

# Chapter VI

## Shaping Regulation in the Australian Mobile Industry

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### ABSTRACT

*The adoption and diffusion of mobile services has achieved a spectacular growth in many countries around the world. However, regulators in these countries are finding that existing regulatory frameworks are not suitable for dealing with these services. This chapter employs qualitative evidence to investigate how regulation and legislation can affect mobile services in the Australian mobile telecommunications industry and draws from it to propose an innovative regulatory framework. The framework is comprised of five major components: consumer and intellectual property protection, market and resources access, and environmental protection. We argue that these encompass the interests of the stakeholders operating in mobile industry and given its dynamic and complex nature co-regulation is an effective approach that can be used to minimize costs and enhance compliance.*

### INTRODUCTION

With the advent of broadband wireless networks, the number of 3G subscribers is predicted to rise to nearly 800 million worldwide by the end of 2010 from 70.6 million recorded at the end of 2005 (Informa, 2005b). In addition, many markets have surpassed the 100% handset penetration and in those markets mobile users are attracted to new

and compelling mobile services (Mylonopoulos & Sideris, 2006; Steinbock, 2005). These market conditions provide a conducive environment for delivering increasingly sophisticated mobile services which constitute a substantial source of potential revenue growth for the stakeholders of the mobile telecommunications industry (Alahuhta, Ahola, & Hakala, 2005; Kumar, 2004; Massey, Khatri, & Ramesh, 2005).

A mobile service can be defined as an activity or series of intangible activities that occur when mobile consumers interact with systems or service provider employees with the support of a mobile telecommunications network (Bouwman, Haaker, & De Vos, 2007; Van De Kar, 2004). Examples of mobile services include mobile e-mail, SMS and MMS services, content downloads, mobile ticket reservations, mobile stock trading, and mobile TV (Bina & Giaglis, 2005). Mobile services are complex and require the integration of diverse technological and organizational resources which typically cannot be found within a single organization. Consequently, the knowledge necessary for developing and deploying these services may involve several heterogeneous stakeholders who are often embedded in various technological, economic, and social settings. In order to succeed, these stakeholders must interact with each other while complying with legal and societal requirements that balance their diverging interests, motivations, and needs (Camponovo & Pigneur, 2003). These requirements constitute a regulatory regime which, by definition, can operate at either industrial, national or international levels and can influence, direct, limit or prohibit any activity undertaken by stakeholders operating in the mobile industry (Yoo, Lyytinen, & Yang, 2005). Typically, regulatory regimes are set by regulatory and legislative authorities including government agencies, industry and consumer associations.

Combined with the complexity of stakeholder interactions, regulation has the potential to affect the offerings and the uptake of mobile services (Kijl *et al.*, 2005; Sangwan & Pau, 2005). Credible and transparent regulatory rules can boost investments in the industry, promote public confidence and the development of innovative and affordable mobile services while stimulating industry research and development efforts (Verikoukis *et al.*, 2006). However, regulation can also impact the industry in a negative way. Increasing regulatory compliance fees for stakeholders can increase

the overall cost of operation well beyond that of acquiring the technology itself (Tongia, 2007).

As the mobile services industry matures, it is attracting the attention of policy makers and consumer advocacy groups that are increasingly focusing on its regulation (Woolfson, 2005). MacInnes (2005) argues that when a service technology “has reached some minimum standard of performance and reliability one needs to be concerned with societal, legal, and general economic factors. This is a stage that is generally overlooked because it is not until a technology has been commercialized that the originators realize the problems that the technology poses to society in general. ... A successful implementation of a business model around new technologies would have to consider those potential obstacles and provide solutions.” (p. 7).

That is, solutions are needed for potential legal, societal, and general economic concerns that mobile services may introduce (MacInnes, 2005). Regulatory regimes around the globe are ill equipped for dealing with technologies such as mobile services because the “existing policy frameworks have been inherited from specific national, regional, and international histories of regulating broadcasting, telecommunications, and media, as distinct entities, and are not well-placed to deal with contemporary communications technologies that blur the boundaries among these.” (Goggin & Spurgeon, 2005, p. 181). Although limited studies about regulatory regimes are available in the literature they lack comprehensiveness (Li & McQueen, 2008; Oh *et al.*, 2008; Tallberg *et al.*, 2007; Buerkler, 2005; Grzybowski, 2005; Han *et al.*, 2006; Jho, 2007). In fact, many scholars argue that research in this area is lacking (Gelenbe, 2003; Killström *et al.*, 2006; Pitkänen, 2006; Ubacht, 2004). Further, practitioners believe that a healthy regulatory environment is essential for the growth of these industries (Chen, 2008; Hsieh, Jones, & Lin, 2008; Informa, 2005b, 2006a; Verikoukis *et al.*, 2006; Woolfson, 2005; Goggin & Spurgeon, 2005). With this study, we

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