ITU GSR-21 Regional Regulatory Roundtable (RRR-ARB21) and

Regional Economic Dialogue (RED-ARB21)

for Arab States

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Digital Competition Policy and Regulation in the Africa and Arab regions

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Overview

- Origin of this presentation
- General overview of Arab regions
- Traditional regulatory issues and approaches and impacts of digital transformation
- Regional benchmarks
- Digital platforms and OTT services
- Taxation issues
- Regulatory road ahead
- Recommendations

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Origin of this presentation

This presentation summarises some of the findings from the recent ITU report:
Digital Competition Policy and Regulation in the Arab Africa region

- *the availability and affordability of services to all groups in society*
- *the role of digital platforms in the telecommunications ecosystem*
- *mechanisms to secure additional investment and returns on that investment by industry stakeholders*
- *the changing nature of market power*
- *disinformation/misinformation online*
- *regulatory responses to changing technology including facilitating the transition from legacy 2G and 3G services to 4G and 5G.*

Drivers of change

- **Shift from circuit switched to 'IP everywhere'** – shifts regulatory focus from voice comms to data
- **Shift from 2G/3G to 4G/5G** – encouraging competition while encouraging efficient use of capital (infrastructure sharing)
- **The rise of Digital platforms** – impacts on carrier revenues and margins, expanding scope of regulatory concerns
- **The move to the Cloud** – extra-territorial and jurisdictional issues
- **Mobile as a platform for financial services –** moving online broadens the scope of regulation, need for collaborative regulation
- **COVID-19** – increases economic dependence of ICT, pandemic and vaccine distribution ICT dependent.

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General overview of Arab regions

- While there is impressive growth in mobile broadband access, there remains **limited access to fixed broadband and fixed telephone services**.
- **Barriers to improving connectivity and ICT services** involve the protection of privacy and safeguarding of personal data, which is provided under general provisions of law rather than specific data privacy laws.
- Emerging markets such as Arab regions face **regulatory challenges** focusing on efficiency or equity issues, fiscal limitations and insufficient resources relating to the Arab region being an emerging market

Source: LAS

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Traditional regulatory issues and approaches

TRADITIONAL REGULATORY MARKET ANALYSIS AND INTERVENTION

- **Impact of digital transformation** has altered the landscape in which regulators attempt market analysis

- Traditional ex-ante regulation will continue to be important
  – However, competition regulation is tending to refocus on ex-post symmetrical regulation with intervention targeted at specific cases of competitive harm.

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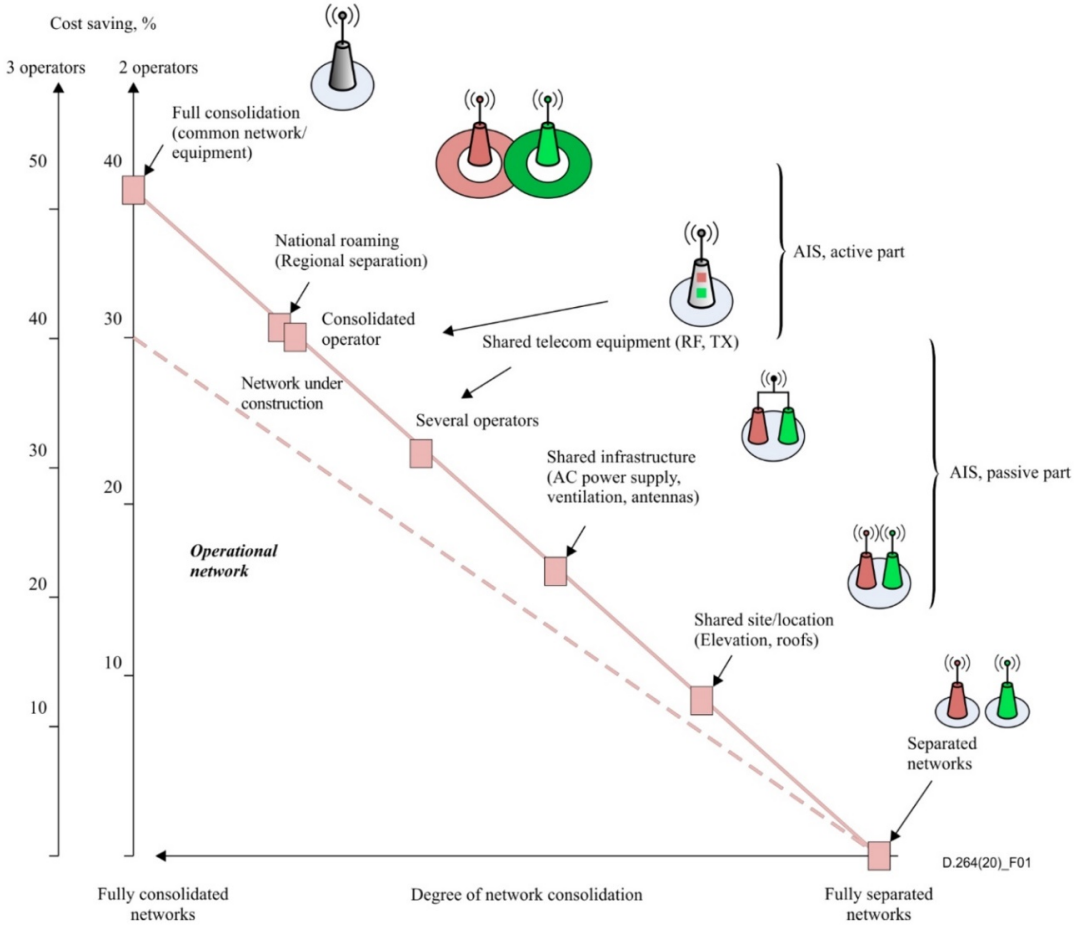
Traditional regulatory issues and approaches



