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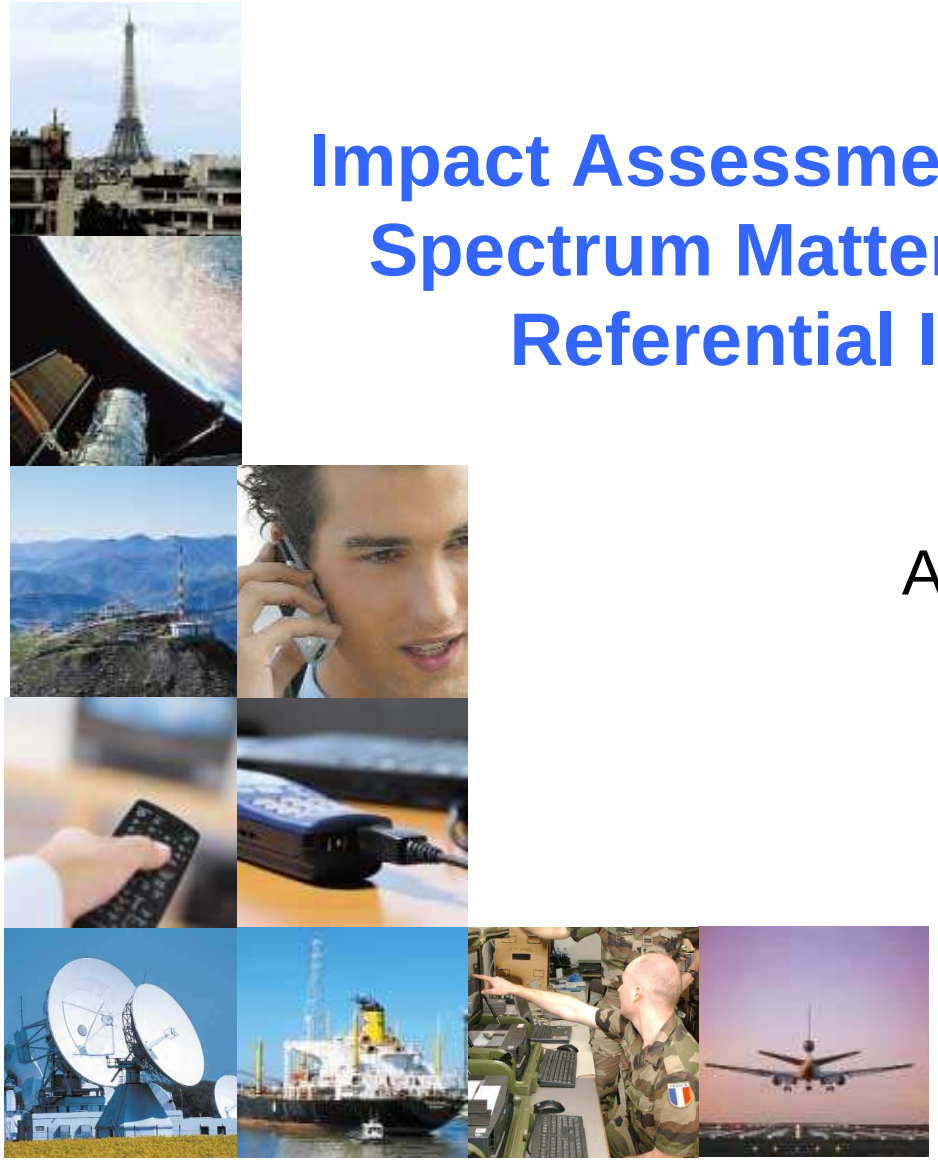

Impact Assessment Issues in Relation to Spectrum Matters: Towards a Common Referential Implementation Frame?

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Agence nationale des fréquences, France

IA Seminar, ECO, Copenhagen

31 August – 1 September 2009

Presentation Layout

This presentation aims at:

1. analysing the **current stakes** of IA implementation in relation to spectrum issues.

2. providing a **comprehensive overview**, with a cross-country and CEPT perspective, of the practical elements necessary to implement IA.

3. highlighting the complexity of IA and the need to develop a **common referential** implementation frame while giving the opportunity to have a **case by case approach**.

4. **looking ahead** for CEPT and ECC administrations.

