

Part 3 Foundations for utility regulation: Assignment

Section 1

The government of Sunkei decided that its telecom system should be reformed, but left all market structure decisions to you, the regulator. Although the country is small its per capita income is US\$10000. Its teledensity is 30 mainlines per 1000 persons. It has a fixed line but no mobile service. Privatization will occur after you make the market structure decisions. Decide on the following issues:

1. Horizontal structure- should the incumbent be broken up? Should liberalization be phased in? Should there be a limited number of licences?
2. Entry barriers- Should the incumbent retain monopoly over network segments for example the local loop, long distance etc? Should resale be permitted? To what extent if any should unbundling occur
3. Extent of regulation- What are your goals? Which segments of the market do you want to regulate? For how long?

Section 2

As a regulator you need to decide on the tools you will use to achieve the above. However your options are limited to the following:

TOOLS

RESOURCES

- | | |
|---|----|
| 1. Horizontal structure | |
| a. Divesture (break-up the incumbent) | 15 |
| b. Phased liberalization | 20 |
| c. Restricted licensing | 20 |
| d. Liberal licensing | 10 |
| e. free for all (complete liberalization, limited only by spectrum) | 5 |
| 2. Entry Barriers | |
| a. Require unbundling where technically feasible | 25 |
| b. Require local loop unbundling | 15 |
| c. Require interconnection | 10 |
| d. Require resale | 10 |
| 3. Extent of regulation | |
| a. Investigate competitiveness of market | 10 |
| b. Regulate retail prices | 10 |
| c. Regulate interconnection | 10 |
| d. Regulate frequency spectrum | 10 |
| e. Regulate tariffs | 10 |
| f. Regulate number portability and equal access | 15 |
| g. Self regulation | 0 |

Instructions: Use the work sheet on the page below to track changes and ensure that you have not used all your resources. **Your limit is 80 points.** For each tool that you decide to use , write the staff resources consumed from the table above and check which issues you believe the tool will help you solve. Then complete the report table below.

TOOL	COST	HORIZONTAL STRUCTURE	ENTRY BARRIERS	EXTENT OF REG.	RESOURCES USED
Divesture			Xxx	xxx	
Phased liberalization			Xxx	Xxx	
Restricted licensing			xxx	xxx	
Liberal licensing			xxx	xxx	
Free for all			xxx	Xxx	
				xxx	
Require open unbundling	xxx			xxx	
Require local loop unbundling	Xxx			xxx	
Require interconnection	Xxx			xxx	
Require sale	Xxx			xxx	
Investigate competitiveness	xxx	xxx			
Regulate retail prices	xxx	Xxx			
Regulate interconnection	xxx	xxx			
Regulate frequency spectrum	xxx	xxx			
Regulate tariffs	xxx	xxx			
Regulate number portability and equal access	xxx	xxx			
Self regulation	Xxx	xxx			
Total staff resources available					80

(PURC, 2002)