ITU estimates of potential scenario of cost savings

Source: ITU, Shared uses of telecommunication infrastructure as possible methods for enhancing the efficiency of ICT, April 2020. D.264 (04/2020)

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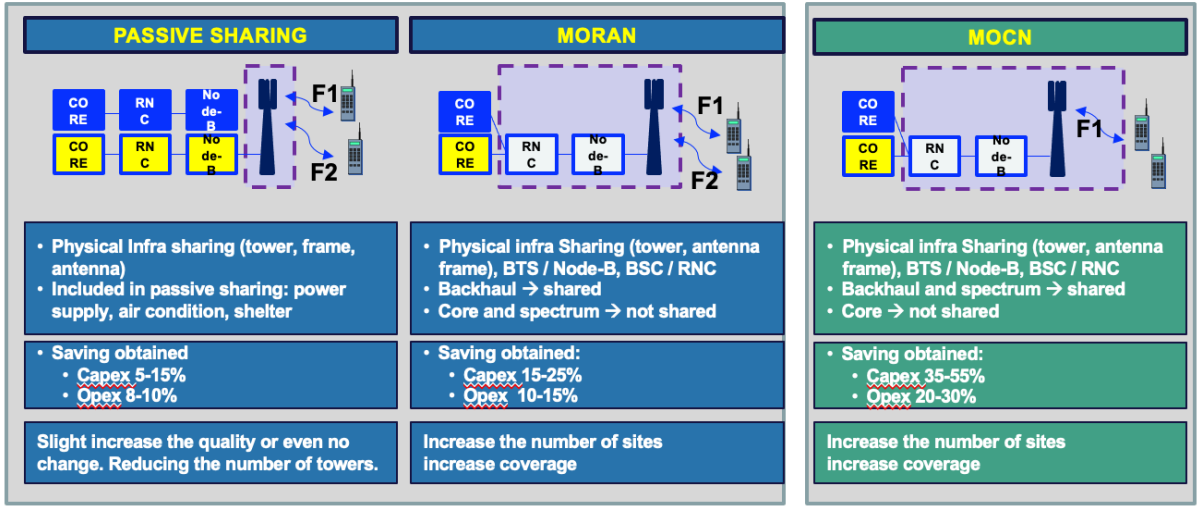
Traditional regulatory issues and approaches

Common forms of infrastructure sharing

- Passive sharing
- Active sharing
- MORAN (Multi Operator RAN)
- MOCN (Multi Operator Core Network)
- 5G rollout

