

Regional Seminar on Economic Dynamics of Newly Liberalized Telecommunication Markets in CEE Countries and Baltic States

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Introduction

The seminar on Economic Dynamics of Newly Liberalized Telecommunication Markets in CEE countries and Baltic States took place in Vilnius (Lithuania) from 5 to 7 October 2004. 56 representatives of telecommunication sector stakeholders from 16 countries attended.¹ The seminar was hosted by the Lithuanian Communications Regulatory Authority and was organized in the framework of Programme 4, Economics and Finance, Including Costs and Tariffs of the Istanbul Action Plan.

The purpose of the regional seminar was:

- 1) to review the latest developments in the telecommunication sector in CEE countries and Baltic States with special focus on regulatory and economic issues;
- 2) to analyse the new EU regulatory framework in terms of
 - a. market analysis,
 - b. remedies for competition problems,
 - c. management of the convergence process;
- 3) to demonstrate the growing economic potential and performance of the telecommunication sector in CEE countries and Baltic states;
- 4) to draw attention to the economic analysis of mobile telecommunications, and to discuss regulatory options leading to enhanced competition;
- 5) to discuss particular needs in terms of economic analysis of the telecommunication sector in the region;
- 6) to evaluate first effects of EU eastern enlargement on the economic performance of telecommunication markets in the CEE region.

The seminar was opened by Mr Tomas Barakauskas, Director, Communications Regulatory Authority (RRT) Lithuania, Mr Vytautas Krasauskas, Head, Post and Telecommunication Division, Ministry of Transport and Communications, Lithuania, and Mr Nenad Stankovic, Head, Europe and CIS Unit, ITU.

¹ For more details see Annex 1

Presentations

- **Mr Nenad Stankovic** – Head, Europe and CIS Unit, ITU
 - Title of presentation: ITU/BDT Activities in the Europe and CIS Region
 - Executive summary: The presenter provided information on global trends in the telecommunication sector, WSIS initiative in terms of the creation of digital opportunities, and ITU activities in the region.
- **Mr George Papapavlou** - Head, Implementation of Regulatory Framework, European Commission
 - Title of presentation: New regulatory framework (NRF) and its legal and economic implications for CEE countries
 - Executive summary: The presenter provided information on the gradual liberalization process in the EU, the evolution of the EU regulatory framework, the main features of the New Regulatory Framework, and challenges regarding transposition of the NRF into national laws.
 - Title of presentation: Implementation of the new regulatory framework in Central and Eastern European Countries: Regional particularities of new telecommunication laws in CEE countries from the point of view of the EU
 - Executive summary: The process of transposing the NRF into the national laws of CEE countries and Baltic States (only two countries, i.e. Czech Republic and Estonia have not transposed the NRF) were presented. The main regulatory challenges as well as regional particularities were pointed out.
- **Ms Jana Novosadova** – Czech Telecommunication Office
 - Title of presentation: Implementation of new regulatory framework in Czech Republic
 - Executive summary: The presenter provided detailed information on the process of transposition of the NRF, the identification and management of the SMP (Significant Market Power) and the current distribution of relevant markets in the country. The presenter pointed out that the new act on electronic communications was not approved by parliament and stressed the main problems that the Czech Telecommunication Office faced at the present time.
- **Mr Pavol Gerhat** – Telecommunications Office of the Slovak Republic
 - Title of presentation: Effective competition on Slovak telecommunication market – transition from “old” to “new” regulatory framework
 - Executive summary: The presenter provided detailed information on the Slovak act on electronic communications that came into force on 1 January 2003 and corresponds to the NRF. Special attention was drawn to market analysis issues.
- **Prof. Dr. Paul J.J. Welfens**
 - Title of presentation: Significant Market Power : Theoretical and Practical Aspects

