

# Communications Policy in a Flat World

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**October 29, 2008**



# Network Scale and Scope

**3,990**

MPLS nodes serving  
143 countries

**547K**

Miles of backbone  
fiber worldwide

**9152**

Major network  
buildings,  
and 211K satellite  
locations

**45K+**

Cell sites covering  
>70 countries

**38**

Internet Data  
Centers on 4  
continents

**24x7**

Network monitoring &  
management

**"Setting the industry standard for network reliability"**

## Industry Leader

North American Company of the Year Award  
(Frost & Sullivan, 7/2008)

Leaders Quadrant, Global Network Service,  
Web Hosting, and Wireless Service (Gartner  
surveys, 2006 and 2007)

Leader in Global WAN Services (Forrester  
Research, 7/2007)

Strongest North American MPLS service  
lineup (Forrester Research, 2/2006)

## Best in Class

"Highest Performing Operator" in Network  
Reliability, Network Availability, and Secure  
Data Transfer (Telemark multinational survey,  
12/06)

"Highest Customer Satisfaction" among  
small-midsize business customers of local  
telephone service (J.D. Power and  
Associates, 2007)

**100%**

Fortune 1000  
companies are AT&T  
customers

**72.9M**

Wireless customers

**48.4M**

Consumer access  
lines, 14.7M  
broadband

**549K**

IPTV customers in  
>40 markets

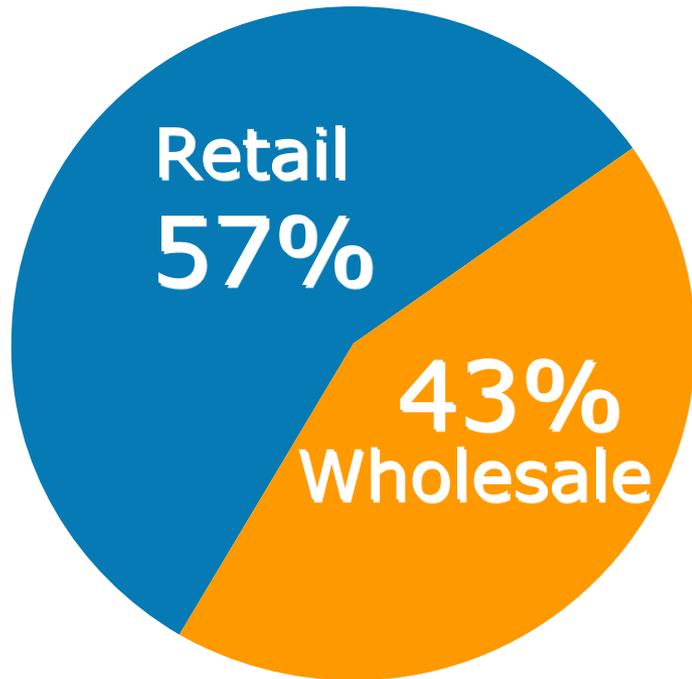
**16+**

Petabytes of  
data per day

**500M**

Text messages/day

# AT&T Global Business Services in 2008



## **Employees**

40,000 on  
six continents

## **Customers**

140,000+,  
including all  
Fortune 1,000

## **Wholesale**

Carrier's carrier +  
bilateral arrangements

## **Retail**

Go where MNCs go

# Market Liberalization

# Liberalization and Economic Investment

- Within a country, correlation between telecom liberalization and telecom sector performance is well established.
  - Studies show countries with WTO commitments perform better than economically comparable countries in their region without WTO commitments.\*
  - More opportunity to invest and more confidence in protection of investment.
  - Liberalization also helps an incumbent become more efficient
- In the ICT-dependent global market, is there a similar correlation between liberalization of *business* telecom services, and *cross-sectoral* economic growth for a country?
  - A vibrant ICT sector is a pre-requisite for creating an Information Society.

See Bressie, Kende and Williams, "Telecommunications Trade Liberalisation and the WTO," INFO, Vol.7 No.2 2005.

