

# Regulation of Telecommunications

Lessons learned over the last 25 years  
and their application in a broadband world

Competition Law and Policy Institute NZ – 6 August 2011

Dr Ross Patterson  
Telecommunications Commissioner



# Four Different Regulatory Regimes

1990 - 2001

- No industry specific regulation

2002 - 2006

- Sector-specific arbitration regulatory model

2007 - 2011

- Sector-specific determinations-based regulatory model
- Operational Separation

2011+

- Sector-specific determinations-based regulatory model
- Structural Separation
- Fibre open access undertakings

## Four (Five?) Elements of Light Handed Regulation

Removal of statutory or regulatory barriers to entry

Information disclosure

“Light-handed”  
regulation

Reliance on misuse of market power provision in Commerce Act

Threat of intervention through price control mechanism in Part 4 of Commerce Act

Privatisation undertakings

# The Arrival of Competition

1993 Bell  
South

1991 Clear  
Communications

1993  
Saturn



## The Demise of The Early Competitors

By the end of  
2001

Bell South had been  
acquired by Vodafone,  
and Saturn and Clear  
had been acquired by  
Telstra NZ

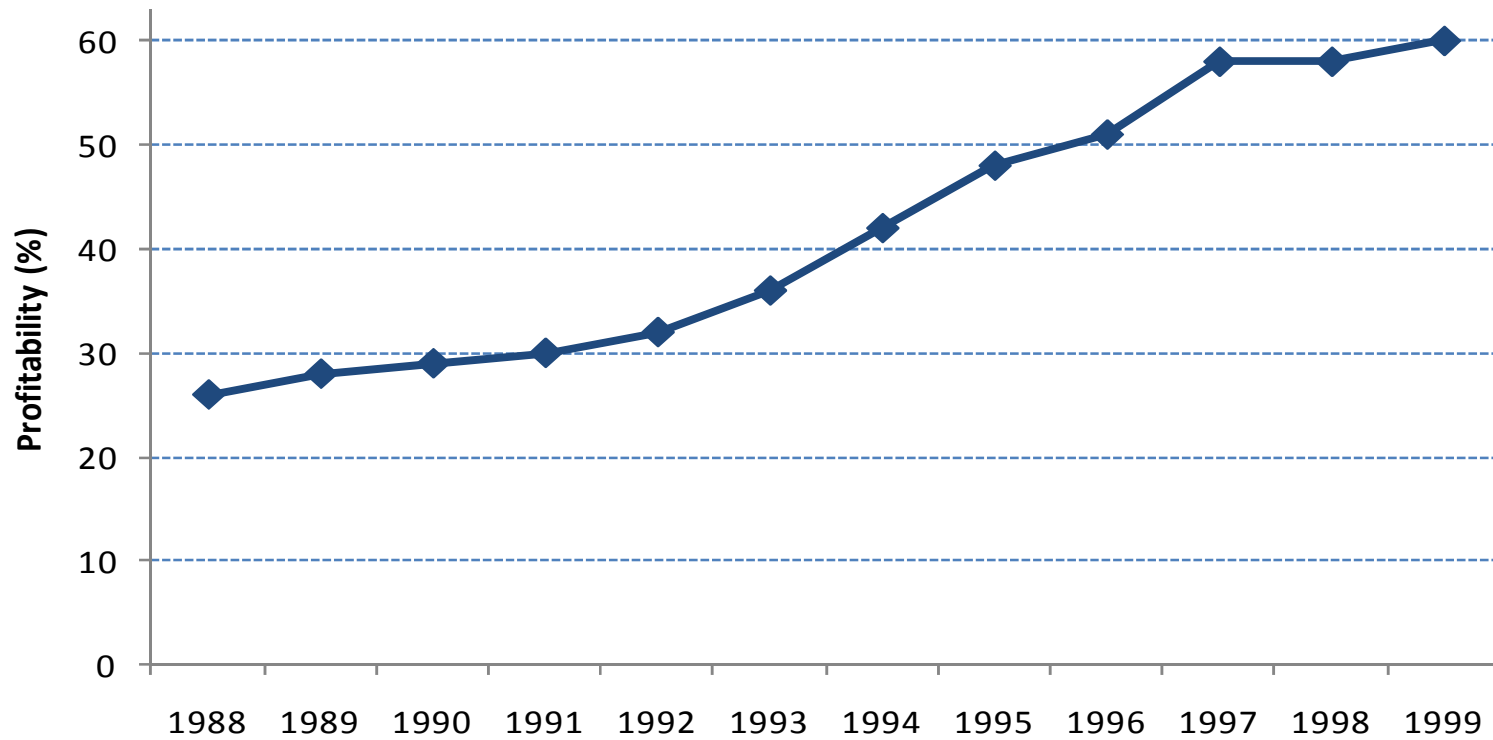
## Fletcher Inquiry

Interconnection charges significantly above cost

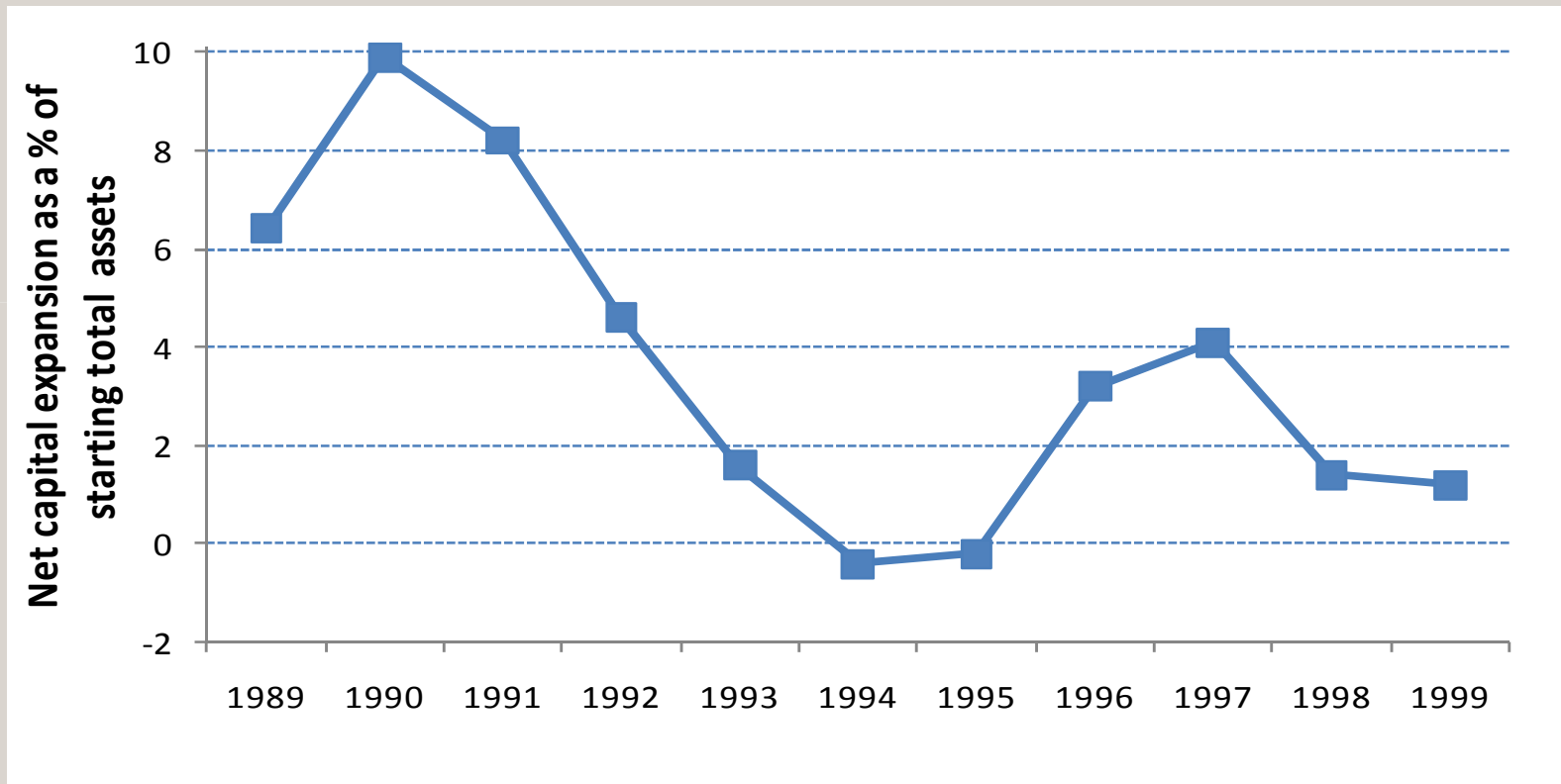
Major price reductions limited to international calling

