

Convergence – Central America’s major telecommunications regulatory challenge.

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It is a fact that all major players in every competitive market aim at [or should be aiming at] offering triple or quadruple play service solutions. That is, economically capable operators are [or should be] focusing on providing several convergent telecommunication services to end-users as a one-stop-shop. In other words, technology and the race for the ARPU (Average Revenue Per User) - the race for commercial victory - is forcing major players to envision their service offerings and the financials of their business units in non-conventional ways which are repugnant to the traditional regulatory paradigm of service individualization.

On the other hand, in facing convergence, regulatory authorities in competitive markets may tend to blindly enforce the old paradigm in order to protect smaller and less economically capable players. Traditional regulatory thinking proposes as *prima facie* truth that the more competitors in the market the better for the consumer. Therefore, those smaller players which currently represent a choice for the consumer are to become – as a direct consequence of the unavoidable market pressure exerted by convergence - the day-to-day headache of regulatory authorities being called upon for their protection and survival. Consequently, regulators may be automatically inclined to afford this protection by maintaining the *status-quo* and eluding undesired political, bad press and public image deterioration.

Thus, the issue is at hand and knocking on every market’s door. Service bundles (mobile + fixed + Internet access + Paid TV), single postpaid billing, multiple-use of prepaid cards, cross subsidization, bundled promotions, fixed and non-traditional services through mobile spectrum, etc. shall be the main concern of the modern and diligent regulator. However, the best regulatory approach to the issue; that is, the approach which would best serve consumers’ interests is not necessarily the traditional one that would *a priori* forbid and/or penalize such business practices and/or impose standard and canned regulatory solutions like unbundling of the local loop, multimillion fines, etc. Unconventional business practices may indeed serve the general public by conveying market efficiencies like overall lower prices and/or better service offerings. However, thorough analysis is needed in every market.

In parallel to the above discussion, regulators and policy makers should hold sacred only universal service. Universal service should continue being the main permanent concern of regulators since it is the required and still indispensable reminiscence of the traditional public service notion.

It is also to be kept in mind that the conservative service individualization regulatory approach does not even take into account other traditional legal/economic realities of non-regulatory nature that, nevertheless, do cause an impact on the telecommunications business. For example, the network / service-individualization regulatory approach disregards taxation efficiencies that derive directly from owning several interconnected networks under the same legal entity rather than separating them under different legal entities. Legal entities owning full-service interconnected telecommunications networks usually enjoy income tax withholdings and value added tax cash flow efficiencies that directly oppose the traditional regulatory approach of service separation and equal

treatment. Needless to say, interconnection cash-flow efficiencies are also involved when ownership of several networks is concentrated in one single entity. Moreover, in the IP world, the tax efficiencies provided by the ubiquity of the Internet are insurmountable.

Hence the regulatory challenge at hand consists of diligently refreshing Regulators' missions and visions in face of technological and service convergence by thinking out of the box, maintaining coherence in policy and pursue universal service. The old regulatory paradigms may not fit current market needs.