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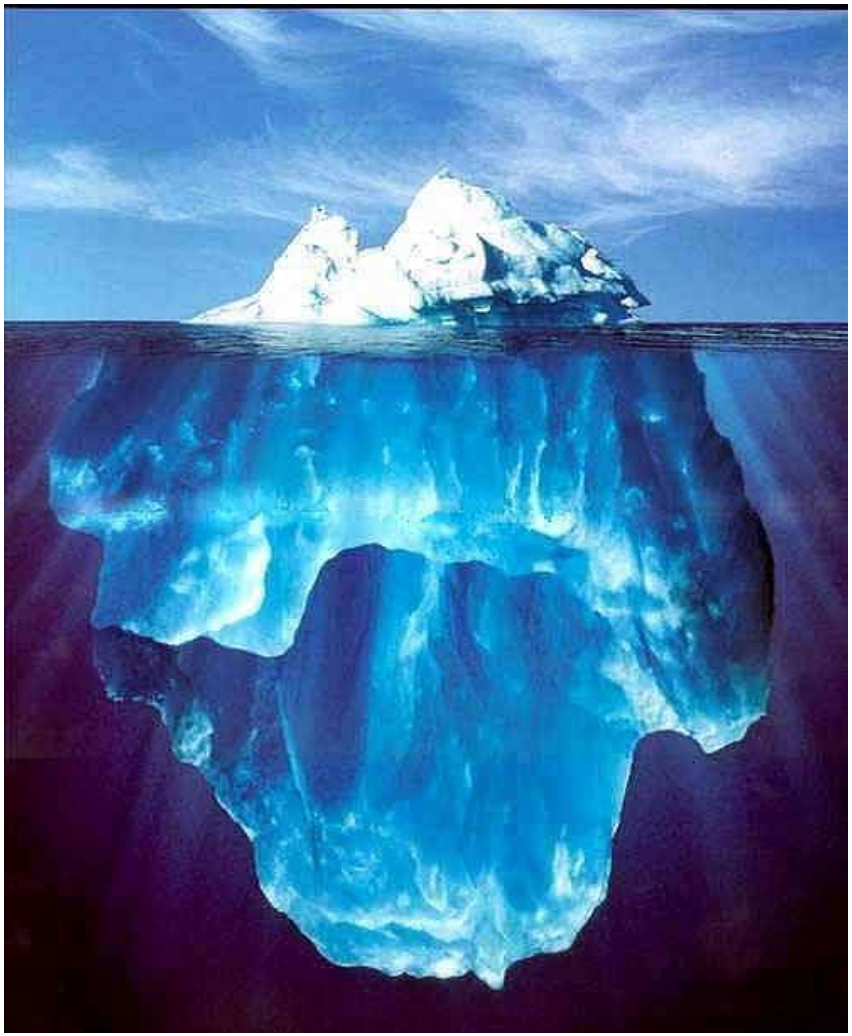
IA Challenges and Opportunities

- For ECC and spectrum regulators, IA presents both challenges and opportunities.

- Challenges include:
  - trade-off between commercial services and government services
  - CEPT multicultural environment => different “views” on IA
  - diversity of national markets and history of investments

- Opportunities are:
  - to reveal more information
  - to provide more transparency
  - to identify a larger range of costs and benefits

What does IA look like?



IA results

IA cognitive process

ex ante — **on-going** — **ex post**

What is an Impact Assessment?

- A continuous cognitive process
- A decision-making tool to reveal information and to enable to weigh and present the relevant evidence
- A rational at least reasonable view of the likely costs, benefits and impacts

What is the Added Value of IA?

- Complete, not replace the ECC technical studies:
  - IA is not self-sufficient
  - IA does not challenge technical studies
  - IA's based on the proportionality principle (Cf. ECC Report 125)
- Enhance the level of knowledge to deal with competing service usage interests.

Monet, Etang aux Nymphéas, harmonie verte, 1899

What are the Objectives?

- Evaluate impacts on Industry and Civil Society.
- Estimate costs and benefits of proposed and actual measures.
- Give parties an opportunity to identify potential unintended consequences.
- Identify proposals that best achieve the objectives while minimizing costs and burdens.