# Threshold Policy Question: Why Liberalize?

## Drive Broad Economic Development

- Telecom is the heart of multinational company ability to globally source BPO, manufacturing, or sales activity
- Examples - India, Brazil, EU: Aggressive telecom liberalization, core component of broader industrial policy

## Lower Prices Through Competition

- Where MNCs identify unusually high bandwidth prices for telecom services, this can harm the business model to locate

## Higher Quality Through Competition

- MNCs demand exceptionally reliable Service Level Agreements. Every hour a network is down is an hour that every employee at that site is unable to work productively. This can harm the business model to locate

## Improve Services and Customer Care Through Competition

- MNCs want service features in an emerging country to match service in, for example, the US, Japan, or UK. Absence of service flexibility, reliability or security can harm the business model to locate

# Why Promote Competition for Business Services

- Advanced communications technologies enable countries to become part of a global supply chain for services and manufacturing
- Without comparable communications technology, it is difficult for a company or a country to compete for a place on the supply chain
- Contemporary business services are different from traditional consumer circuit-switched services, and raise different economic, social and safety regulatory considerations:
  - Building broad capacity for a new economy - not cream skimming urban consumers
  - Low capital investment can yield broad economic benefit to community
  - More efficient use of existing facilities for incumbent
  - Consumer protection concerns are different
  - National security concerns are different

# What are the Benefits to MNCs and a Country?

## Drive Broad Economic Development

- Business telecommunications is the heart of multinational company ability to globally source BPO, manufacturing, or sales activity
- Examples - India, Brazil, Ireland: Aggressive telecom liberalization, core component of broader industrial policy

## Lower Prices Through Competition

- MNCs identify unusually high bandwidth prices for telecom services in most emerging markets, and for sites requiring high bandwidth (e.g. BPO sites), this can harm the business model to locate in a country

## Higher Quality Through Competition

- MNCs demand exceptionally reliable Service Level Agreements. Every hour a network is down is an hour that every employee at that site is unable to work productively. This can harm the business model to locate in a country

## Improve Services and Customer Care Through Competition

- MNCs want service features in a country to match service in, for example, the US, Japan, or UK. Absence of service flexibility, reliability or security can harm the business model to locate in a country

# AT&T International Strategy

# AT&T's Answers

*To be the “provider of choice” for MNCs and governments with competitive, flexible and integrated wide area IP networking solutions that span the globe.*

## Reach

- Global, Transparent MPLS-Enabled IP Network
- All services from all points of presence, with multiple access options



**Global  
Enterprise  
Client Needs**

## Consistency

- One consistent global architecture, seamlessly integrated
- One consistent service portfolio,
- One consistent quality service experience

## Localization

- Global account management and multilingual customer support

# How We Go To Market for Retail Business

Examples:

**Own and Operate:** we own and operate in-country nodes and core backbone, with an extensive list of facility and competitive access suppliers