Example: Passive and Active Sharing



Source: Industry sources

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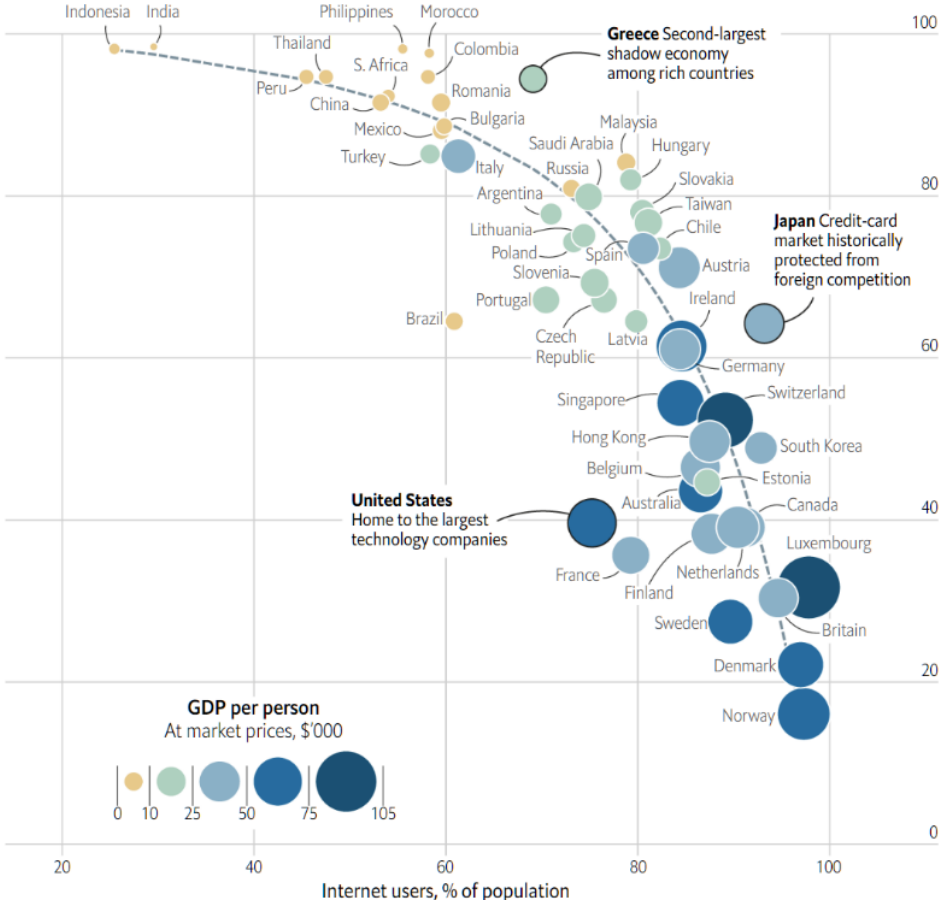
MACROECONOMIC AND MICROECONOMIC ANALYSIS OF THE IMPACT OF BROADBAND

Impact on cash use as a medium of exchange arising from higher Internet penetration: % of total transactions conducted in cash



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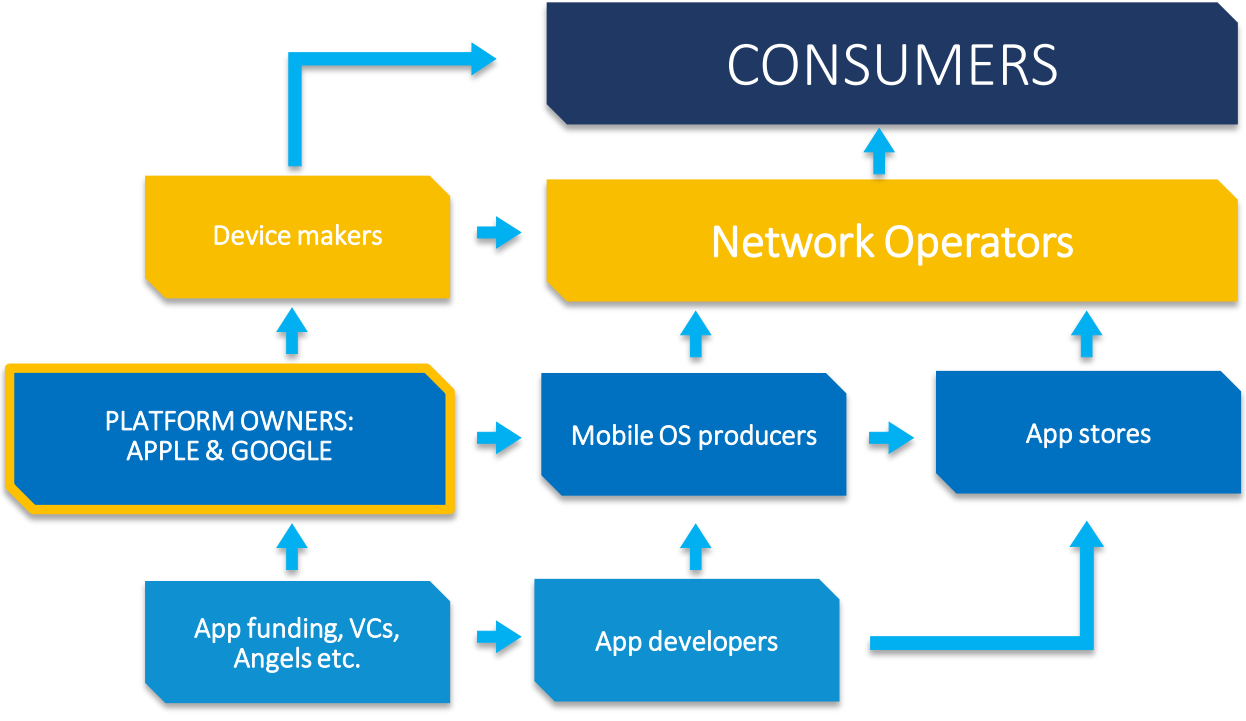
Source: The Economist, August 3, 2019

