

# *Telecommunications Greenhouse*



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Ing. Mgr. Miroslav Zajíček, MA  
University of Economics, Prague

# *About the speaker:*

## *Miroslav Zajíček*

- Formal Education: University of Chicago (economics); University of Economics (economics), Prague; Charles University (Law Faculty)
- Professional Experience: among others Conseq Finance, Logica CMG
- Current positions:

Lecturer at the University of Economics Prague

Junior Associate at the Linklaters (energy, telco, antitrust, regulation)

# *Current Telecommunication Environment*



- ONP Provisions
- Weakened ownership rights
- Regulations of many prices
- Anticompetition law meddling
- Arbitrary division of markets

# *Official reasoning behind regulations ...*



- Historical references
- Alleged abuse of dominant position
- Alleged inefficient duplication
- Unification and standardization

## *...and what is wrong with them – historical references*

- No telecommunication company became a monopoly „naturally“ – there was always some government intervention
- All evidence shows that free markets favor more companies, proprietary networks and technologies and that past investments are generally of no advantage for incumbents

# *...and what is wrong with them – abuse of dominant position I*

- Any such arguments heavily depend on market definition
- Make a very narrow market and you will find any company or even a man in dominant or even monopolistic position
- How to define the „abuse“? – low prices, bundling, high prices? All of those can be perfectly rational strategies on competitive markets – who is the judge?

## *...and what is wrong with them – abuse of dominant position II*

Some data – the case of the Czech Republic,  
2005

- Voice market: CTc – 35%, Eurotel – 28%, TMO – 24%, Vodafone – 13%
- Broadband – CTc – 40%, CATVs – 27%, Eurotels CDMA – 13%, WiFi etc. – 20%
- „Slow“ Internet Access – data are not available (dial-up, GPRS etc.)

## *...and what is wrong with them – inefficient duplication*

- Who knows in advance what is inefficient?
- Typical duplications in network industries – mobile networks, gas stations, cable and telecommunication wires
- Inefficient investment will decrease anyway, so why to block them?
- Historical evidence support duplication and they generally are in favor of consumers desire



*...and what is wrong with them –  
unification and standardization*

- Who can tell in advance what is better technology or standard?
- Typical examples of in-advance mistakes:  
Beta, GSM, UMTS

# *Consequences of current policies*

- Lower amount of investments
- Wrong structure of investments
- Slowed technological progress and innovations
- Inefficient use of precious capital
- Higher interest rates
- Crowding-out effect
- Greater „Digital Divide“ than necessary

# *The Way Out of Current Trap*

- Abolishing of the ONP provisions
- Market for EMS
- Lifting antitrust regulations away
- Banning of all price regulations
- Cancelling of the universal service obligations
- Protection of property laws

# Contact



- Ing. Mgr. Miroslav Zajíček, MA
- Lecturer, University of Economics, Prague
- Junior Associate, Linklaters
- Energy, Telecommunications, Antitrust, Regulations, IT, Business Cycles
- tel.: +420 221 622 117, fax: +420 221 622 199
- e-mail: [miroslav.zajicek@linklaters.cz](mailto:miroslav.zajicek@linklaters.cz)