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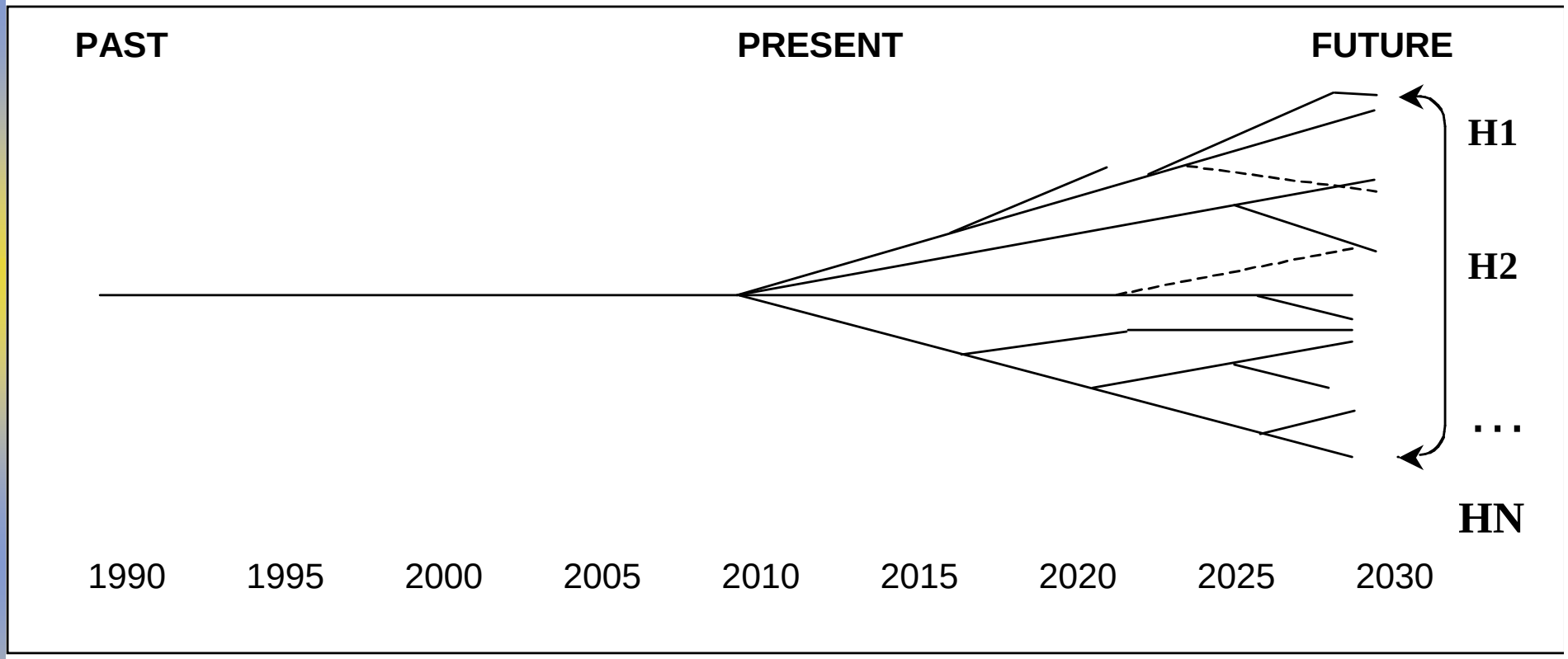
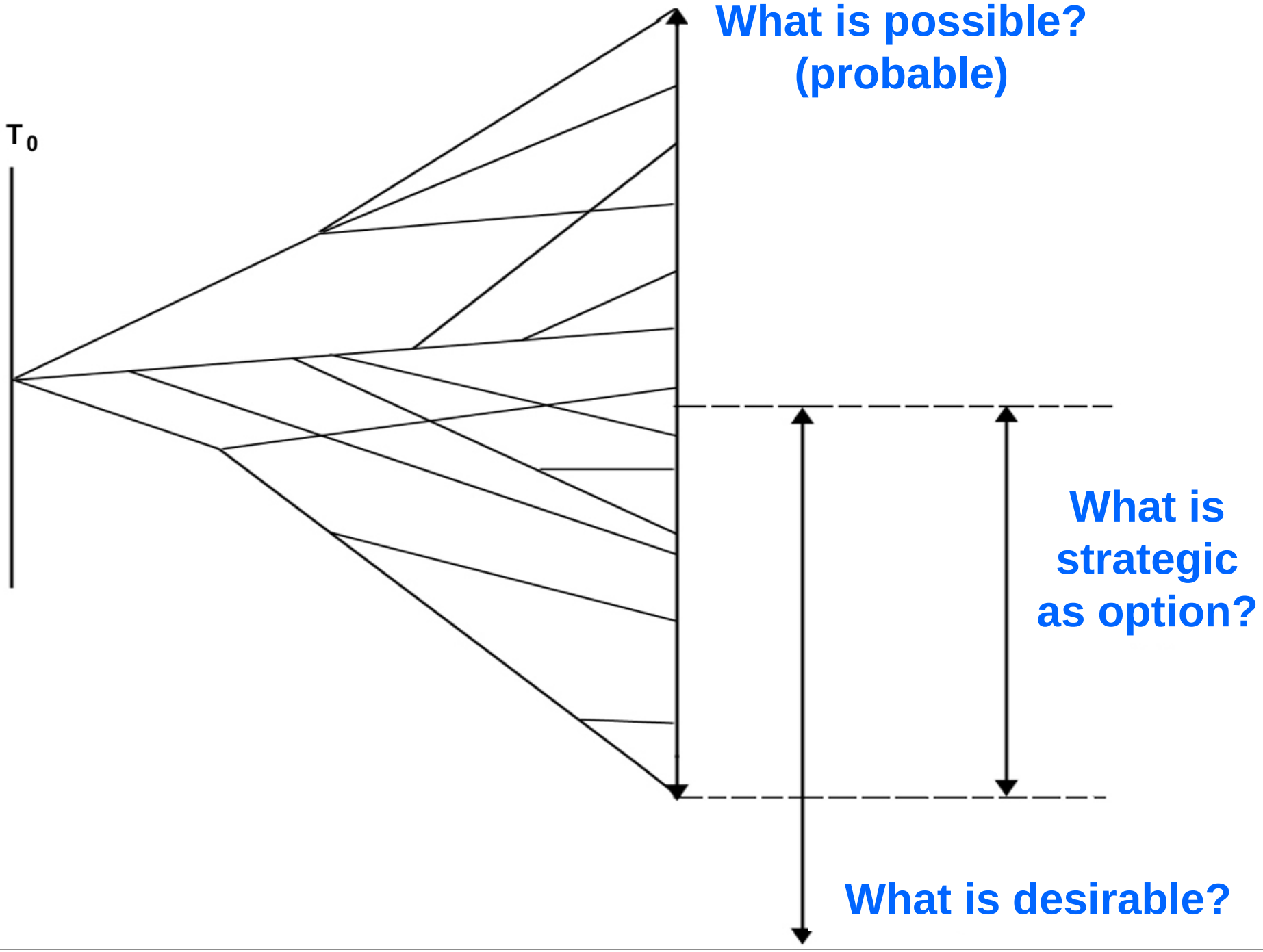
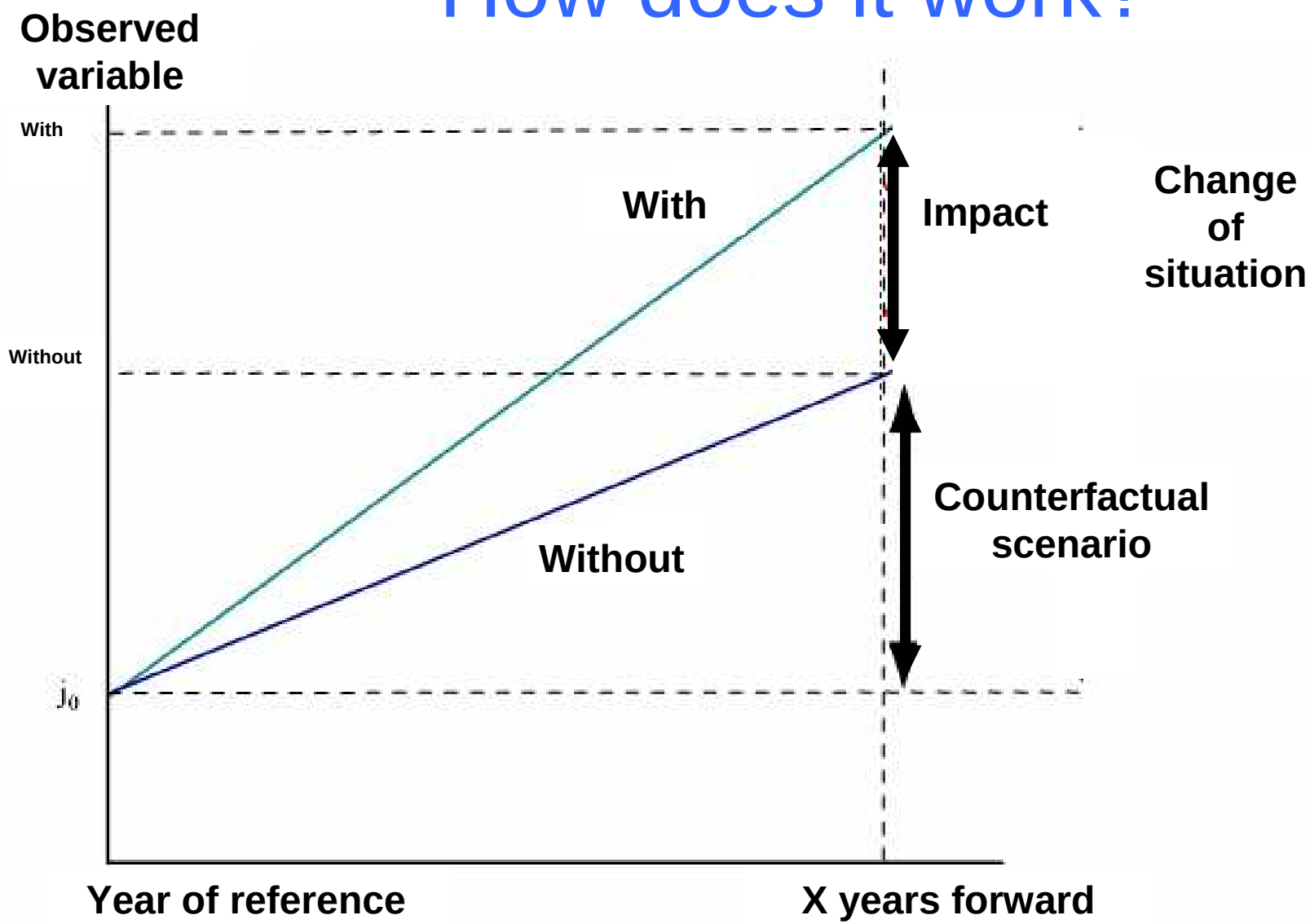
What about Assumptions?