MACROECONOMIC AND MICROECONOMIC ANALYSIS OF THE IMPACT OF BROADBAND

App economy ecosystem and value chain



Source: Systems Knowledge Concepts (www.skc.net.au)

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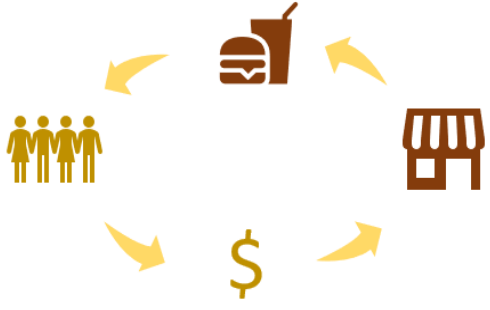
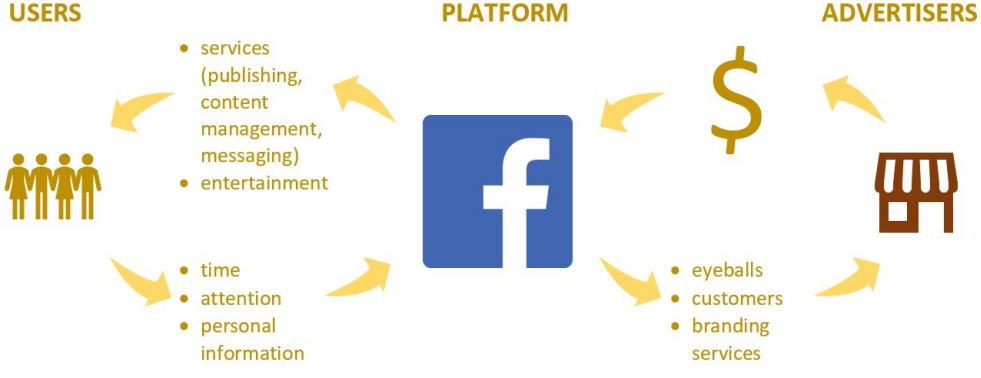
Digital platforms and OTT services

Challenges in regulating digital platforms

- Digital platforms defy traditional competition analysis as they are offered to consumers free of a monetary charge as part of a two-sided market



