Agenda

- Overarching Principles
- Principles
- Recommendations
- Summary & Conclusions

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Overarching Principles

- Incentive Regulation
- Encourage Competition

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Principles

- Promotion of Competition
- Low-cost Providers Ensured
- Favor Dynamic Efficiency
- No Arbitrage of Rules
- Sunset Provision

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Principles

- Promotion of Competition
  - Not mandated
  - Not artificial
    - Entry barriers removed
    - No long run artificial advantages
    - No long run handicaps
    - No long run asymmetrical regulation
  - Low Cost Providers Ensured
  - Non-distorting regulation
  - Competitively neutral rules
    - Cross-subsidies
    - Rate averaging
    - Carrier-of-last resort
Principles

- Promotion of Competition
- Low Cost Providers Ensured
- Favor Dynamic Efficiency
  - Ensure static efficiency does not discourage dynamic efficiency
  - Network investment incentives
  - Long run cost minimization

Principles

- Promotion of Competition
- Low Cost Providers Ensured
- Favor Dynamic Efficiency
- No Arbitrage of Rules
  - No strategic manipulation
  - No market share handicapping

Agenda

- Overarching Principles
- Principles
- Recommendations

Recommendations

- Incumbent Price Flexibility
- Unbundling Mandated
- Burdens Shared
- Equal Access to Information
- Regulator Court of Last Resort
- Free Competitive Services
- Timing of Regulatory Relief
- Efficient Interconnect Prices

Recommendations

- Incumbent Price Flexibility
  - Ensure least-cost provider
  - Safeguards against predation
  - Set floors/ceilings
  - Least-cost is least-price provider
Recommendations

- Incumbent Price Flexibility
- Unbundling Mandated
  - Unbundled services
  - Open Network Architecture (ONA)
  - Open Network Provision (ONP)
    - Not too few or too many elements
    - Inhibiting competition with too few
    - Finance risk with too many

- Incumbent Price Flexibility
- Unbundling Mandated
  - Open Network Architecture (ONA)
  - Open Network Provision (ONP)
    - Ensure investment incentives
      - Network modernization
      - Network quality & reliability

- Incumbent Price Flexibility
- Unbundling Mandated
- Burdens Shared
  - Incumbent not bear all costs
  - Otherwise:
    - Disadvantaged vis-a-vis competitor
    - Danger of inefficient competitors

- Incumbent Price Flexibility
- Unbundling Mandated
- Burdens Shared
  - Equal Access to Information
    - Not competitively disadvantaged
    - Not processed information

- Incumbent Price Flexibility
- Unbundling Mandated
- Burdens Shared
- Equal Access to Information
  - Court of Last Resort
    - Limit appeals process
    - Losers bears the cost of action
    - Limit ability of players to deploy regulatory process strategically

- Court of Last Resort
  - Limit appeals process
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  - Limit ability of players to deploy regulatory process strategically
Recommendations

- Incumbent Price Flexibility
- Unbundling Mandated
- Burdens Shared
- Equal Access to Information
- Court of Last Resort
- Competitive Services Freed

Recommendations

- Competitive Services Freed
  - If a service has full competition, remove it from regulatory control
  - For example, CPE

Recommendations

- Timing of Regulatory Relief
  - Removal of asymmetrical regulations based on easing of entry barriers and access by incumbent, for example

Recommendations

- Efficient Interconnect Prices
  - Efficient & equitable
  - Same terms & conditions to all
  - Maintenance & enhancement of network
  (See separate lecture)
Summary & Conclusions

- Foster Competition
- Not Manage Competition
- Only Intervene for Cause (Unfair practices)

Summary & Conclusions

- Equity Goals Unsustainable
- Constrain Market Power
- Regulatory & Competition
  - Disciple the firm
  - Competitive policies neutral

Summary & Conclusions

- Equity Goals Unsustainable
- Constrain Market Power
  - Not preclude low-cost provider

Summary & Conclusions

- Equity Goals Unsustainable
- Constrain Market Power
- Regulatory & Competition
  - No Asymmetrical Regulation
  - Inefficient Competition
  - No natural sunset