

Internet (over-the-top) services and challenges to regulation

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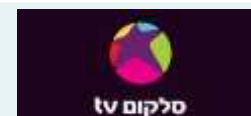


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Israel: short snapshot

- Israel is a developed ICT economy
- Widespread adoption of fixed and mobile broadband
- More than 3 mobile 3G UMTS networks
- 2 Universal fixed broadband providers
- Average fixed broadband speed of more than 25 Mbps.



Operators: increasing competition

	INDEPENDENT	PARTNER	CELLCOM	HOT	BEZEQ	
<p>MVNO</p> <p>Golan telecom</p> 						Fixed infrastructure
						Fixed telephony
						ISP + international
						MOBILE
						TV



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The challenge

- The Israeli telecommunications law provides for the licensing of **service providers**, who own a network.
- However, internet-based (over the top) services do not conform to this paradigm.
- This dissonance has been a challenge to the Israeli regulator in recent years.
- Are we going to a strict separation between networks and services?



VOIP– fixed and mobile

- In 2004, MOC is called to license operators using over-the-top VOIP technology, interconnected to the fixed network (numbering, termination, etc.)
- In order to do so, MOC must “creatively” interpret the law, and conclude that VOIP providers have a “network” (even if only a minimal core network).
- Further, the MOC is called upon to decide what type of license to grant to “VOC” (voip over cellular) services by operators who are not MNO’s;
 - MVNO
 - Over-the top VOIP?
- This leads to questions of termination prices and numbering.



Net Neutrality

- In 2010, Cellcom (large MNO) includes language in its contracts that disallow the use of the data network for VOIP.
- At this point, Israel does not yet have net neutrality legislation.
- However, MOC issues an administrative order, ordering Cellcom to allow the use of VOIP, for the following reasons:
 - The customer should be allowed to use their data allocation for any legitimate purpose.
 - VOIP is not a significant user of network capacity, does not threaten network integrity, and therefore this contractual provision may be anti-competitive.
- Further to this and other cases, the Israeli Knesset (parliament) passes a net neutrality amendment to the Communications Law which, *inter alia*, forbids:
 - Discrimination by service
 - Discrimination by service provider (i.e. can use only 1 VOIP operator)
- Both by technological means, and by pricing.



Challenges Ahead (1)


who pays for bandwidth?

- Traditionally, Israeli customers pay:
 - On mobile networks, for a cumulative allocation of data
 - On fixed networks, for a speed per second.
- Israel is implementing a wholesale market in fixed networks, and already has a regulatory framework for MVNO's
 - In this context, the question is, “who pays for the bandwidth”?
 - On the one hand, in order to have a “retail margin”, perhaps the wholesalers should provide the retailers with unlimited bandwidth, as they do for their retail customers? (“retail minus”)
 - On the other hand, if the retailers also provide other services (like OTT IPTV, for example), perhaps it is not justified to provide them with unlimited bandwidth? (Cellcom TV)
 - **Who will have incentive to invest in the network?**



Challenges ahead (2)

regulation of new services

- Cellcom has recently announced an over-the-top internet TV product called “Cellcom TV” 
- This product, includes VOD content along with DTT service for broadcast service and content direct from websites.
- Currently, it is not subject to the regulatory regime for television content, including protection of minors, production of local content, etc.
- It is clear that the long-term solution must include some harmonization with existing frameworks for the cable operator and the satellite operator.
- A public committee led by a regulation expert (the Shjecter committee) is currently considering the matter and has tentatively suggested taxing broadband to pay for local production requirements.



Challenges ahead (3)

the internet of things

- In an all-IP world, the concept of “interconnection” becomes unnecessary.
- What happens to the economics of the operators when revenues from interconnection disappear?
- What happens to regulatory frameworks?
- Can we continue to discriminate between end users based on the location of the device and the billing address of the consumer (international roaming)?
- Local regulation should take under consideration that International players may not be regulated.



Thanks

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