

State aid and support

Telecommunications management & strategy

Ewan Sutherland

GSTIT.edu.et

Graduate School of Telecommunications & Information Technology

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Introduction

- Industry policy
- Interventions by communities
- Pro-competitive policies
- Promotion of technologies
- Promotion of geographical areas
- Conclusions

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U-Japan

- World's most advanced ICT nation by 2005
- U for Ubiquitous
- "Any time, anywhere, by anything and anyone"
 - friendly
 - close to people
- Next Generation Networks plus:
 - Radio Frequency Identification (RFID) tags
 - sensor networks
- Today:
 - more than half mobile customers on 3G (~45 M)
 - 25 million broadband lines (~50/3 Mbps)

http://www.soumu.go.jp/menu_02/ict/u-japan_en/index.html

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IT 839 – u-Korea

- Government's active efforts
- To change the lifestyle of the citizens through IT
- The IT839 Strategy was a new development strategy for:
 - the introduction and development of eight new IT services
 - in turn encourage investment in three key network infrastructures
 - based on the infrastructures, nine promising sectors
- Together enjoy a synergy as a result of concurrent growth through cooperation among:
 - government
 - private sector
 - research institutes
- To raise GDP per capita to more than US\$ 20,000

<http://www.mic.go.kr/index.jsp>

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Korea IT839 – 8 services

- WiBro (Wireless Broadband)
 - 9 million users (medium term)
- Digital Multimedia Broadcast (DMB)
 - nationwide terrestrial DMB
- Home network
 - provide 1.5 million households with BcN/IPv6 interworking (2005)
 - 10 million households (medium-term)
- Telematics
 - service in Jeju island (2005)
 - 4 million vehicles (medium-term)
- RFID
 - pilot projects in the 9 sectors
 - adopt u-Life in daily lives
- W-CDMA
 - networks in 23 major cities
 - nationwide network in cities
- Terrestrial DTV
 - provide digital broadcasting to cities and towns
 - nationwide digital broadcasting
- Internet Telephony (VoIP)
 - interconnection system
 - 1 million users (2005)

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Japan – Korea

- Population
128 millions, 48 millions
 - GNI per capita
US\$ 37,180, US\$ 13,980
 - Government prioritization of ICT 6.1, 5.4 (out of 7)
 - Telephone main lines (per 1,000)
531, 467
 - Mobile subscribers (per 1,000)
669, 760
 - Population covered by mobile telephony 99%, 99 %
 - Internet users (per 1,000)
606, 656 per 1,000
 - Personal computers (per 1,000)
425, 558
- Price baskets
- fixed line (per month)
US\$ 26.0 US\$ 7.3
 - mobile (per month)
US\$ 29.1 US\$ 2.1
 - Internet (per month)
US\$ 21.1 US\$ 9.7
 - 3 min. call to United States
US\$ 1.66, US\$ 0.76

http://devdata.worldbank.org/ict/jpn_ict.pdf
http://devdata.worldbank.org/ict/kor_ict.pdf

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European Union rules

- Strong regulatory framework in place:
 - horizontal measures (competition law and consumer protection)
 - sector specific measures (control of dominance and universal service)
- Additional rules for the use of aid for telecoms in finance or in kind by governments at all levels
- To promote the development and structural adjustment of regions strengthening economic and social cohesion, i.e. bridging economic and social disparities in Europe
- Infrastructure projects must be connected with the objectives of regional economic development, i.e. economic growth, regional competitiveness

http://europa.eu.int/comm/regional_policy/sources/docoffic/working/doc/telecom_en.pdf

de minimis rule

- The total aid granted to any one firm shall not exceed EUR 100 000 over any period of three years
- The ceiling applies irrespective of the form of the aid or the objective pursued, i.e. it is cumulative
- Then aid is exempted from the rules

Commission Regulation (EC) No 69/2001 of 12 January 2001

<http://europa.eu.int/eur-lex/lex/LexUriServ.do?uri=CELEX:2001L0069:0001-20010112:EN:PDF>

Boosting demand

- Modernising the public sector (e.g., demand aggregation)
- Stimulating demand in the private sector (e.g., small and medium-sized enterprises)
- Developing content
- Raising digital skills

Infrastructure

- In support of a regional development plan
- Targeted towards areas that would otherwise be neglected under free market conditions
- Strict adherence to the principle of technology neutrality
- Consistent with the regulatory framework and the competition rules accompanied by clear open access obligations
- Limited to infrastructure, i.e. installations (dark fibre, ducts, masts, etc.) and equipment which is open to all operators and service providers
- Contracts should be awarded through open calls for tender
- Support should be limited to the necessary amounts of resources for the provision of the service

Catalunya broadband

- In 2003, up to 95 per cent of the population in the province had access broadband (512 kbps or higher)
- 'Pla Director d'Infraestructures de Telecomunicacions (PDIT)' will deliver:
 - 2 Mbps to 100 per cent of the population
 - 10 Mbps to 80 per cent
- To raise from 50% to 100% the municipalities with access to broadband
- To raise from 34.6% to 65% of the population with a computer on the Internet
- Development spending 2005-2010:
 - ❖ €234M fixed broadband
 - ❖ €55.3M mobile communications
 - ❖ €86.5M PCs and internet connections in schools



<http://www.uoc.edu/in3/pic/eng/pic1.html>

France GSM zones blanches

- Despite significant construction of GSM networks, some areas remained:
 - ❖ 9% of the country
 - ❖ 2% of the population
- Complaints by rural citizens of a further isolation
- The wish of the central government and regions was to cover these areas
- It was not technology neutral
- Competitively neutral since the infrastructure is available to all GSM operators
- Clear economic and social goals

<http://www.francetelecom.com/fr/espaces/colocales/mobiles/couverture/zones/>

USA Wi-Fi disputes

- Many cities in the USA have expressed an interest in constructing Wi-Fi networks
 - Cincinnati and Philadelphia
 - San Francisco and Silicon Valley
 - New York City
- Concern to develop high-tech image
- Concern to avoid “red-lining”, i.e., not exclude the poor
- Adding the capability to roam between networks

Incumbent operators

- Actively resisted municipal efforts
- Sought state-level legislation to forbid municipal initiatives
- Argued it:
 - is anti-competitive
 - pre-empts commercial efforts

Competition and markets

- Is there a market failure?
- Will there be changes to:
 - business models?
 - technologies?
- Will investments be wasted?
- What is the level of risk to:
 - investments?
 - competition?

Conclusions

- Different levels of government can play a beneficial role
- Everyone will benefit from:
 - careful research
 - open consultations
 - transparency in the rules
 - sharing experiences
- Support can and does help to boost adoption
- Care is required to avoid anti-competitive effects
- The aim should be the minimum needed to achieve the intended results
- Technology neutrality is a sound principle

Ewan Sutherland

- <http://www.3wan.net/teaching/strategy2006/>
- 3wan [at] 3wan.net
- ewan [at] gstit.edu.et
- skype://sutherla