- Executive summary: The presenter focused on the main theoretical issues related to market power in the telecommunication industry, discussing the following aspects: monopoly, network effects, competition, cost-oriented pricing, oligopoly in telecommunications, asymmetric competition, substitution, bundling.
- Title of presentation: Proper identification and demarcation of markets under continued process of convergence
- Executive summary: The presenter discussed the dynamic character of market definition under the convergence process.
- **Mr Mark Scanlan** – Scientific Institute for Communication Services (WIK)
 - Title of presentation: Effective market analysis carried out by national regulatory authorities under EU directives
 - Executive summary: The presenter provided detailed information on the process of determination of relevant markets in telecommunications. He focused on hypothetical monopolist tests and discussed the definition of the geographic market.
 - Title of presentation: Identification of competition problems and selection of remedies to deal with them
 - Executive summary: The presenter provided information on the procedure of identification of operators with significant market power and remedies.
 - Title of presentation: Implementation of new regulatory framework : Improving market analysis in Romania
 - Executive summary: As a former ITU consultant assisting the Romanian National Regulatory Authority for Communications (ANRC) in improvement of market analysis, Mr Scanlan gave a brief report on the outcomes of the project. His presentation was supported by a short contribution by the ANRC representative, Ms Andrea Randulescu.
- **Mr Andrejs Dombrovskis** - Public Utilities Commission, Latvia
 - Title of presentation: Fixed telecommunications market of Latvia: Analysis one year after liberalisation
 - Executive summary: The presenter provided a brief analysis of the Latvian fixed telecommunication market. In addition he drew attention to changes in regulation in connection with the process of transposition of the NRF that began in Latvia in May 2004.
- **Dr. Jerzy Kubasik** – Institute of Electronics and Telecommunications, Poznan University of Technology
 - Title of presentation: Telecommunication tariffs in Poland and new EU member countries: Current status and perspectives
 - Executive summary: The presenter provided analysis of tariffs in CEE countries demonstrating the overall tendency to rebalancing (i.e. growth of fixed charges and fall of usage charges) as well as the unification of prices for all telephone calls.
- **Dr. Zsuzsanna Kosa** – Department of Telecommunications and Media Informatics, Budapest University of Technology and Economics.
 - Title of presentation: Title of presentation: Economic and institutional implications of network convergence

- Executive summary: The presenter focused on the three-dimensional convergence model consisting of the following layers: regulation, market and technology.
- **Mr Jaroslaw Ponder** – Market, Economics and Finance Unit, ITU
 - Title of presentation: Economic Meaning of Emerging Communication Technologies for CEE countries and Baltic States
 - Executive summary: The presenter gave a brief summary of the main trends in the telecommunication and ICT markets in CEE countries and Baltic States. He discussed implications for the telecommunication and ICT sector in the process of economic catching up and highlighted policy implications.
- **Prof. Dr. Justus Haucap** – Department of Economics, Ruhr-University of Bochum,
 - Title of presentation: On the Economics of Mobile Telephony Markets
 - Executive summary: The presenter provided a general economic analysis of mobile telephony markets highlighting the economic explanation for regulatory intervention and good regulatory framework.
 - Title of presentation: How to increase the competition in mobile telecommunication markets
 - Executive summary: The presenter provided an analysis of a few regulatory options directly influencing the level of competition in mobile telecommunication markets, e.g. mobile number portability, interconnection, mobile termination, NVNOs, international roaming, spectrum allocation, price discrimination
- **Mr Rafal Zielinski** – Chief Expert, International Department, Office of Telecommunications and Post Regulation (URTIP)
 - Title of presentation: Increasing the competition in Polish mobile telecommunications market
 - Executive summary: The presenter provided an analysis of the Polish mobile telecommunication market discussing the role of the regulator in terms of effective competition.
- **Mr. Tomas Lamanuskas** – Head, Legal Section of the Lithuanian Communications Regulatory Authority
 - Title of presentation: Implementation of the new regulatory framework in Lithuania
 - Executive summary: The presenter discussed the main problems related to the transposition of NRF in Lithuania and the Lithuanian regulatory environment as part of a wider EU.
- **Mr. Saulius Gelzinis** – Head, Markets and Competition Section, Department of Telecommunications, Lithuanian Communications Regulatory Authority
 - Title of presentation: Latest developments in the Lithuanian telecommunication market
 - Executive summary: The presenter provided an analysis of the Lithuanian telecommunication markets, in particular focusing on fixed and mobile telecommunications, the leased lines market and the Internet access market.

