

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

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

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

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

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

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

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