A normal (one-sided) market



A two-sided market

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IMPACT OF DIGITAL PLATFORMS ON TRADITIONAL REGULATORY ISSUES

	Areas of Regulation	Network Operators	OTT Players
1	Applicable laws	Domestic law or in Europe EU regulations	Home jurisdiction maybe; many gaps in applicable laws
2	Taxes	Local and domestic taxes	Located in low cost locations and tax havens
3	Licensing	Must be granted or acquire licence from national Governments	Mostly exempt
4	Operating Area	Only serve customers within the jurisdiction	Serve any user globally
5	Infrastructure/ Network	Investing in new technology networks to deliver services to end users	No investments in networks that reach end users while telcos must deliver competitors services
6	Competition	Strict rules applying including ex ante & per se rules, M&A restrictions	Mostly exempt except M&A if OTT subject to domestic competition law
7	Fees	Customers' charges contribute to the costs of network provisioning	Services offered without any relationship to the underlying costs; two sided markets
8	Quality of Service	License requirements include SLAs and/or mandatory QoS standards	No QoS guarantee QoS issues blamed on network provider
9	Inter-connection	Required as part of regulatory regime Additional costs	OTTs have no interconnection requirements for calling or messaging
10	Net neutrality	If applicable, best effort data transport without discrimination, independent of source or nature of data Only typically traffic management permitted.	No obligations (control over content and freedom of choice concerning customers) OTTs could be affected if Network operators apply traffic management restrictions
11	Emergency services	Mandatory provisioning as part of licence conditions	Typically no such obligations
12	Interception	Strict regimes with costs borne by operator	Typically no such obligation
13	Retail Prices	Regulators' approval is typically needed in advance	No need for approval and maybe free for users
14	Universal Service	Mandated. USO contributions as a percentage or network revenues	No contribution
15	Spectrum fees	Required to acquire in an auction or pay market based fees for usage	No additional costs for OTT
16	Privacy	Strict data protection and privacy requirements for users	Practiced on a limited and generally voluntary basis
17	Number Portability	Obligation to offer number portability between providers	OTT service independent from mobile number

POSITIVE AND NEGATIVE IMPACTS FROM THE RISE OF DIGITAL PLATFORMS

Stakeholder group	Positive effects of digital services	Negative effects of digital services	Net impacts
Consumers	• Better, lower price services • Wider range of innovative, content and services offerings	• More advertising • Loss of personal information (security and privacy) • Complaints	• Hugely positive for consumers • Concerns about privacy and control of personal information
Non-comms businesses	• Better, lower price services • Increased competitiveness • New distribution and marketing channels increasing customer engagement	• Possibly reduced demand for outputs from other sectors (eg, retail) if ICT/ICT services increase as a proportion of GDP • Industry disruption	• Positive for business - except sectors disrupted such media, taxis.
OTT or Online service providers	• More users, more revenues, greater economies of scale and barriers to entry by competitors • Monetising personal information • Opportunity to initial public offering, (IPO) capital raisings, etc	• Increased provisioning costs (but falling per user provisioning costs with increased scale) • May need to invest to address bottlenecks	• Hugely positive for OTTs

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Existing fixed and mobile network operators, ISP, and broadcasters	• Increased demand for and revenue from data services • Falling costs due to simplification and move to lower cost IP infrastructure	• Reduction of revenue for legacy voice and SMS services • Loss of market power • Need for additional spectrum, investment to handle demand, congestion, quality of service	• Currently negative but increased Data demand may make positive • Partnering may be positive
National Governments	• Increased ICT/ICT efficiency and lower costs • Increased penetration of online services	• Negative impacts on taxation revenue & fees • Decreased capacity for regulatory intervention because of global scale of digital platforms • Reduced ability to provide national security and policing – consumer protection	• Negative impacts on revenue raising potential • Positive for service delivery
Country/ National level/ Economy wide	• Increased ICT/ICT efficiency & consumer welfare • Platform for the establishment of new and innovative disruptive businesses	• Increased imports (of digital services and products), loss of tax • Reduced ability to pursue national objectives • Fragmentation of national markets and undermining of national culture/sport markets	• Variable depending on the country and its policies • Active policy setting required

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Taxation issues

- Need to ensure that international and domestic digital services are taxed in a manner that creates a level playing field which enables healthy, sustainable competition to thrive

- Current approach in the Arab regions
  – ten Arab regions members of the OECD's BEPS scheme

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Regulatory road ahead

Main factors driving need for new regulatory approaches:

- **Emergence and rollout of new technologies**, in particular 5G
- Social and economic need to **rollout new efficient and affordable technologies as soon as possible**
- Ongoing rise and influence of **digital platforms** in the context of the new emerging need to regulate digital platforms
- **Impacts of COVID-19** and the associated increased pressures on ICT service, significant behavioural changes in individual and organisational ICT customers, and unpredictable macroeconomic impacts
- Ongoing regulatory challenges which are characteristic of **emerging economies**

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Regulatory road ahead

- New technologies and regulatory impacts
  - 5G and infrastructure investment
- New challenges in market definition and collaborative regulation
  - transition from 2G/3G services to 4G/5G services