- UK
- Japan
- Brazil

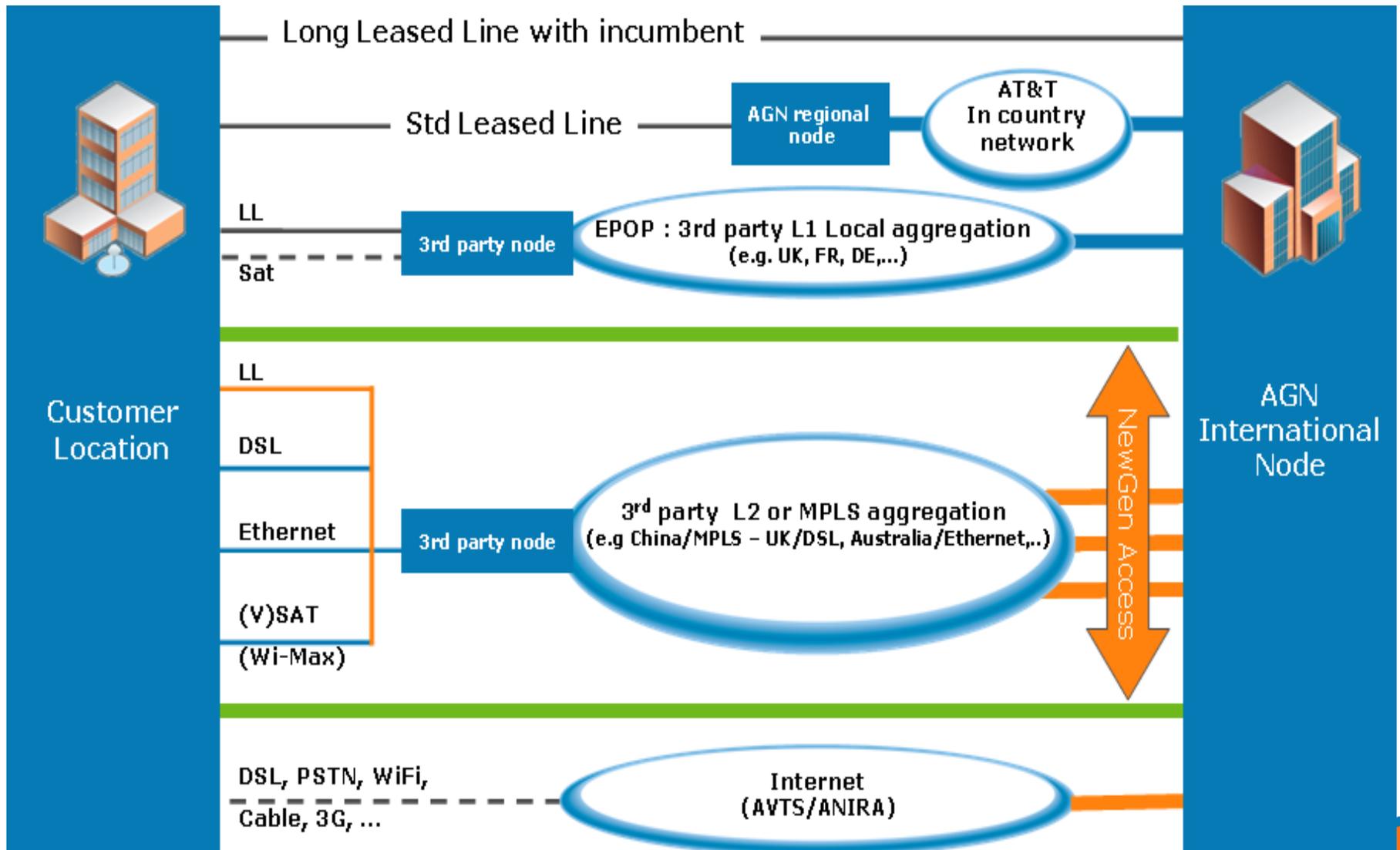
**Local Service Provider Agreements:** absent available licenses, we work with local licensed providers as business partners, with AT&T-defined, pre-agreed operations

- Thailand
- Indonesia
- Saudi Arabia

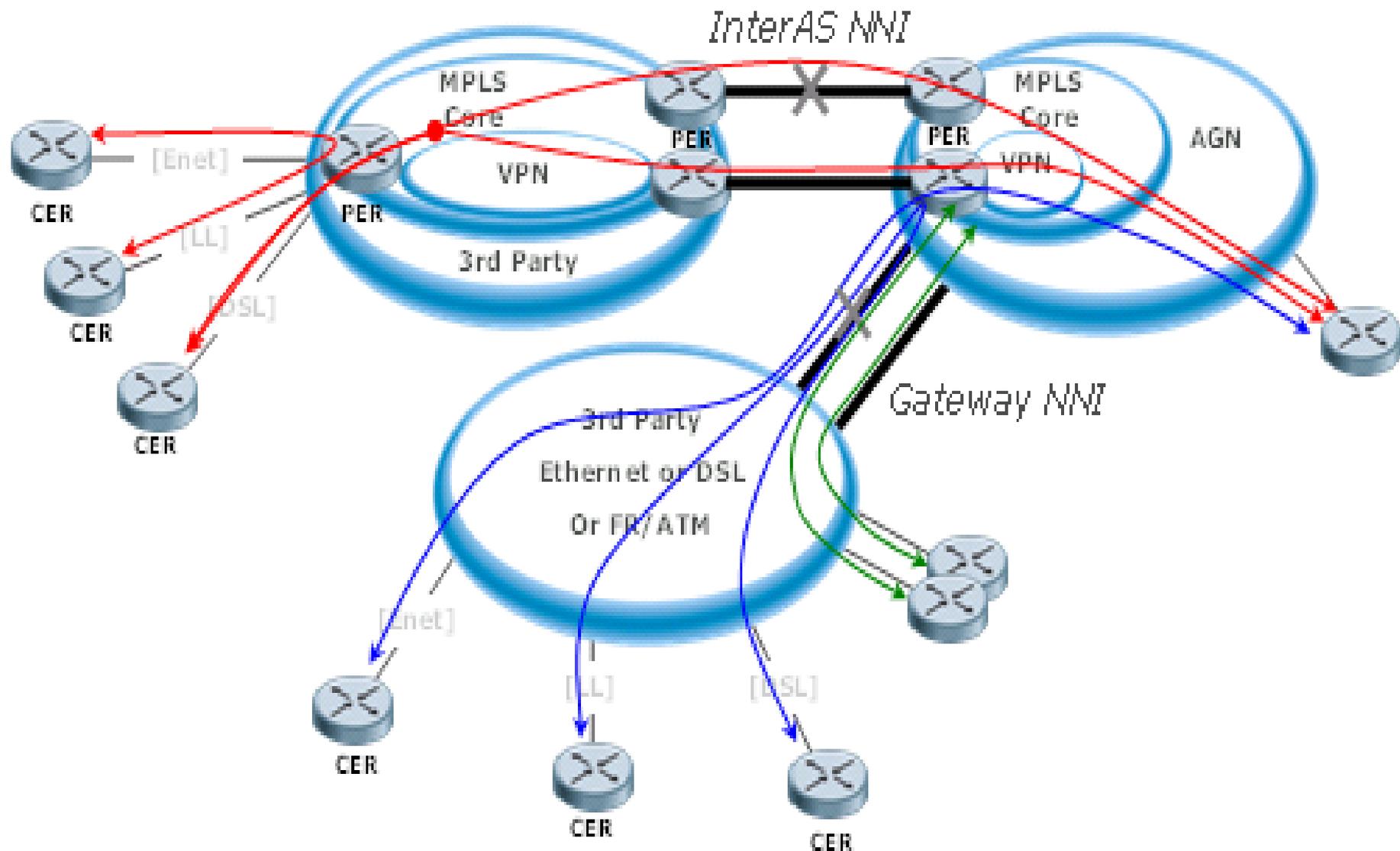
**Equity Joint Ventures:** where regulation requires and strategically justifiable, we invest in joint-ventures with "AT&T inside"