Telecom's profitability growing while investment falling

## Telecom Profitability 1988 to 1999 (CRNEC)



# Telecom Investment 1989 to 1999 (CRNEC)



# Telecommunications Act 2001

Telecommunications Commissioner  
within Commerce Commission

Formal process for establishing  
whether a service should be regulated

Expectation of bi-lateral negotiation  
with recourse to Commissioner

# 2005 Review and Stocktake



## 2006 Reforms

Commission empowered to set standard terms and conditions

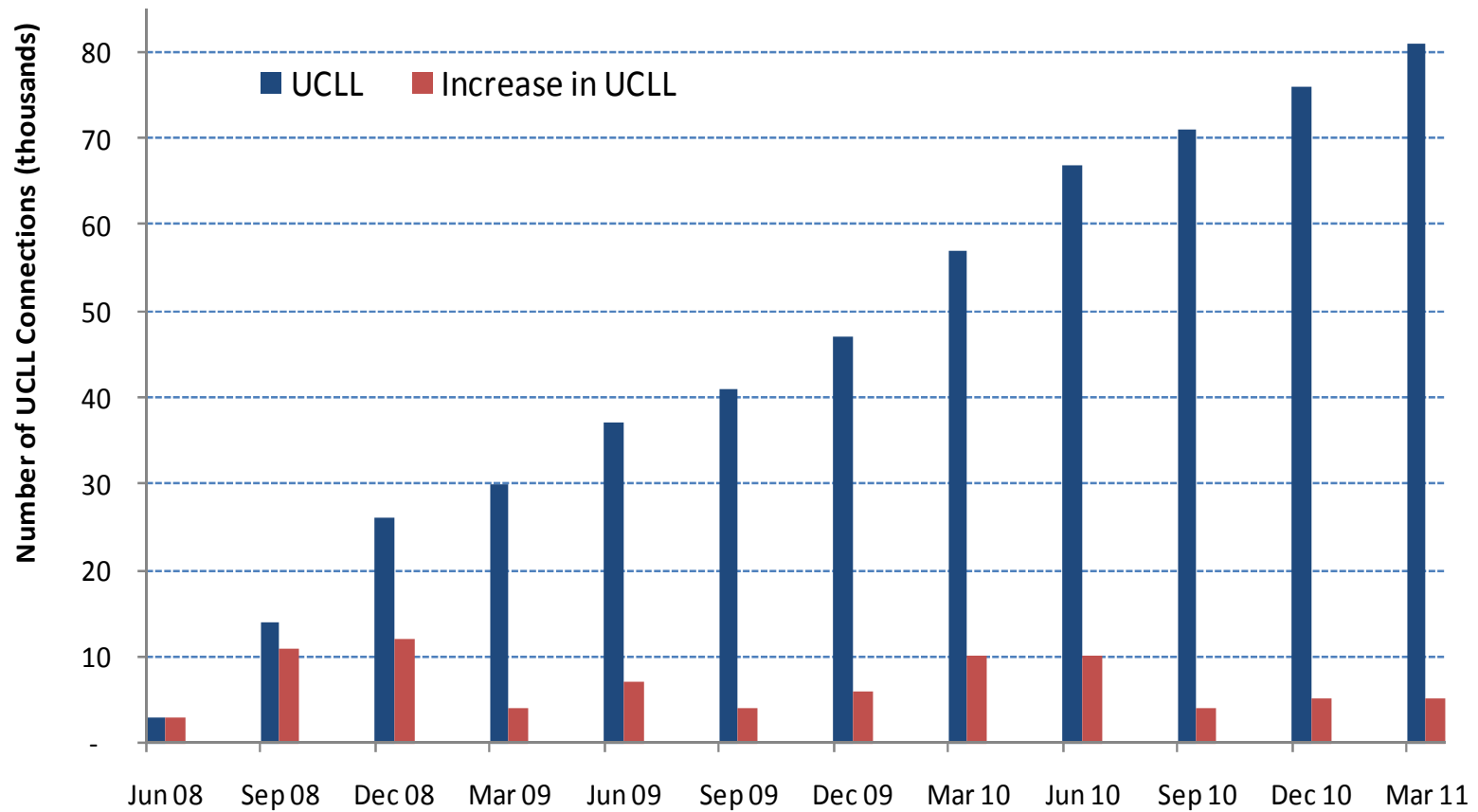
Unbundled local loop introduced as regulated service

