Competition and deregulation in Finland and in EU

- The liberalization of European telecom markets
- The Finnish market situation
- New regulatory demands in promoting competition
The EU Telecommunications market 1999

- 150 billion Euro in services
- 50 billion Euro in equipment
- 200 million fixed lines
- 90 million mobile users
- 40 million cable-TV subscribers

Source: European Commission, DG XIII Telecommunications, Information Market and Exploitation of Research
Liberalizing the European telecom market

- Liberalization of the European telecom market on 1998 has presented new opportunities for market entry into telecommunications
- Creating a dynamic and truly competitive market place is a driving force for the European economy
  - already now Information Society is creating 1/4 of new jobs in the European economy
- When transition from the incumbent-based regulation will produce more competitive environment, regulation of market players can be reduced
The EU regulatory principles today

1) Supervision by independent national regulatory authorities (NRA)

2) Fully liberalized market
   - open and non-discriminatory market access
   - commercial freedom including combination of technologies and systems, bundling of services
   - asymmetric regulation (Open network conditions) to operators with significant market power (SMP) until effective competition develops

Source: European Commission, DG XIII Telecommunications, Information Market and Exploitation of Research
Competition Law and sector specific regulation

• The combination of sector-specific regulation and application of competition rules is needed to ensure the existence of rapidly evolving communication markets

• The purpose of sector-specific regulation is to prevent in advance (ex-ante) market failure

• Competition rules apply (ex-post) afterwards in cases of company abusing its dominant position or cartel behavior
The internal telecommunication markets in Europe

• The provision of communications networks and services can have no obstacles at the European level
• Similar companies have to be treated in similar ways in Member States
• Competition can not be distorted in converging market
• Development of European level networks and the interoperability have to be encouraged
The European market development

• Convergence
  – convergence of the telecommunications, broadcasting and IT is reshaping the communications market; fixed-mobile, satellite, communications-GPS systems
  – globalization of technologies and markets
  – emerging technical, commercial and legal issues require global solutions

• Mergers and Acquisitions
  – new alliances and mergers are bringing changes in the nature of industry and the relationships between key players, pan-European services can be offered
Market development...

• The Internet
  – internet is overturning traditional market structures and blurring the distinction between voice and data

• Wireless applications
  – are entering all segments of the market
  – the mobile sector continues to grow, strengthened by the introduction of 3G systems

• New technologies in processing, access and transmission
  – optical fibres and xDSL technologies are reducing the cost and increasing the capacity of communication links
EU regulation

• **Open Network Provision**
  • applied by NRAs, implemented in national legislation
  • telecom sector specific
  • specific rules for operators having SMP
  • focus on regulation of bottleneck facilities

• **EU Competition law**
  • (Art 85, 86, 90)
  • cartel, dominance, exclusive rights
  • applied by NRAs or Competition authorities
  • supervision case by case
  • specific duties for dominant operators:
    – non discrimination
    – reasonable prices

Source: European Commission, DG XIII Telecommunications, Information Market and Exploitation of Research
Interconnection

- **ONP Interconnection**
  - obligations for SMP fixed operators in fixed market, leased lines, voice telephony,
  - non-discriminatory interconnection conditions applied internally, to own subsidiary or third party
  - cost-oriented tariffs approved by NRA and published in the Reference Interconnection Offer (RIO)
  - Interconnect services available to fixed and mobile

Source: European Commission, DG XIII Telecommunications, Information Market and Exploitation of Research
Interconnection...

• Distinction between service providers and network operators
• Pre-selection and number portability for the benefit of users
• Pre-selection
  – user can choose between different carriers
• Number Portability
  – user can change the operator and retain telephone number

Source: European Commission, DG XIII
Telecommunications, Information Market and Exploitation of Research
Obligations for SMP mobile operators in mobile market

- Non-discriminatory interconnection condition as applied to own subsidiary, partner or third party
  - cost-oriented interconnect charges only when operator notified in addition to have SMP in the national market for interconnection, in Finland this applies to Radiolinja and Sonera, in Sweden Telia
  - Reasonable access (negotiated for service providers )
Characteristics of the Finnish telecom markets

1) Large number of locally dominant operators in the fixed network (46 Finnet companies and Sonera)
   • the number of fixed users is not growing, demand for high speed data is growing

2) The number of mobile subscribers has surpassed number of fixed line subscribers
   • more users have only mobile terminal
Characteristics...

3) The penetration of internet host computers one of the highest in the world
   - Internet use is growing
   - Finland is moving towards the convergence of the telecom, media and information technology sectors
The regulatory framework in Finland

- Market entry / Light licensing conditions
  - In the fixed networks only notification to the Ministry of Transport and Communications
  - Mobile networks (UMTS) comparative bidding, no auctions
  - Licenses free of charge, good frequency allocation
  - The duration of license less than 20 years
- All obligations set out in the Telecommunications Market Act (396/1997)
The regulatory environment in Finland

- Regulation is kept to the minimum
  - This has helped Finnish telecom markets to foster new services and new products

- Deregulation and promoting competition should mean focusing on bottleneck facilities and effective price regulation
  - Lack of effective price regulation in local loop unbundling, interconnection, number portability and national roaming has delayed the market entry of new entrants in Finland
The regulatory regime of Interconnection

- Carrier pre-selection and equal access was introduced in 1994, when competition in long distance and international traffic was introduced
- Network operators are obliged to offer interconnection to other network operators and service providers
- Operators have an obligation to negotiate and operators with significant market power are required to accept all reasonable interconnection requests
Significant market power

- SMP operators have to offer equal and fair terms to all networks and service providers
- In local telecommunications in fixed networks those with significant market power are: the 46 regional member companies of the Finnet Group and Sonera
- In mobile networks Sonera and Radiolinja have significant market power
New regulatory demands

• regulation has to be dynamic to deal with rapidly changing market and levels of competition
• UMTS roaming
• Number Portability
• Equal access and pre selection to fixed-mobile traffic and local traffic
• Regulated Interconnection services
  – cost oriented charges provided by SMP mobile operators and SMP fixed operators, including internet access
Changes in telecom market

- growth in competitive supply in many sectors
- the increasing importance of advanced mobile services
- rapid growth in the use of Internet-based services
- the deployment of new network technologies (ATM / IP/xDSL)
- convergence between the telecommunications and TV broadcasting industries

Source: Ovum; a review of the interconnection directive
Workshop Brussels June 30 1999
The impacts of regulation in future competition

• The control of the local loop remains important in regarding competition
  – because of its capacity for carrying interactive data and providing new internet and multimedia services, equal approach to other networks
  – The regulation in the telecommunications market and the enforcement of competition rules have to work parallel
  – close co-operation of authorities is necessary to ensure the future development

• The same rules should apply for both mobile and fixed networks to ensure the convergence with different networks
More information...

- www.mintc.fi (Ministry of Transport and Communications, Finland)
- www.thk.fi (Telecommunications Administration Center, Finland)
- www.ispo.cec.be
  - Information society, DG XIII telecom policy
- www.europa.eu.int
  - DG IV competition policy, latest official journals in all languages
Main topics in regulation

- Local loop unbundling
  - leasing lines for other telecom operators
  - co-location, leasing premises for other operators
- Number Portability
  - retaining telephone/mobile number when changing the operator
- Pre selection
  - choosing between different carriers and routing the traffic via selected carrier
- Prefix selection
  - choosing the carrier call by call
- Interconnection
  - interoperability between different telecom operators, interconnecting networks and/or services