- India
- China
- Mexico

# Leased Line with Incumbent Operator



# NNI Model



# Critical Conditions for Market Entry

- ✓ **Commitment** - nice;  
**Implementation** - necessary

- Speed, thoroughness

- ✓ **Independent Regulator and Transparent Process**

- Objective, efficient, non-discriminatory

- ✓ **Foreign Direct Investment**

- 100% ideal; majority control avoids non-market oriented JV
- National champions need competition, not protection

- ✓ **Broad Market Access Commitment**

- Full-service market access on both facilities and resale basis

- ✓ **Safeguards to Prevent Anticompetitive Practices**

- Abuse of customer information attained from competitors
- Withholding commercially relevant technical information

- ✓ **National Security Reviews**

- Narrowly tailored

# Critical Regulatory Issues for Business Services

## Foreign Direct Investment Restrictions

- Customer mandate for trans-border uniform experience often conflicts with strategic mandate of local venture partner.
- Different dynamics for investing in a global network and a national network

## License Category Restrictions. Stifle Innovation and Raise Costs.

- Limit facilities-based competition and you remove the “build v. buy” constraint on uneconomic pricing
- Limit service-based competition and you keep best of class applications out of the country

## Access Cost

- “Last mile” comprises 40%-60% of E2E international cost
- Subsea Cable Landing station issues.

## Internet Performance

- Latency, and access to information

## Network Security and Data Privacy

- Ability to use all available tools (including strong encryption) to protect information from malicious attack or surveillance.
- Ability to manage network performance on a global basis, end to end
- Increasing trend of Law Enforcement Assistance obligations (and associated costs).

# Licensing Framework To Promote Business Services

## **Broad Top-Down Categories; Not Narrow Bottom-Up Categories**

- Examples: EU, Japan, US
- Encourage service providers to meet emerging customer demand with flexibility to innovate and evolve
- Define category based on broad characteristics rather than specified current services
- Defining a category with “named” permissible services will constrain competition and act as a barrier to future growth

## **Move All Possible Categories to “Unregulated” or “Class License”**

- Authorize through individual license only where a compelling public interest exists: e.g. scarce spectrum; national security; rights of way
- Authorize through class license any other transmission service, where competition will protect consumer interest: e.g. L2/L3 VPNs
- Protect and Expand “unregulated” activities – e.g. CPE leasing, Application Services, Network Integration Advice.

