The Future of Voice

Comment[**] for Chairman's Report

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What will incumbent telcos do? They still depend on voice for about 80 percent of their revenues, that portion currently being a bit under a trillion USD[i] annually. But the price for voice, whose marginal costs have long gone to zero, is headed there too. Telco expenditures are some of the largest that a society makes, and the revenue base to cover it is disappearing.

The guiding principle is clear: Separate the network from services. Even more, a working model is in hand: In the UK, OFCOM and BT separated the wired local loop. In the EU, the model is under debate for the whole region.

What is the evidence? There are now a couple decades of experience. Despite liberalization over those years, the large – even the small – incumbent telco remains dominant in its wired local loop.[ii] Since competition will not manage this segment, we must find other means – in the bargain, the telco can shed its single largest expenditure area.

How will we manage these large dominant operations, if competition will not? Alternative, and quite successful, approaches in Asia offer insight, regimes that take us beyond typical practice in the past. Rather than a regulator in the role of traffic cop, there is a coach for a team effort.

The conception is novel (to some observers) motivations for managers and their counterparts in other societal functions. But more than that, it is a social regime with explicit expectations for the wider community enterprise. At stake are the very large investment expenditures ahead for fiber – and for innovation ongoing.

This of course entails rebalancing financial flows along the value chain. Old conundrums will be revisited, to peg inflow to the separated wired local loop. Those who – separately – provide voice, and may also bundle other services, contribute accordingly.

For the telco, the change is radical, but it also offers a choice. The telco may compete in segments beyond the wired local loop – WAN physical links, services, wireless. Or, the telco can accept the challenges of the wired local loop, now satisfying new motivations and serving wider shared aims. Re-integration back into a one-stop shop is no longer on the cards.

Referring to presentations on the Future of Voice

Regarding voice in the telco today:

- Tim Kelly and Jaroslaw Ponder, *The Future of Voice: Framing the debate*
- Taylor Reynolds, *"I think I'm losing my voice" Voice telecommunications in the Internet era*

Regarding dominance in the local loop:

- James Alleman and Paul Rappoport, *The Future of Communications in Next Generation Networks*

Regarding insights on regimes, from Asia:

- Chae Sub Lee, *Global Standards for Converged Communication Services*
- Loso Judijanto, *Voice is Not Replaceable: Never Ignore Market Segment for Low-Income People or Telecommunication Market in Developing Countries*
- Shoichi Hanatani, *"See the Light" is FTTH market in Asia-Pacific*

Regarding future investment in infrastructure:

- Houlin Zhao, *Welcome and Opening Address*
- Harald Gruber, *The Investment Incentives in an Environment of Dwindling Voice Revenues*

In reference to the Chairman's Report

Sections: 4.5, 5.2 and 5.3.

[**] Web link for this document: http://davidallen.org/papers/Future_of_Voice_-_Comment-LTR.pdf
Video version of this comment: http://davidallen.org/pages/paprindx.html#FutVoicComment

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[i] As this total continues to grow, mobile minutes are displacing wireline and are approaching half the total. Mobile voice prices have not gone to the zero, yet.

[ii] Evidence from cablecos is also conclusive. Note the exception: apparently extremely dense areas, such as Hong Kong, may support more than one wired local facilities provider.