New investigation powers and enforcement tools

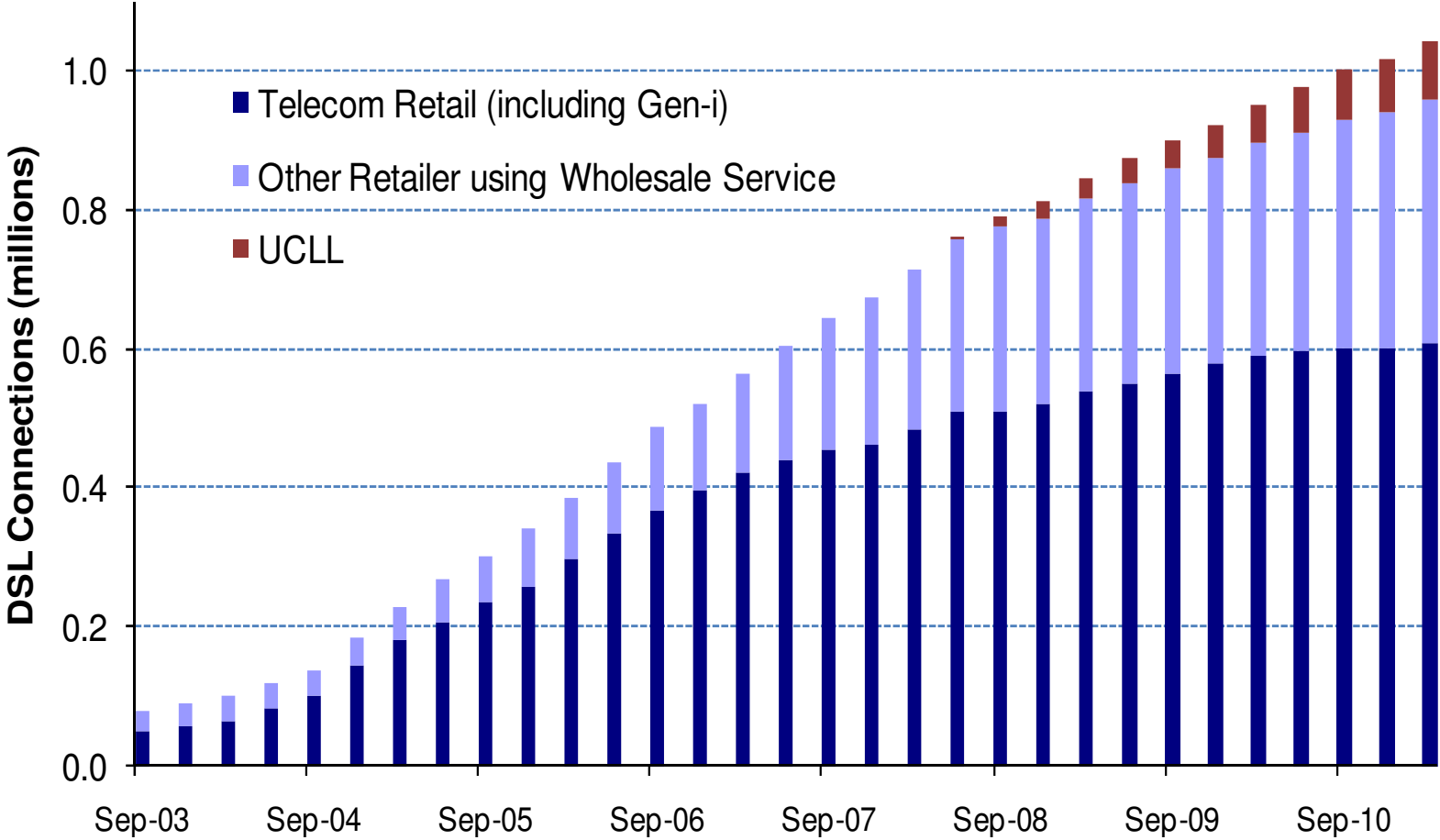
Commission given monitoring responsibilities