# Additional Regulatory Priorities

## Regulatory Fees and Surcharges

- Explicit, Transparent, Competitively Neutral Across Industry
- No more than necessary to meet defined and audited requirement
- Pass through reductions to carriers as requirements decrease: e.g. HK

## Interconnection

- Cost Oriented
- Non Discriminatory
- Any Point Technically Feasible
- Legitimate wholesale product that allows margin for retail competition

## Asymmetric Classification

- Ex Ante regulation of incumbent essential facilities, for which market forces do not constrain business incentive and ability
- Ex Post regulation of competitive provider facilities and services, for which market forces do constrain business incentive and ability
- Move to ex post upon detailed empirical demonstration of effective competition

# Case Study

# India



# India

**Regulatory/Policy Body:** Department of Telecommunications (DoT); Telecommunications Regulatory Authority of India (TRAI); Telecom Disputes Settlement & Appellate Tribunal (TDSAT)

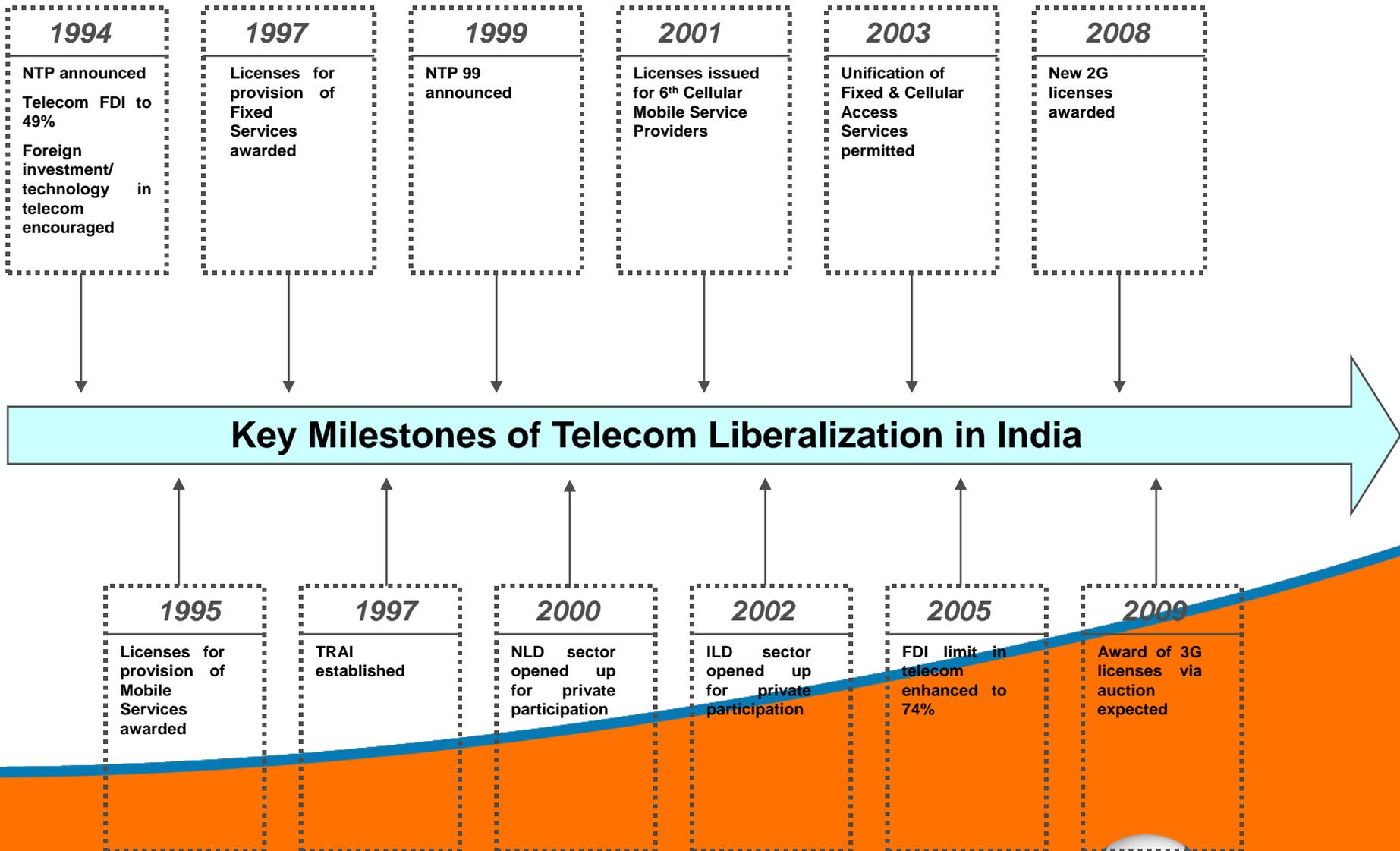
1. Population	1,147,995,904 (July 2008 est.)
2. Wireline Phone lines	38.76 million (2008)
3. Wireless #s/ Subscribers (incl. CDMA)	296.08 million (2008)
4. Internet Users	80 million (2007)
5. ccTLD Domain Names	N.A.
6. Broadband Households/Subscribers	183,000 (QE March 2005)
7. Internet Hosts	2.306 million (2007)
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**WTO Status:** Member; partial GATS commitment