- **Ms Nadzida Saric** – Communications Regulatory Agency, Bosnia & Herzegovina
 - Title of presentation: Liberalization of ICT Market in Bosnia and Herzegovina
 - Executive summary: The presenter provided an overall analysis of the telecommunication sector focusing on the liberalisation and privatisation process, as well as institutional issues. The author discussed the interconnection regime as a prerequisite for effective competition in the telecommunication market.
- **Ms Irena Malolli** - Licensing Director, Telecommunication Regulatory Entity, Albania
 - Title of presentation: Presentation on Albania
 - Executive summary: After an historical review of the liberalisation process of the Albanian telecommunication market, the presenter focused on two main issues, i.e. the licensing regime, and fostering competition through an optimal regulatory policy. Ms Malolli underlined that the assistance provided by ITU in the field of interconnection regulation was very helpful in the preparation of the new interconnection regime.

Key points highlighted during the meeting and discussions:

- The adjustment of national laws to the New EU Regulatory Framework (NRF) has not come to an end in many countries. A review of the NRF will be undertaken in 2006. Of new member states, only Czech Republic and Estonia have not transposed the law. In all new member states more attention should be paid to more effective competition, improved harmonization and the interests of users. National laws are presently under examination by a Commission.
- The NRF increases the role for national regulatory authorities (NRAs) in undertaking market analysis and imposing or withdrawing remedies after a consultation processes involving all market players. This situation requires systematic additional data collection and detailed analysis from NRAs. Many representatives of regulators expressed difficulties in this area. From this perspective any help from ITU could be very helpful.
- In terms of future meetings it was suggested that the exercise based on the exemplary dataset could give the participants of future seminars a good opportunity to ask more detailed questions.
- The presentations on experiences in different countries raised many questions and were cause for discussion. This demonstrates that direct consultations between countries facing similar problems could be advantageous in the future.
- The problem of convergence was recognised by participants as a crucial issue in terms of proper market demarcation and definition. More attention should be paid to this issue as it influences the performance of the whole sector.
- Mobile telecommunications is the fastest growing communication technology in CEE countries and Baltic States. However one identifies the competition in

this segment, many regulators look for new regulatory instruments allowing them to enhance competition in the course of the NRF.

- The economic meaning of the telecommunication sector in terms of the acceleration of the socio-economic catch-up process in CEE countries and Baltic States was of great interest. It was stated that the resources in this field are very scarce which gives the opportunity for future ITU activities to fill the gap.

ANNEX 1

PARTICIPANTS

Institutional Distribution

NRAs	24	43%
Governmental Institutions	14	25%
Private Sector	10	18%
Scientific Institutions	5	9%
International Organizations	3	5%
TOTAL	56	100%

National Distribution (Number of countries represented : 16)

Bosnia and Herzegovina	1	2%
Bulgaria	1	2%
Hungary	1	2%
Kazakhstan	1	2%
Moldova	1	2%
New Zealand	1	2%
Romania	1	2%
Slovakia	1	2%
Slovenia	1	2%
Czech Republic	2	4%
Germany	2	4%
Turkey	2	4%
Poland	3	5%
Albania	4	7%
Latvia	5	9%
Lithuania	26	46%
Representatives of International Organizations	3	5%
TOTAL	56	100%

GENDER ISSUES

Participants

Women	23	42%
Men	33	58%
TOTAL	56	100%

Presentations

Women	4	18 %
Men	18	82 %
TOTAL	22	100%

Chairman

Women	2	66.6 %
Man	1	33.3 %
TOTAL	3	100%