Operational and Accounting separation of Telecom

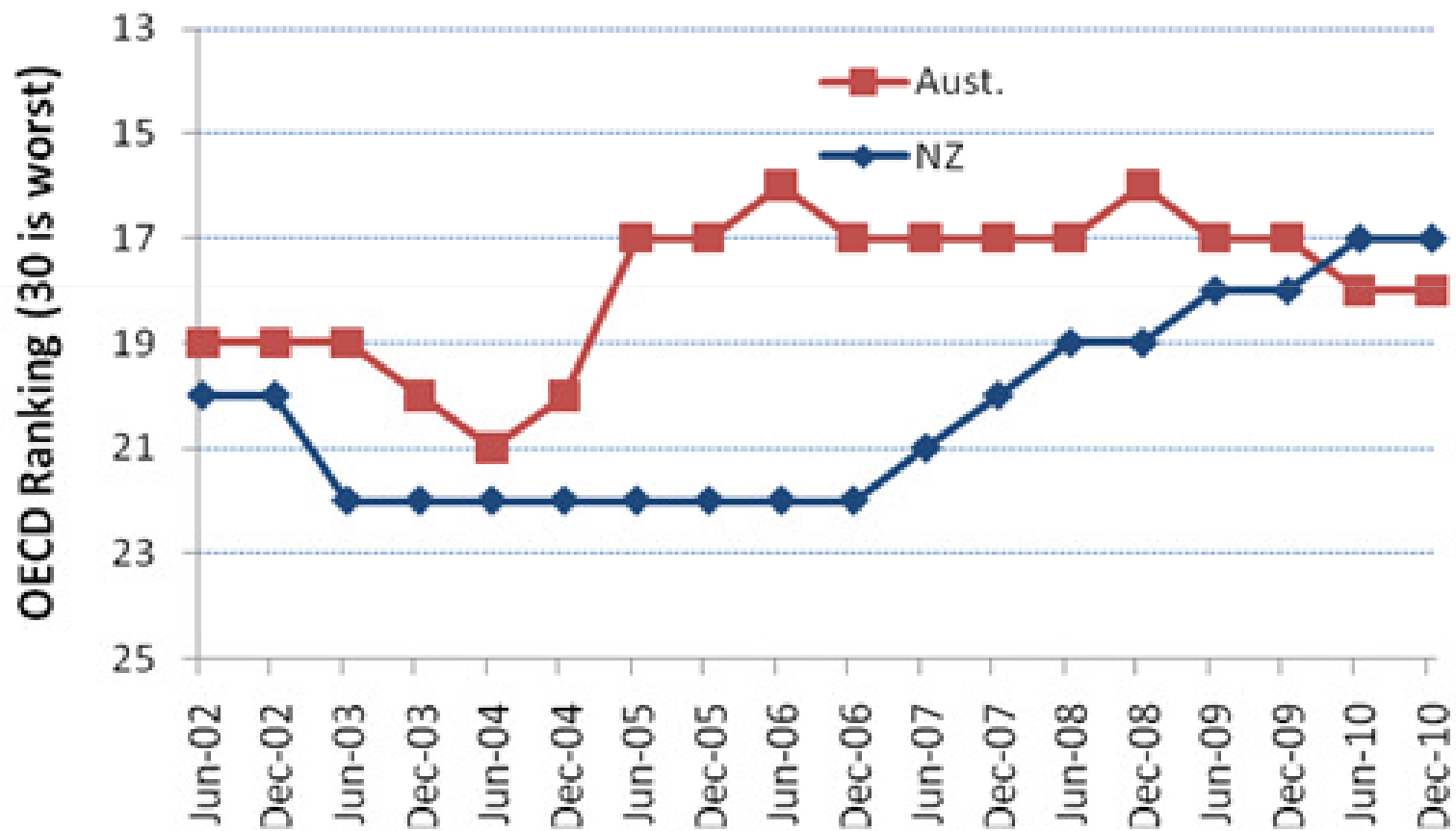
# Growth of Unbundled Copper Local Loop Services



# DSL Broadband Connections



# OECD Broadband Rankings

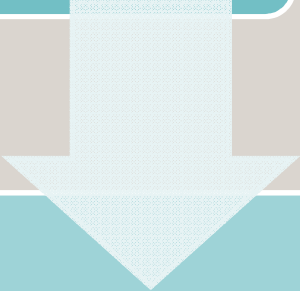


## Lessons Learned

Regulatory settings matter

## Lessons Learned

Regulatory settings  
matter



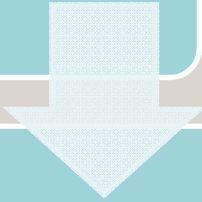
To be effective,  
regulatory settings must  
change incumbent  
behaviour

## Lessons Learned

Regulatory settings matter



To be effective, regulatory settings must change incumbent behaviour



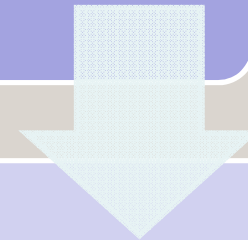
Undertakings must be subject to robust monitoring and be enforceable

## Lessons Learned

Competition stimulates investment

## Lessons Learned

Competition stimulates investment



Regulation which promotes competition leads to greater investment

# Regulatory Environment 2006 onwards

## Telecom's Investment (March 1988 – June 2010)