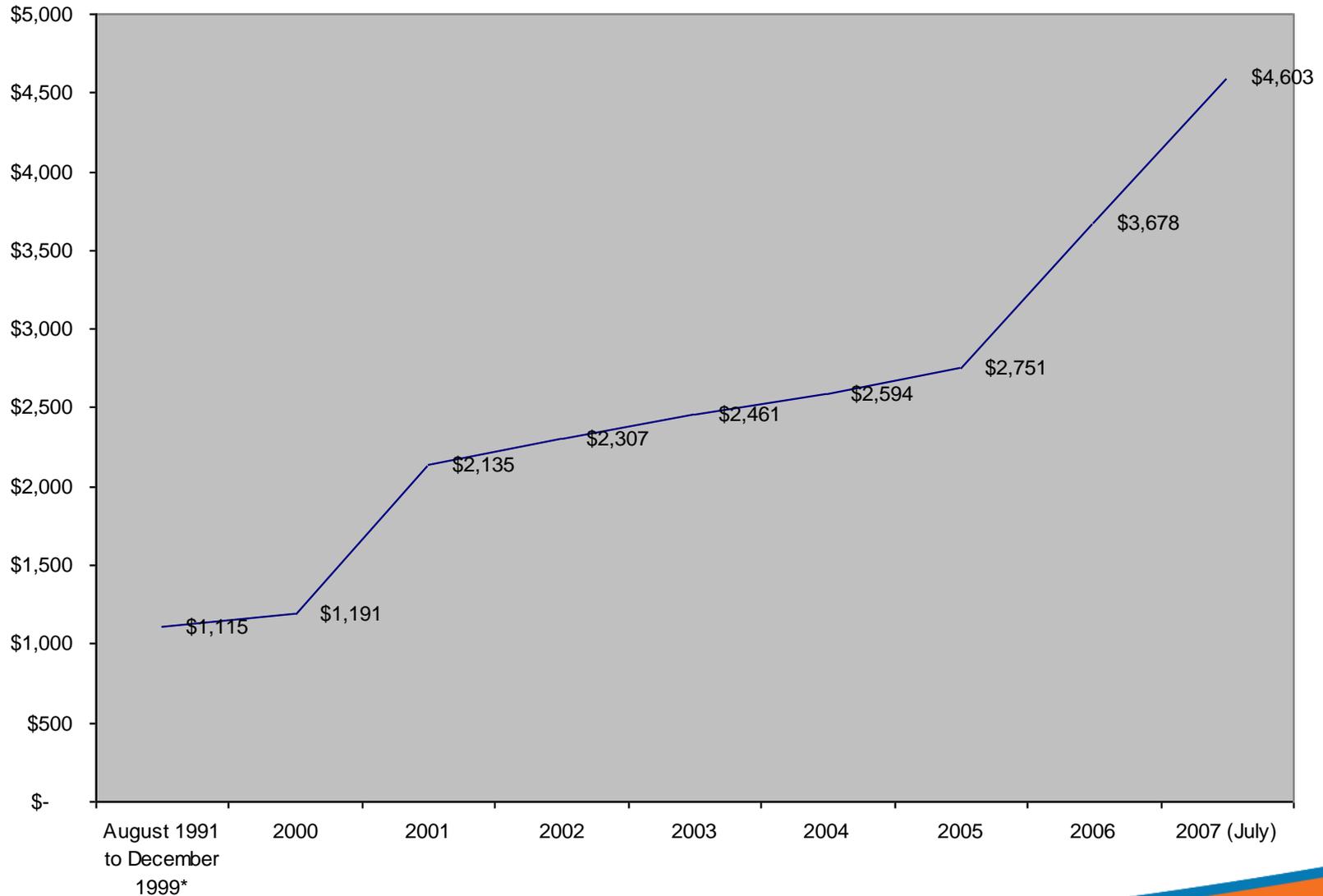
**Market Liberalization Status:** Emerging; Positive trend line of FDI cap increases and license fee decreases, thus reduced barriers