SELECTED ARAB 5G UPDATES SHOWCASING SIGNIFICANT 5G PROGRESS MADE IN THE REGION

Country	Summary of its current 5G initiatives in relation to C-Band/3.5 GHz band
Algeria	In November 2018, Mobilis (subsidiary of Algeria Telecom) successfully tested 5G connection at Oran. The trial, which was carried out in conjunction with Huawei, reached downlink data transmission speeds of up to 1.18Gbps. Mobilis began testing 5G coverage in Algiers in August 2020. However, fines were issued to three of Algeria's operators (including Mobilis) for poor 4G coverage and quality of service in October 2020 by the regulator, ARPCE.
Morocco	As of October 2019, the operators and Inwi and Maroc Telecom had begun trialing 5G technologies. Further, in January 2020, Huawei announced that it was ready to collaborate with Moroccan operators in deploying 5G technology. 5G is expected to be rolled out in 2022.
Qatar	The 5G rollout launched in Qatar in 2018. Qatar awarded 5G frequencies in the 3.5-3.8 GHz band to Ooredoo and Vodafone Qatar in early 2019. Under the licenses, each company have rolled out 5G networks before the end of 2020. Ooredoo have announced its 5G mobile network coverage has reached more than 90% of the country's populated areas at 2.25Gbps' 5G data speeds.
Saudi Arabia	The CITC launched a 5G mobile network in 2019, making Saudi Arabia one of the first countries in the world to introduce the technology. The government have awarded spectrum with auctions of the 2.3 GHz, 2.6 GHz and 3.5 GHz bands completed in early 2019. As of 2020, the CITC has reported 5G has reached more than 30 cities and MNOs have access to more than 1000 MHz of licensed spectrum. Saudi Arabi delivered an average 5G download speed of 377.2 Mbps. As more than 10 GHz of frequency bands have been identified and allocated for commercial use by technologies like IMT-2020 and World Radiocommunications Conference (WRC-19) the CITC is working on releasing further spectrum for mobile broadband services.
United Arab Emirates	5G services are currently available in the UAE. Both incumbent operators, Etisalat and Du, are both deploying 5G on the 3.5 GHz frequency band. In 2018, the regulator TRA issued 100MHz to each of the two incumbent operators in the 3.3 to 3.8 GHz frequency range. In February 2019, Etisalat awarded contracts to both Huawei and Ericsson for the rollout of its 5G mobile network. In 2020, there has been a shift in focus towards 5G as highlighted in the UAE announcing allocation of a new frequency band which will allow UAE telecom operators to further expand the application of 5G. Further, Etisalat said it will focus on rolling out its 5G NSA network for the next two years.

Source: WPC Research, December 2020 from a range of regulator and industry sources