Greater risk of fuzzy assumptions within 48 ECC countries

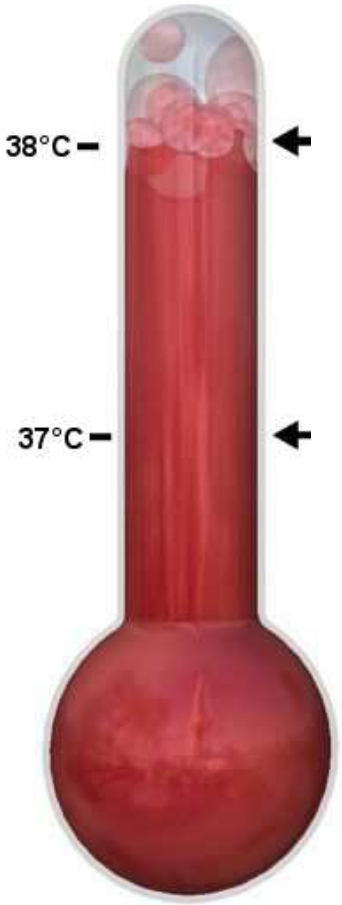

What is possible?
(probable)
T 0
What is
strategic
as option?
What is desirable?

How does it work?



Adapted from MEANS, vol. 5, European Commission, 1996

Some Key Questions



Which indicator? Which unit of measurement?

Which standard?

Which evaluation criteria?

What does the reference of judgement depend on?

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Policy vs. Assessment in France

- To know if one were right to want what one wanted, it is “policy”.

- To know if one could have arrived at its ends for less expensive or have made more with the same expenditure, it is (efficiency) “assessment”.