# Date Line of Indian Telecom Liberalization

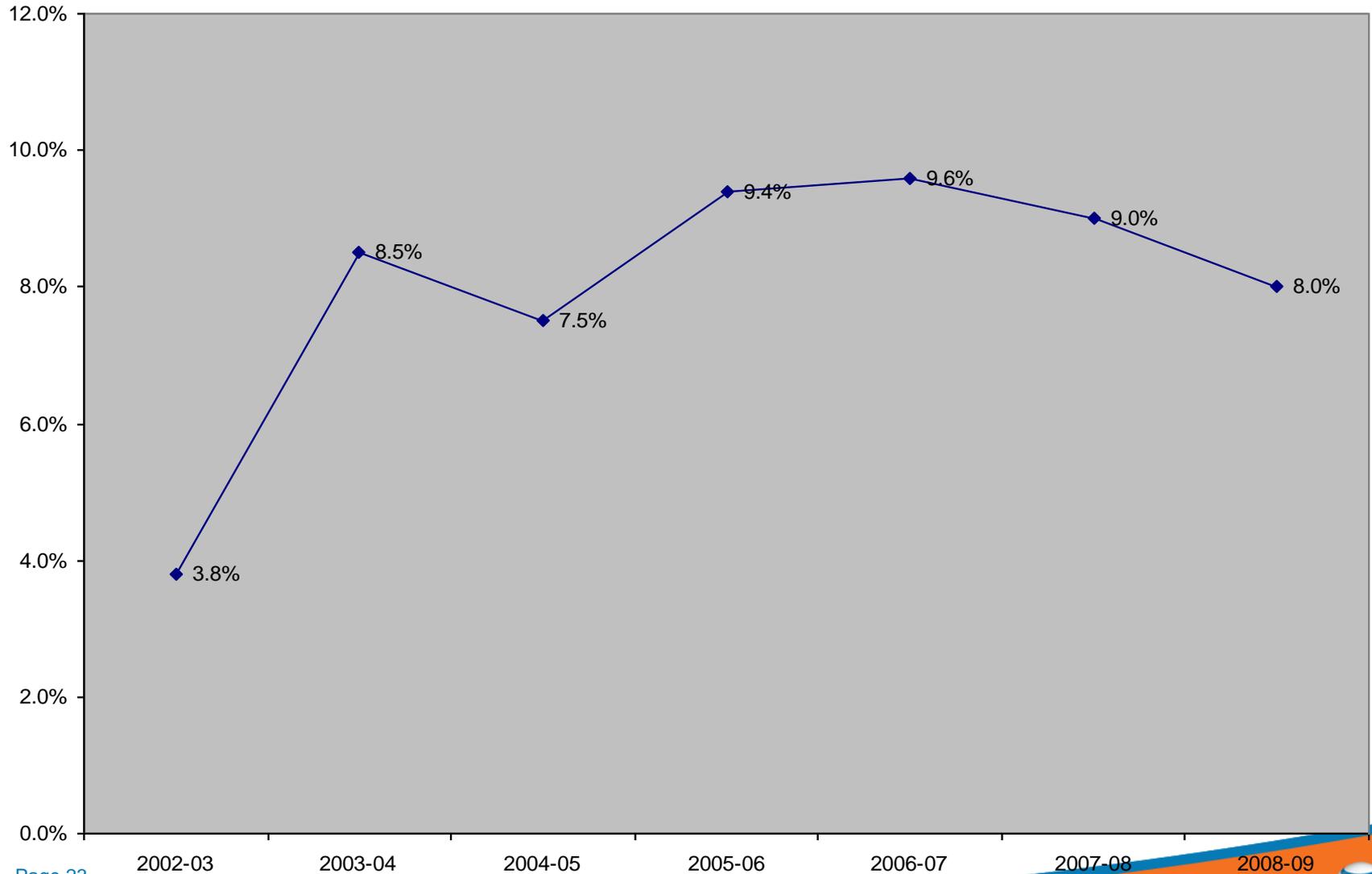
Year	Key Milestones
1994	National Telecom Policy Announced. FDI in telecom up to 49% allowed. Encouragement to Foreign Investments / Technology in Telecom.
1995	Licenses for provision of Mobile Services Awarded
1997	Licenses for provision of Fixed Services Awarded
1997	Establishment of Telecom Regulatory Authority of India
1999	New Telecom Policy (NTP'99) Announced
2000	National Long Distance Sector opened for private participation.
2001	Licenses issued for 4th Cellular Mobile Service Providers
2002	International Long Distance Sector opened for private participation
2003	Unification of Fixed and Cellular Access Services permitted
2005	FDI Limit in Telecom enhanced to 74%.
2008	New 2G licenses awarded
2009	Award of 3G licenses via auction expected



