

- When things are done the right way, more likely that outcomes will be seen as right
- In addition, serves to appeal-proof decisions
- Also permits regulatory authorities and staff to draw from a range of information sources and to assess the veracity and value of information

Explain, explain

- Regulators should behave like idealized bureaucrats, not as quasi-judges
 - Reasons for decisions must be given to
 - Stakeholders
 - General public via the media

Appeal and review

- Appeal and review should not be seen solely as causes of delay
- To the extent appeals and reviews can be done expeditiously, they relieve the pressure on the regulatory agency

For more . . .

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