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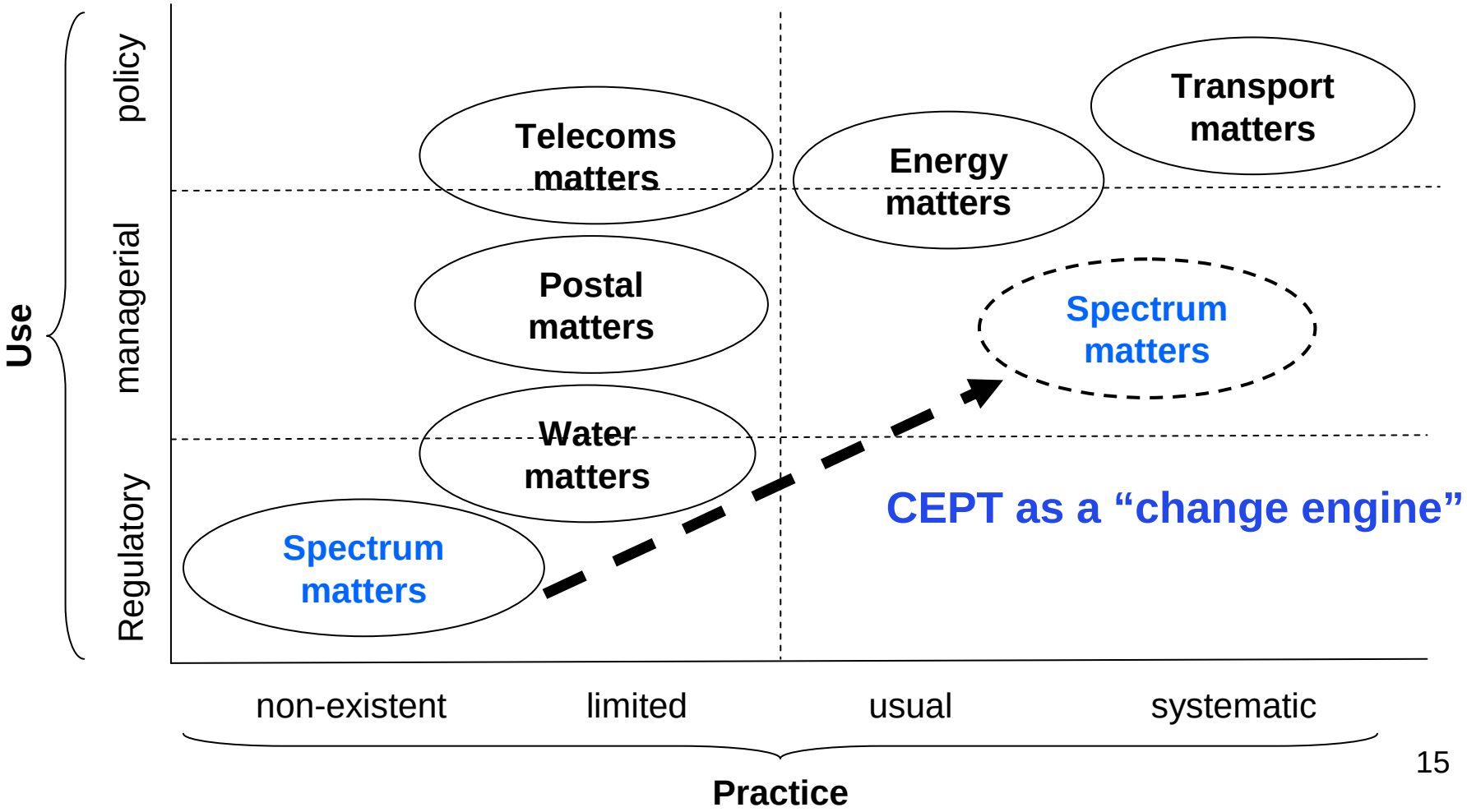
IA Use and Practices in France



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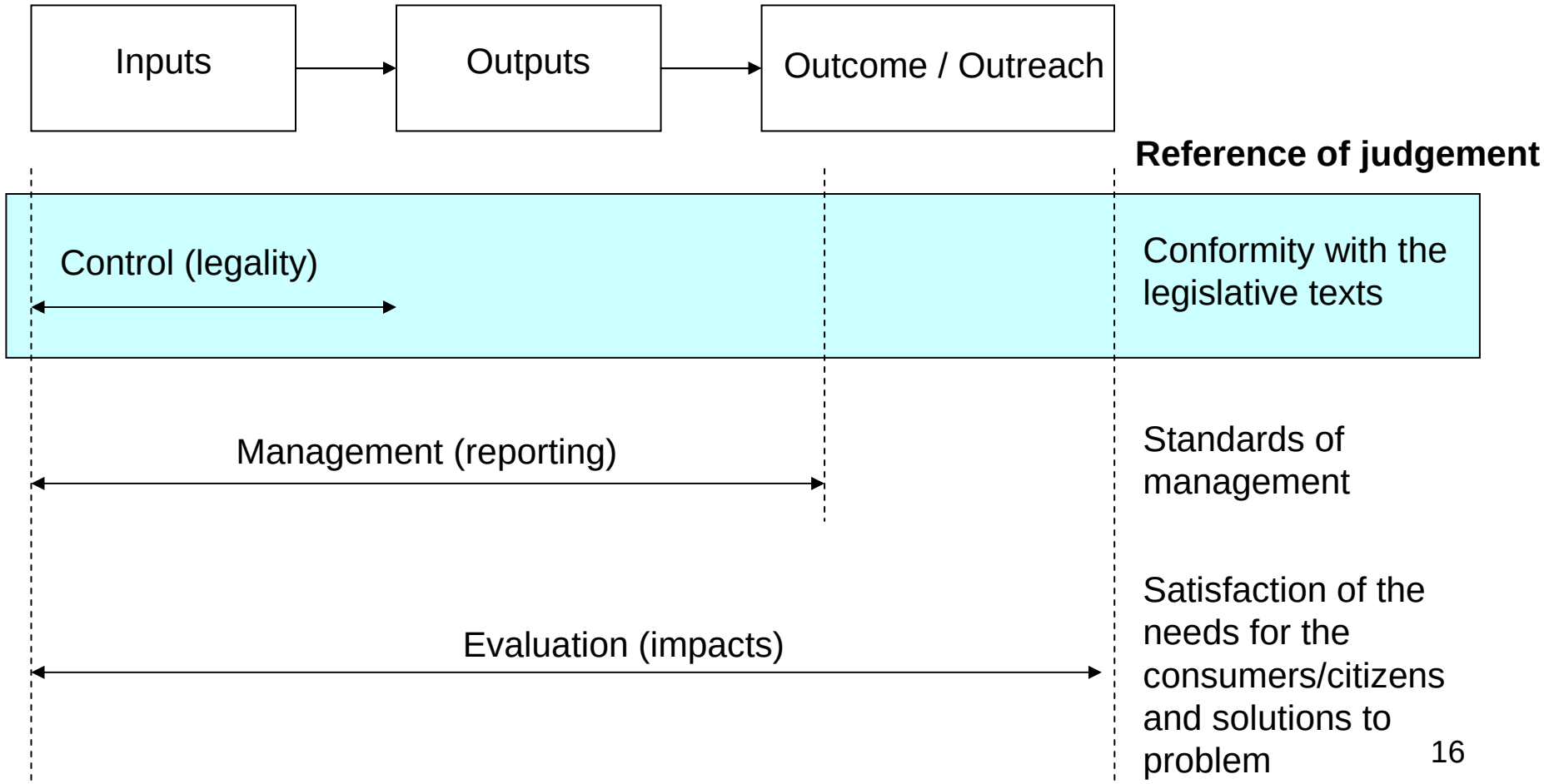
IA Use and Practice in France in Relation to Spectrum Matters