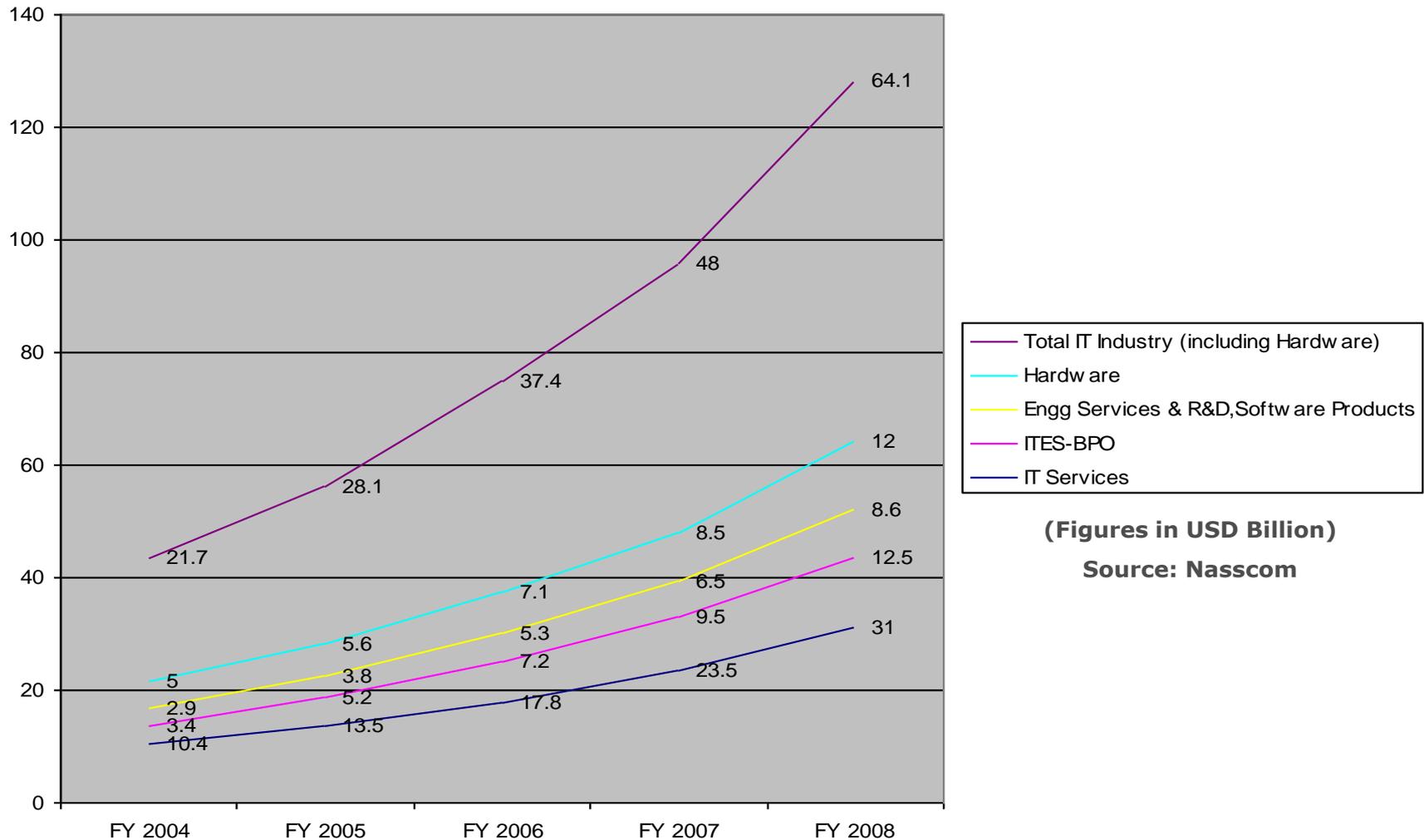
# FDI Growth in India (cumulative)



# GDP Growth in India (%)



# BPO & IT Revenue Growth in India



(Figures in USD Billion)

Source: Nasscom

# Thank You