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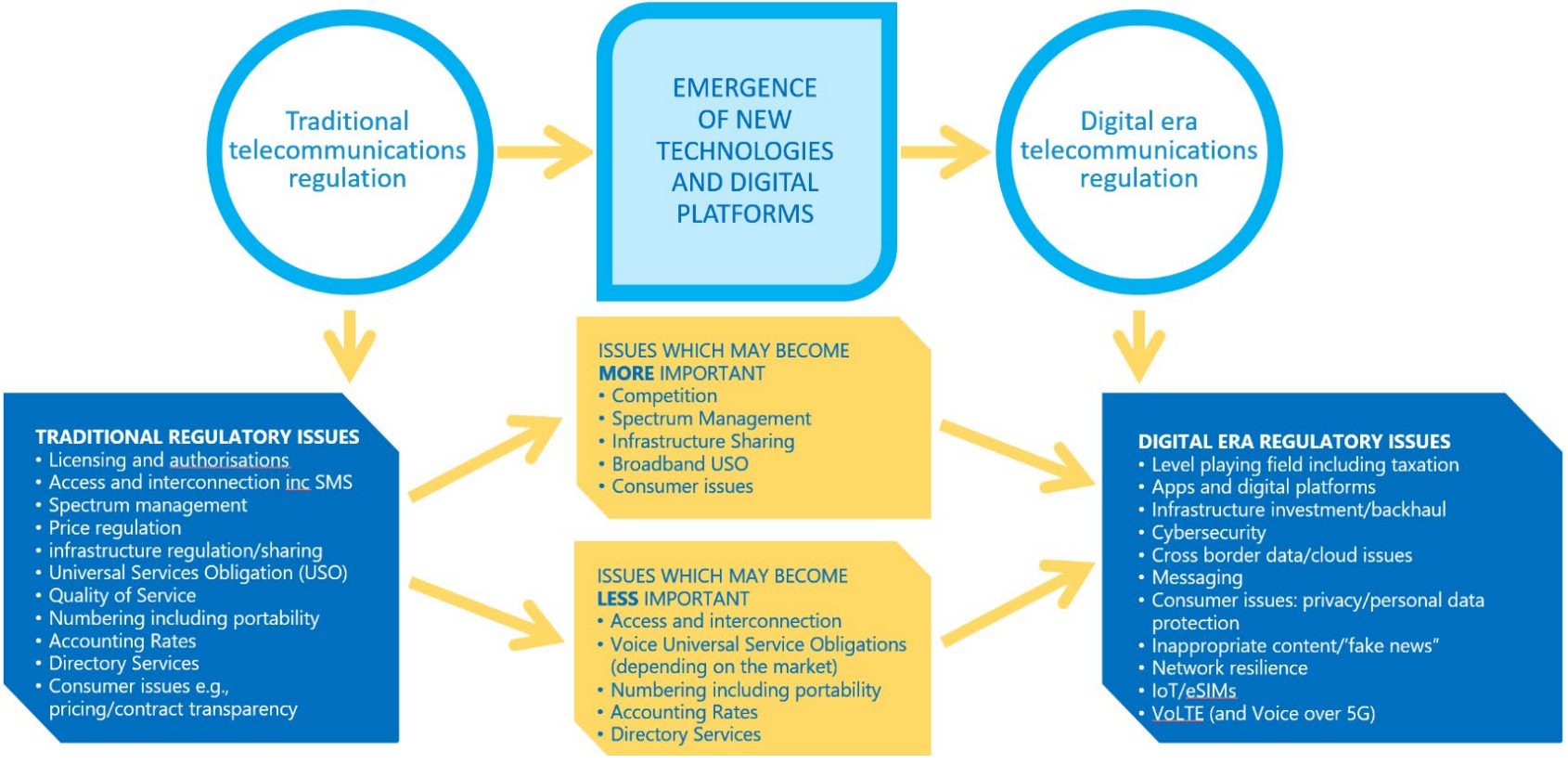
Traditional and digital era regulatory issues: illustration of the shifting priorities that can be expected to occur as the transition to the digital world continues.



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Source: Systems Knowledge Concepts (www.skc.net.au)

Regulatory road ahead

Checklist for emerging regulatory issues and advice

- Increasing IMT spectrum availability
- Lower IMT spectrum pricing
- Ensuring technology neutrality
- Facilitate infrastructure sharing
- Liberalise licensing regimes
- Reduce red tape to facilitate deployment
- Phase out legacy technologies
- M2M and IoT
- Product and price regulation
- Facilitating smart devices
- Regulation of OTTs
- Retail price regulation
- Legal Interception
- Net neutrality
- Quality of service
- International vs. domestic players
- Competition Law
- Mergers and acquisitions
- Cross border data flows
- New business models and partnerships

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Recommendations

RECOMMENDATION 1: Prioritise development of best practice in spectrum management emphasising spectrum trading and sharing while supporting and facilitating operator competition.

RECOMMENDATION 2: NRAs seek collaboration with central government and other relevant agencies to develop shared approaches to misinformation, personal data protection, cross border data/information flows and responsiveness to cultural sensitivities to content published on digital platforms.

RECOMMENDATION 3: Consider the need to revise existing market definitions in relation to broadband services in particular the extent to which wireless and fixed broadband markets are converging and implications for ongoing regulation of broadband markets.

RECOMMENDATION 4: Reconsider and redefine the nature and scope of USO and USF policies to reflect the declining importance of traditional voice calling and the growing importance of all services delivered via wireless broadband

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Recommendations

RECOMMENDATION 5: Consider new policies and legislation that will encourage investment in and the more rapid and lower cost rollout of new wireless services particularly granting of rights of way for backhaul and tower sites and policies to share wireless and other digital infrastructure.

RECOMMENDATION 6: Explore new ways of funding national network infrastructure, including partnership models in which digital platforms share the cost of national ICT infrastructure, as is already happening in some parts of the region.

RECOMMENDATION 7: Seek proactive roles for NRAs to encourage the development of a range of 'digital initiatives' including digital identity, digital money and financial services.

RECOMMENDATION 8: Countries that have not yet joined the BEPS framework should consider doing so, primarily because a unified approach is required to address the complex issue of taxation of digitalised services.

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Thank You