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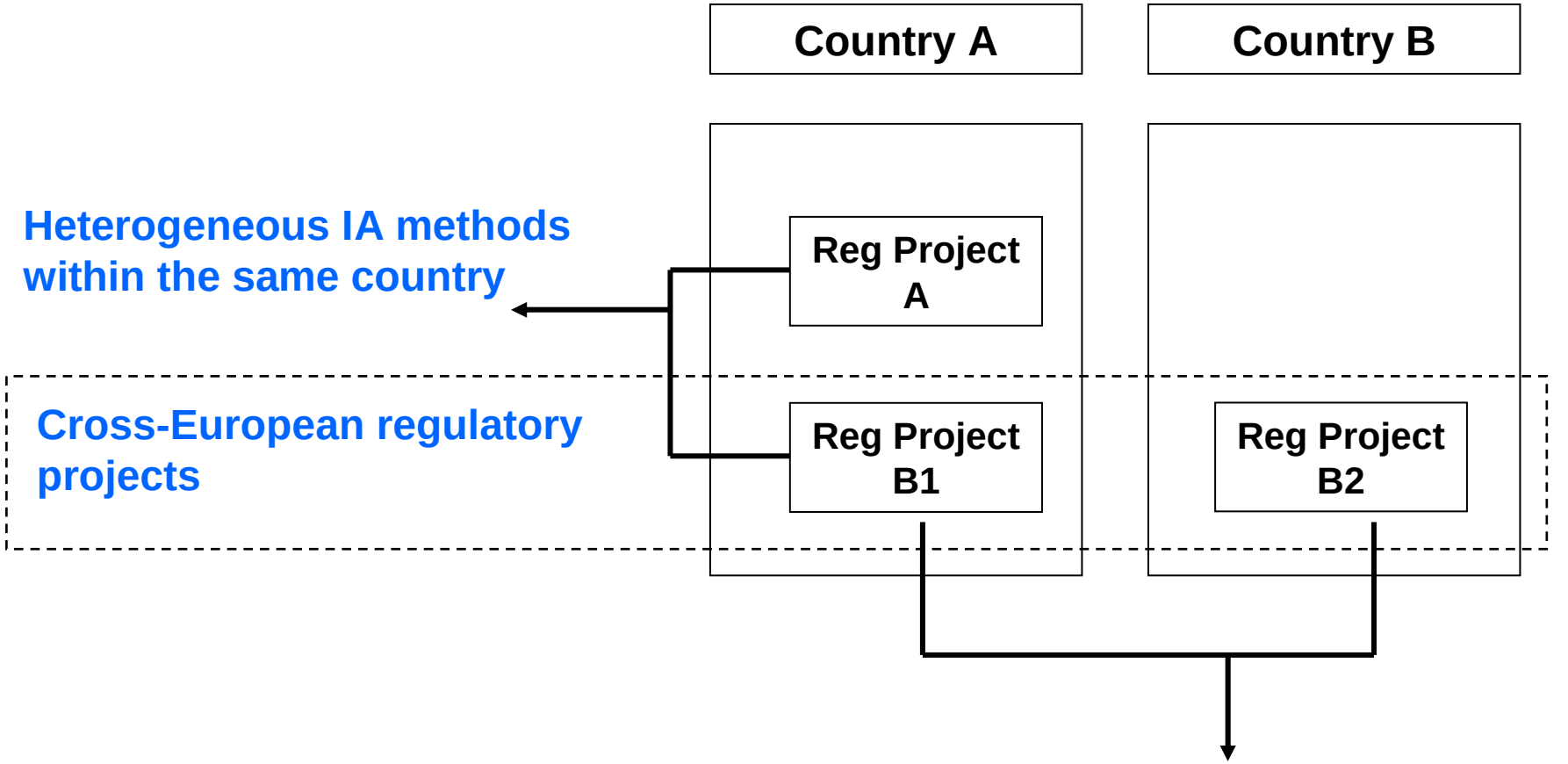
What are the Main Issues?

