FIXED BROADBAND REGULATORY FRAMEWORK

Improving Infrastructure and QoS by fostering competition and consumer empowerment

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AGENDA

• Context and main challenges
• Evolving service disclosure rules
• Re-thinking Quality regulatory framework
• Fostering competition
• Empowering consumers
• Takeaways
CONTEXT AND MAIN CHALLENGES
Brazilian Context and Challenges

- **Continental territory**
  - 5,5k municipalities
  - 200 mi hab.

- **Lack of Infrastructure**
  - Average speed: 14 Mbps
  - 2.2k municipalities: < 5Mbps
  - Average penetration: 40%

- **Lack of Competition**
  - 3 companies with 83% market share

- **Strong socioeconomic differences**

**Challenge 1: Lack of infrastructure and competition**
Brazilian Context and Challenges

- **Regulatory overburden**
  - 79 indicators
- **Expensive to measure**
- **Hard to monitor and compare**
- **Poor consumer awareness**
  - Minimum thresholds
  - QoS statistical results

*Proposed

**Challenge 2: High level of complaints on Quality**
EVOLVING SERVICE DISCLOSURE RULES
Evolving Service Disclosure Rules

• **Billing process is the main reason of complaints at Anatel**

• **Terms and conditions spread among many docs**
  – Retail Contract, Summary of the offer
  – Promotional terms and conditions
  – Bulletin of changes in terms and conditions
  – Contract of loyalty

• **Revision of the Customer Service Regulation**
  – Focus on transparency to the consumers
  – Simplification of terms and conditions (labels are under study)
  – Enhance offer’s comparability
RE-THINKING QUALITY REGULATORY FRAMEWORK
Re-thinking the strategy for 2019

• **Focus on transparency and consumer empowerment**
  – Massive results dissemination (media, websites and Apps)
  – Operators ranked in regional/local context

• **Monitor only the most relevant KPIs**
  – Few consumer-friendly KPIs, with results consolidated by comparable indexes

• **Flexibility**
  – Level of obligations adapted to the regional/local socioeconomic context, available infrastructure and level of competition

• **Responsive regulation**
  – Enforcement strategy differentiation based on the behavior and compliance history of each operator
  – Creation of incentives for operators comply and cooperate
Re-thinking the strategy for 2019

Viable movement considering the current diversity and maturity of the brazilian telecom markets

Ex-ante intervention

Performance obligations
Network KPIs monitoring
Transparency of the results
Automatic sanction (fines)

Ex-post intervention

Consumer Empowerment
Consumer Experience
Naming and Shame
Responsive approach (risks and evidences)

Benchmark made in 2015
Re-thinking the strategy for 2019

Viable movement considering the current diversity and maturity of the brazilian telecom markets

Ex-ante intervention

atual

Brazil

future

Monitoring most relevant network KPIs
Less Performance obligations
More Transparency of the results
Automatic sanction (fines)

Ex-post intervention

German

American

Australian

Consumer Empowerment
Consumer Experience
Naming and Shame
Responsive approach (risks and evidences)

Benchmark made in 2015
REGULATORY MEASURES TO FOSTER COMPETITION
Fostering Competition

• **Deregulation of small operators**
  – Applicable for operators with less than 5% of market share nationally
  – Lower *ex-ante* regulatory burden on QoS, Customer Service, information requested by Anatel, etc

• **Wholesale market asymmetric regulation**
  – Giving newcomers access to passive infrastructure and transport networks
  – Definition of operators with Significant Market Power - SMP
  – SNOA: Wholesale Offers Negotiation System
  – Wholesale prices regulation
## Fostering Competition

<table>
<thead>
<tr>
<th>Category</th>
<th>Relevant Market</th>
<th>High Speed Leased Lines</th>
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<tr>
<td>1</td>
<td>Municipal</td>
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<tr>
<td>2</td>
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</tr>
<tr>
<td>3</td>
<td>Municipal</td>
<td>Transparency with Price Control (FAC-HCA)</td>
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<tr>
<td>4</td>
<td>Municipal</td>
<td>None</td>
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</tbody>
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### FAC-HCA = Fully Allocated Costs - Historical Cost Accounting

- Reference offer must be approved by Regulator.
- Reference offer must contain technical and commercial aspects, including prices and discounts.
- Trade only in the appropriate platform.

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- **PRICE CONTROL (based on cost model)**
Fostering Competition

• **Promoting price comparison**
  – App-based solution to be launched by the end of July/2018
  – Comparing the prices based on the consumer’s usage profile
  – Showing also the operator’s score in the Consumer Satisfaction Survey
EMPOWERING CONSUMERS
Empowering Consumers

• Effective publication of consumer-friendly coverage and service quality results
  – Detailed information provided in the consumer’s context
Empowering Consumers

• Disclosure of service’s terms and conditions
  – Retail contracts simplification
  – Better differentiation of permanent and temporary price conditions
  – Clarification of price adjustment rules
  – Including service quality conditions in the retail contracts

• New quality regulatory framework
  – Proposal of a maximum period of 5 days for repair and obligation to automatically reimburse consumers when this deadline is not met;
  – The noncompliance with the required minimum level of quality frees consumers to change operator without payment of penalties
Empowering Consumers

• Consumer’s awareness campaigns
Takeaways

- Clear service disclosure promotes competition and QoE
- Competition fosters network deployment and QoS
- Responsive regulation raises enforcement effectiveness
- Consumer rights awareness pushes quality improvement
- Massive publication of QoS results impacts operator’s
Thank you!

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