



# Regulatory Modernisation

## *Modernising Policy Frameworks for a Digital Economy*

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GSMA



# About the GSMA



THE GSMA  
WAS FOUNDED  
IN  
**1987**

## 12 OFFICES WORLDWIDE:



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DUBAI



ATLANTA



BRUSSELS



BARCELONA



HONG KONG



BRASILIA



BUENOS AIRES



SAO PAULO



NAIROBI



NEW DELHI



SHANGHAI



The GSMA  
represents  
the interests  
of mobile  
operators  
worldwide



UNITING  
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MOBILE  
OPERATORS



WITH  
**300+**  
COMPANIES  
in the broader mobile ecosystem



The world's leading mobile industry events,  
Mobile World Congress and Mobile World  
Congress Shanghai, together attract

**130,000+**  
people from across the globe each year

The GSMA works to deliver a regulatory environment  
that creates value for consumers by engaging  
regularly with:



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OF TELECOMS



TELECOMS  
REGULATORY  
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operational and  
technical matters that help  
maintain and advance  
mobile industry ecosystems



**7.5  
BILLION+**

MOBILE CONNECTIONS  
WORLDWIDE

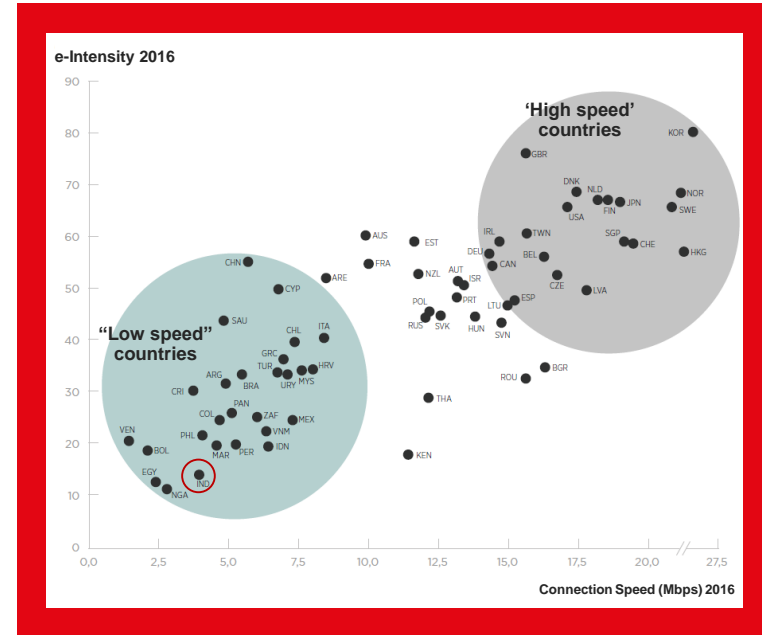


# Infrastructure is at the Heart of the Digital Economy

## Policy Levers for Digital Transformation

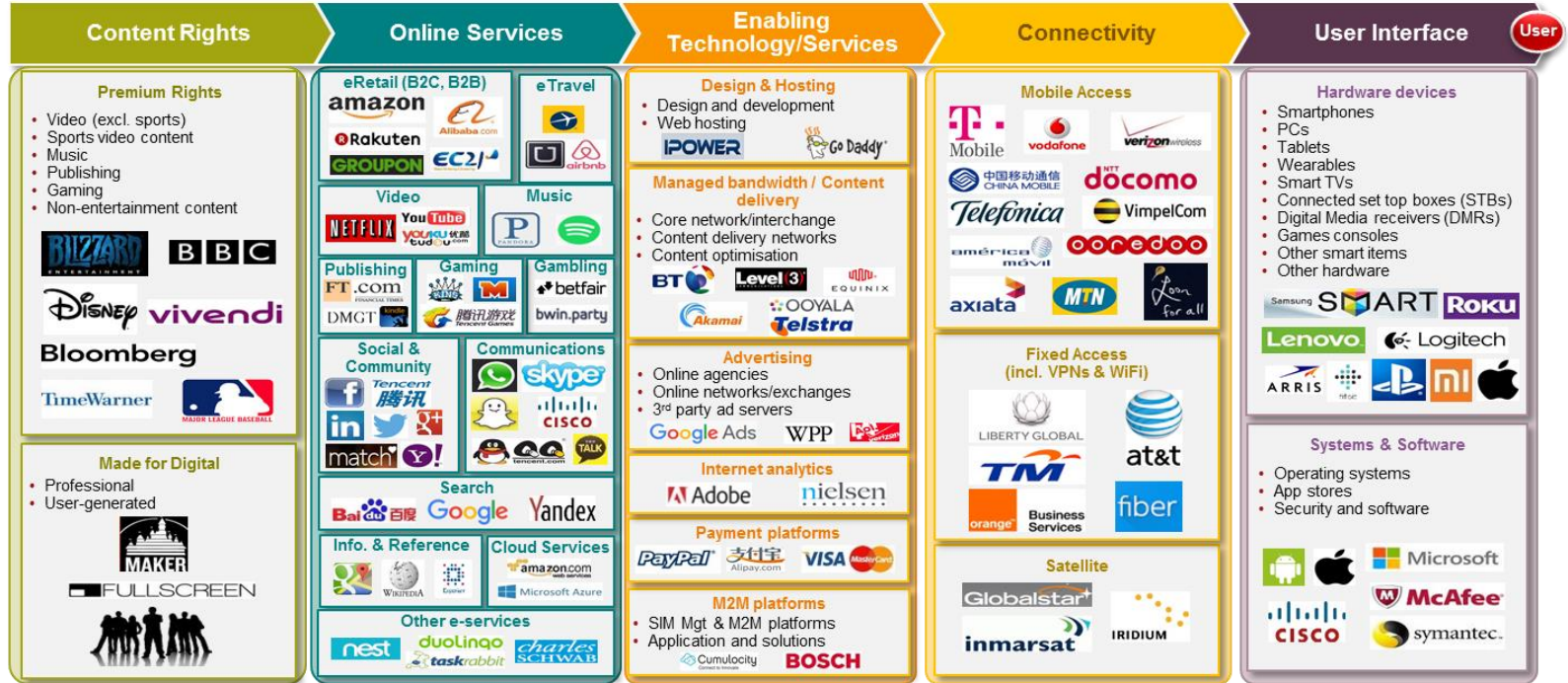
<b>ENCOURAGE NETWORK INVESTMENT</b>  Have broadband policy with clear goals  Support infrastructure build-out  Apply investment-friendly spectrum policy	<b>ADJUST REGULATION TO A DIGITALISED WORLD</b>  Adopt functionally based regulation  Prefer ex post approaches (over ex ante prescriptive regulation)  Apply regulatory consistency throughout the ecosystem
<b>DEMONSTRATE DIGITAL LEADERSHIP</b>  Encourage usage of digital IDs  Support digital financial infrastructure  Introduce and push digital government services	<b>PROMOTE DIGITAL ECONOMIES</b>  Support data safety and security  Push digital literacy and life-long learning  Encourage digitalisation of companies