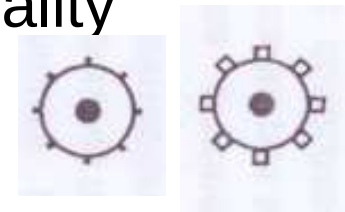
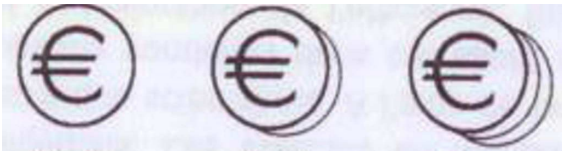
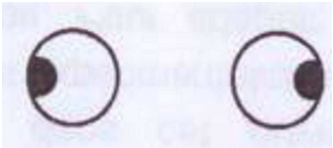
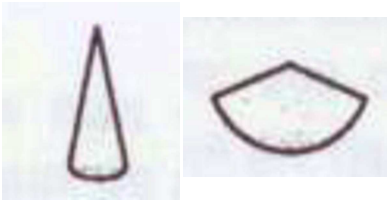
- Confusion between political appraisal and rational evaluation
- Fuzzy assumptions
- Heterogeneity of methods and techniques
- Multitude of impacts for different spectrum stakeholders (competing interests between “winners” and “losers”)
- Lack of information or unreliable data
- Difficult cooperation between all entities involved in spectrum regulation and spectrum use
- Lack of means (human resource, time and money) and insufficient skills and knowledge

Heterogeneity Issue



IA Techniques Choice Issue

- **Diversity of techniques:**
  - Cost-benefit
    (focused by ECC Report 125)
  - Cost-effectiveness
  - Multi-criteria
  - Shift-share analysis
  - Etc.

- **Choice criteria:**
  - Technicality
    
  - Cost
    
  - Usage
    
  - Scope
    

Methodological Issues

- ECC Report 125 addresses some of them:
  - External and distributional effects:
    - Which reference values?
    - How to quantify non-monetized effects?
  - Knock-on effects
  - Opportunity costs
  - Windfall effects
  - Risk management
  - Etc.

Macro-economic Framing Issues

- Developments in radio technology and sharing spectrum
- Radio use and interference environment
- Convergence of fixed, mobile and broadcasting services
- Competition issues between radio access networks
- Business models and value chain:
  - Evolution of demand
  - Population density
  - Income per capita
  - Willingness to pay for new services
  - Economies of scale
  - Implementation costs per capita

Micro-economic Framing Issues

- Internal rate of profitability
- Cost-benefit analysis (Cf. ECC Report 125):

$$\Sigma_t (B_t - C_t) / (1+r)^t > 0$$

- B_t benefits
- C_t costs
- r net present value rate (discount rate)
  - 4% in France but 5% in average in the EU

  => requires a case by case approach

Some Key Points

- Macro effect <=> micro effect X coefficient?
- How to monetize the full range of costs and benefits (economic, social and environmental)?
- How to distinguish one-off from ongoing costs and benefits incurred over the time period?
- What are the right price base year and the time period over which the analysis should take place?
- How to determine the right discount rate?

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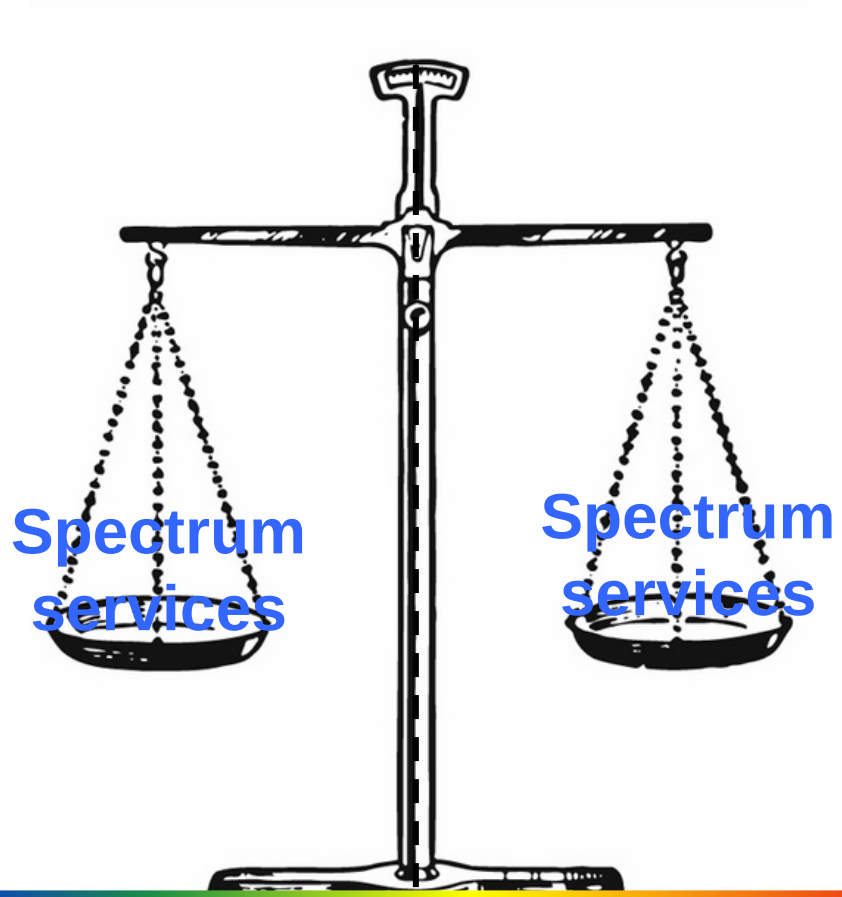
Dynamic Optimal Balance

Monetized

Commercial

Competitive



Non-monetized

Non-commercial

Non-competitive

Spectrum as a public asset

Differentiated IA Implementation

Methodology

« Convertible into cash » costs and benefits

- Financial values revealed by the market
- Reference values

« Non-convertible into cash » costs and benefits

- Qualitative elements non convertible into cash even approximately

Result

Elements taken into account in socio-economic calculation

Complementary qualitative and quantitative appraisal based on public debate, methodologies and *ad hoc* expertise

