

# Convergence and regulation

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## Convergence and Regulation

- Convergence in the present framework
- Convergence today in a fixed line environment
- Convergence in a mobile environment
- NGN and convergence tomorrow

## 1. Convergence in the present framework

- Objectives of the present EU framework :
  - Take into account the growing competition
  - Take into account the technological convergence
- Convergence in the french laws:
  - Definitions
  - Harmonised regime for electronic communication networks
  - Distribution of radio and TV services
  - Broadcasting
  - Respective competencies of ARCEP and CSA

## Definitions

- The term « electronic communications » replaces that of « telecommunications »
- A common definition for all networks
- New definitions of radio and TV services (to settle the CSA competency)
- A definition of public on-line communication as a part of audiovisual communication, but distinct from TV and radio and not subject to any sectorial regulation.

## Harmonised regime for electronic communications networks

- A unified definition and regime for terrestrial, satellite networks, whether for broadcast or electronic communications
- Specific regime for networks using frequencies assigned by CSA for audiovisual services

## Distribution of radio and television services

- The regime for non terrestrial broadcasting of radio and TV services (cable) has been simplified (declaration to CSA) and harmonised (applicable to all media)
- Specific « must carry » regime for satellite distribution
- Specific « must carry » obligations for a list of distributors submitted to CSA decision

## Broadcast of radio and TV services

- **Broadcasting activities come under the scope of market regulation by ART (market 18) (designation of SMP, specific obligations)**
- **Possibility for ART to impose on SMP broadcast operators (tower companies) revision of their current contracts with broadcasters (Art.38)**
  - CSA concern : pluralism (accessibility to new broadcasters)
  - ARCEP concern : influence of frequency planification by CSA on the capacity to replicate the broadcasting infrastructure

## Respective competencies of ART and CSA

- **CSA is competent for all questions concerning publishing and distribution of radio and TV services, and to settle disputes between producers and broadcasters of radio and television services**
- **A few shared competencies :**
  - **Electronic communication services using frequencies allocated by CSA allowed after ART's agreement**
  - **Certain dispute settlements decided by CSA after ART's opinion (when they might restrict the offer of electronic communication services)**
  - **Certain ART decisions adopted after CSA decision:**
    - General decisions (when they have a significant effect on radio and TV services broadcasting activities)
    - Dispute settlements (when they might restrict the offer of audiovisual services)
    - Certain market definitions and SMP designations

## 2. Convergence in the fixed line environment

- **Shifts in established markets and value chains :**
- **Telcos look for a substitute to decreasing telephony revenues**
- **ISP look for additional revenue with telephony (boxes)**
- **TV on DSL and rapid development of triple-play offers**

## Convergence in the fixed line environment

- **Industrial convergence based on the control of access :**
  - **Growing integration of the two worlds : telcos / IAP**
  - **Integration of the technical and commercial functions : Telcos/IAP, cable.. (Is there a model for a distributor without network?)**
  - **Key value of access controlled by the different « boxes »**
  - **Access to content has a critical influence on the competition between the different IAPs.**

## Convergence in the fixed line environment Regulatory issues

- **TV on DSL :**
  - **Importance of access regulation for ARCEP (« ladder of investment »)**
  - **Access to content : competition council with advice from the two sectoral regulators**
- **VOIP/ VOB**
  - **VOB: substitutability with PSTN (same terminal, similar quality)▷ included into the relevant market, subject to symmetrical regulation (rights and obligations of all operators)**
  - **VOI : no substitutability for the moment▷ not included**
  - **Assymetrical regulation : no retail regulation, wholesale regulation through broadband access regulation▷ under surveillance**

## 3. Convergence in a mobile environment

- **Growing interest in many markets worldwide for TV on mobile (Asia, USA, Europe..)**
- **Which economic model? Which value allocation between content and telcos? : up till now, mobile operators have succeeded in preserving important part of the value generated by new services through strict control of access-subscription-traffic**
- **Mobile operators revenue still massively based on voice : today 83% voice, revenue projection 2007 : 73%voice, 12%messages, 15% internet access..**
- **Beginning of 3G shows great interest of the public for TV on mobile**

## Convergence in a mobile environment regulatory issues

- **Revision of frequencies allocation rules : to each content editor after beauty contest? or distributor / content agregator?** (better organization of the content , better optimization of the spectrum)
- **Revision of the rules relevant for content** (concentration, contribution to production..) in order to adapt to new push services, no-program related data
- **Value of spectrum?**

## 4.NGN : the next regulatory challenge facts

- **Major european operators have announced progressive NGN roll-out plans** (different timings for incumbents and alternative operators , fixed and mobile operators)
- **These major technological improvements**
  - concern the core networks not the access
  - will enable roll-out of new services (presence management, fix-mobile convergence, nomadic services..)
- **Unclear whether in the short or medium term, a substantial cost reduction and quality improvement can be expected**

## Questions at stake for the regulator

- **Which ex-ante obligations**(security issues, portability, emergency calls...)
- **What impact on scarce or public resources** (frequencies, numbering, ..)
- **Interconnection** : transition from peering (bill and keep) to interconnection concepts. At which level in this new architecture should delivery of wholesale services be requested?
- **Which impact on present market definitions and analysis?**
- **Which impact on cost models of networks and traffic?**

## Conclusion

- **The regulator faces in its daily activities different types of convergence :**
  - Multimedia/telecom/Internet (either in a fixed line or mobile environment)
  - Fixed/mobile services
- **This convergence creates a real shift in the existing economic models**
- **In this changing environment, the principles of regulation remain to develop the market and allow different actors to act in an open and competitive environment, at all levels of the value chain, without reducing the incentive for efficient investment.**
- **Need of a common european vision**