## High Internet Speeds Linked to Higher Digitalisation



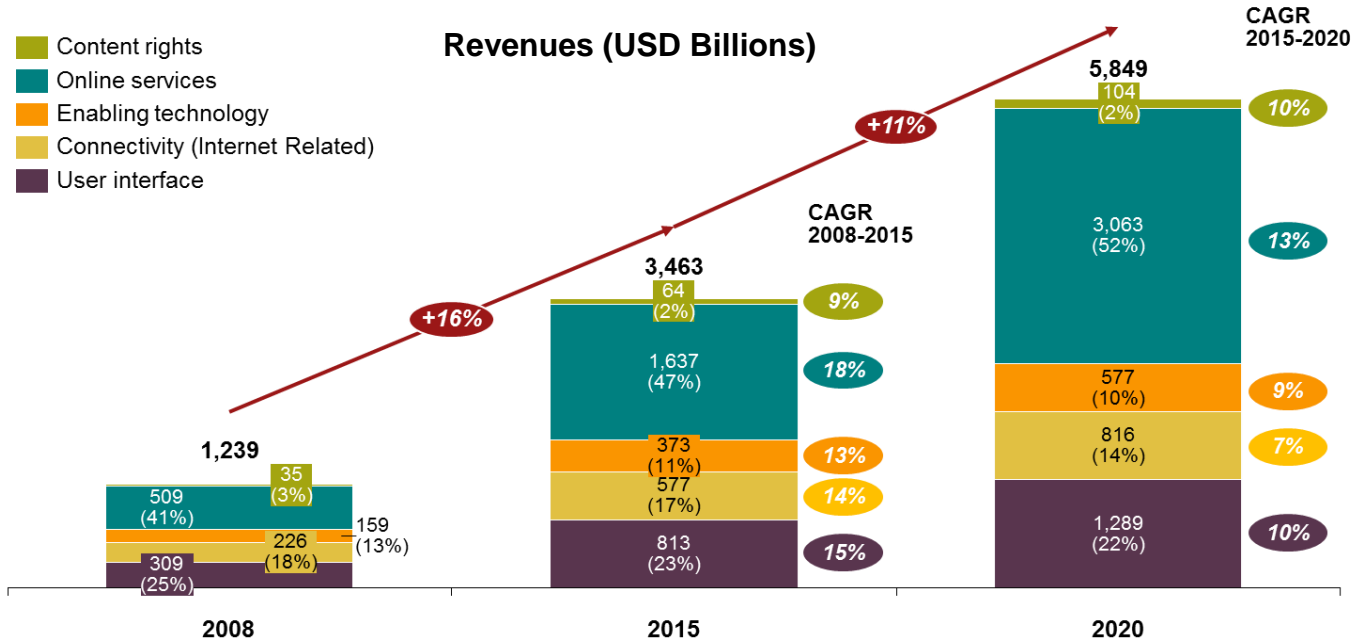


# Internet Ecosystem is Built on Complex Interdependencies





# Internet Connectivity Revenues are Growing Slowly



- Connectivity segment to grow 7% (2015-2020) compared to 11% growth of total market
- Connectivity providers also facing decline in voice and messaging revenues



# Characteristics of the Digital Ecosystem

## Modularity

- The digital sector is a single, integrated ecosystem, not a collection of related-but- separate markets
- Digital players engage each other in a variety of roles across the value chain

## Network Effects

- Competition is **for** the market, not **in** the market
- Consumers benefit from the internet's natural economies of scale and scope
- Regulation should not obstruct scale and scope

## Dynamic Competition

- Transformative innovation generates choice and value for consumers
- Static 'dominant' positions are contestable
- Regulation should not inhibit innovation and investment



# Competition Analysis

*Is there ability to control and affect the market?*

**Market Share**

**Size of entity**

Revenue, number  
of customers,  
production  
capacity

**Essential  
Facilities**

**Economies of  
scale and  
scope**

**Barriers to  
Entry**

**Access to  
Capital**

**Technological  
Advantages**

**CBP**

**Bundling**

**Market  
Conduct**

*Source: TRC, Jordan; Instructions on Competition Safeguards (2006)*

# Recommendations

## Market definition and market power

1. Adjust existing tools to account for specific features of digital markets
2. Focus on actual substitution patterns
3. Use alternative tools to capture the main determinants of consumers' switching behaviour
4. Ensure market definition is sufficiently forward-looking, and revise and adapt policies to fully capture changes in the relevant market
5. Focus on alleged anticompetitive conduct and its likely effects rather than inferring market power from market structure
6. Assess the extent to which big data confers market power
7. Maintain a high threshold for intervention based on collective dominance

## The total welfare standard

8. Adopt total welfare standard to support long-term productivity growth and higher living standards
9. Focus on dynamic effects when assessing mergers and competition in digital markets
10. Use better tools to assess efficiencies

## Ex ante and ex post regulation

11. Review the thresholds for *ex ante* regulation to balance regulation and investment risks
12. Focus *ex ante* regulation on enduring market power
13. Ensure regulation is streamlined and consistent with competition law

## Institutional arrangements

14. Adopt interim measures to accelerate *ex post* enforcement and mitigate potential harm from anticompetitive conduct
15. Reassess institutional arrangements





# Principles of a New Regulatory Framework

## Functionality-based

Pursue regulatory goals based on achieving functional objectives, not legacy structures based on industries or technologies

## Dynamic

Give preference to performance-based approach through ex post enforcement over prescriptive, ex ante rules

## Bottom-up

Consider new approaches to regulation — including the need for regulation and legacy rules — in light of current market realities

*The new framework will reduce regulatory asymmetries, promote dynamic competition and innovation, and allow regulatory objectives to be achieved more effectively at lower cost*