Main issues

❶ Update reference values

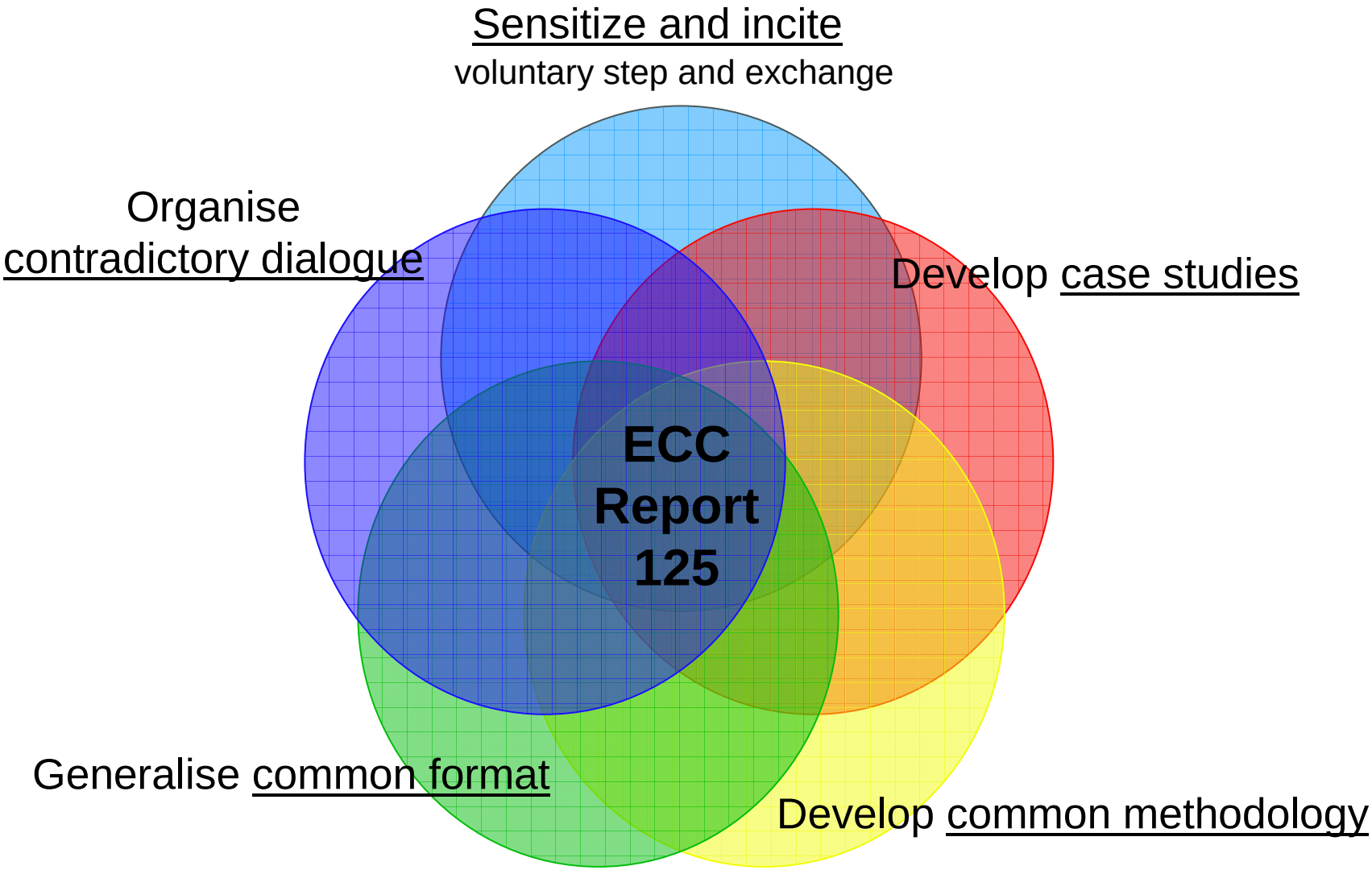
❷ Determine the reference values of some impacts:

- Impact on investments

❸ Integrate some elements which are not easily convertible into cash for example:

- risk management ; uncertainties
- territorial equity and redistributive impact
- impact on employment and attractiveness of territories
- impact on environment

Towards a Common Referential Implementation Frame?



Towards a Common Referential Implementation Frame?

Setting the scene…	Short term	Medium term	Long term
Sensitize and incite: develop voluntary step and exchange	ECO Workshop	ECC Training	ECO special website ECO data base
Develop case studies	Case studies	Synthesis	Meta-evaluation
Develop a common methodology through ECC Report 125	Survey of literature	Harmonised definitions, criteria, indicators, tools	ECC Quality Chart Quality/ cost ratio
Generalise a simple, homogeneous and comparable format of restitution of IA results	ECC Report 125	Timing and communication strategy for ECC	Success, failures, problems
Organise a contradictory dialogue between spectrum stakeholders	National level	ECC level	Rolling evaluation

Conclusion

- **IA's not an exercise of style! Each IA is unique.**
  - no systematization
  - no uniform method
- **ECC Report 125 as reference tool to be developed to build upon**
- **A common implementation is desirable to:**
  - understand better the risks and the uncertainties
  - share practices and methodologies
  - separate clearly what depends on political appraisal from rational evaluation
  - increase transparency, impartiality, credibility and commitment

Some References

- In English:
  - COM(2002) 276 final on Impact Assessment
  - ECC Report 80
  - ECC Report 125
  - CEPT Report 20
  - MEANS, European Commission, 1996

- In French:
  - Cahiers de l'Evaluation n°1-3, 2008-2009
  - Evaluation des grands projets publics, novembre 2008
  - Instruction – cadre relative aux méthodes d'évaluation des grands projets d'infrastructures de transport, mai 2005

Thank you for your attention

Any questions?

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