



Final Decision on
**Dominant Service
Provider Determinations**

March 13, 2026

INTRODUCTION

- 1 This document sets out the final decision of the Telecommunications Regulatory Authority (**TRA**) on whether to determine that one or more telecommunications licensees in the FSM are a “dominant service provider” (**DSP**) as defined in section 302(p) of the FSM Telecommunications Act of 2014 (**the Act**) and the reasoning for that decision. Appendix 1 titled “Final DSP Determinations” sets out the TRA’s final determinations based on the reasoning in this final decision.
- 2 The objectives of the Act include “*providing transparent, technologically and competitively neutral regulation, which focuses on promoting the long-term interests of users,*”¹ “*providing conditions for effective competition among service providers in the Federated States of Micronesia and encouraging efficient and sustainable investment in and use of communications networks and services*”² and “*protecting the interests of consumers and regulating prices.*”³
- 3 The Act seeks to achieve these objectives primarily by encouraging new network and service providers to enter the FSM market and by promoting competition among new and existing providers. In a competitive market, direct regulation of many of the activities of network and service providers is not necessary in order to protect the interests of consumers. The Act, therefore, defaults to “light-touch” regulation and limits many of the TRA’s regulatory powers.
- 4 However, there may be circumstances where competition is insufficient, and where additional regulatory powers may be required, in order to protect the interests of consumers. These circumstances include where a service provider dominates a telecommunications market. The Act, therefore, sets out certain powers that may only be exercised in relation to a “*dominant service provider.*”
- 5 The Act gives us the power to determine that a telecommunications licensee is a “*dominant service provider*” for the purposes of the Act.⁴
- 6 Our final decision, as explained below, is that we should exercise that power in relation to FSMTC’s operation in the retail mobile market for telecommunications services in all four States.

TELECOMMUNICATIONS MARKETS IN THE FSM

- 7 Competition in FSM markets is beginning. There are six Individual Operating License holders and two Class Operating License holders providing services or planning to provide services in retail fixed voice, fixed internet and mobile telecommunications markets across all four States of the FSM.
- 8 However, market development so far has been uneven. There are several competitors operating in the market for retail fixed internet services using different network

¹ Section 303(1)(a) of the Act.

² Section 303(1)(c) of the Act.

³ Section 303(1)(f) of the Act.

⁴ Section 302(p) of the Act.

technologies. For example, FSMTC offers ADSL- and fiber-based internet services, and Kacific and Starlink offer satellite-based internet services, across the country. OAE is in the process of actively deploying its wholesale open access fiber network, which can then be used by multiple retail service providers to provide fixed internet services. While that source of retail competition has not yet materialised in the market for fixed internet services, it may do in the near term.

- 9 The situation is somewhat different in the market for retail mobile services. There are no nationwide alternatives to FSMTC's mobile services. iBoom operates in Yap but its mobile services do not seem to have gained significant market share in that State. Entry of a new national mobile operator is still possible, but there is no guarantee that this will occur.
- 10 There is also no nationwide alternative as yet to FSMTC's services in the market for retail fixed voice services.

IMPACT OF DOMINANCE

- 11 A telecommunications service provider may become dominant for a number of reasons (for example, offering a superior or unique service) and dominance is not in and of itself harmful to competition or to consumers.
- 12 However, a dominant service provider would have the ability to abuse that dominance without fear of repercussions from competitors or consumers. For example, a DSP could unilaterally increase its prices or reduce the quality of its services, knowing its actions will not be constrained by others.⁵ The competitors to that dominant provider, if any, would not be strong enough to challenge that provider's position in the market with their own service offerings. In addition, consumers would not be able to challenge the dominant provider's actions if they don't like the prices or quality of service (for example, by choosing a different service provider) as there would be no practical alternative to the dominant provider's services.
- 13 It is this abuse of dominance, not the dominance itself, that is harmful and contrary to the best interests of consumers.
- 14 The Act gives us certain regulatory powers in order to limit or control any such abuse of market power (see paragraph 47 below). However, we can only exercise those powers in relation to a licensee, if we determine that the licensee is in fact a DSP.

DEFINITION OF DOMINANT SERVICE PROVIDER

- 15 The Act defines a "*dominant service provider*" in section 302(p):

'Dominant Service Provider' means in respect of a communications market a licensee who, in the opinion of the Authority:

⁵ We note that section 203 of the Federated States of Micronesia Telecommunications Corporation Act of 1981 imposes some obligations on FSMTC in relation to its prices and quality of service. These may mitigate a potential abuse of market power, but they do not apply to other service providers.

- (i) *Receives 40% or more of the total gross revenues of all service providers in that market; or*
- (ii) *Has a position of economic strength or controls a bottleneck facility in that market that allows the licensee to behave independently of competitors or potential competitors, consumers, or customers;*

16 Three elements of this definition are key.

17 First, the definition specifies that the decision regarding dominance and our power to regulate applies to specific communications markets, not necessarily to all communications markets in the FSM. For example, a licensee could be a DSP in one market but subject to effective competition in a second market: dominance in the first market does not justify regulation of the licensee in the second one. This means we must define the “relevant market” and consider the licensee’s position in that specific market.

18 Second, we must form an “opinion.” This requires us to collect and to consider relevant evidence regarding the relevant market and the position of the licensee in question in that market, and then to make a reasonable determination. Consultation with the affected licensee and with other stakeholders is an important part of this decision-making process.

19 Third, the Act sets out two separate standards for determining whether a licensee is a dominant service provider. The first test, in paragraph (i), is based on the licensee’s share of the gross revenues from a specific communications market. The second test, in paragraph (ii), is a “market power” test that has been applied in other countries around the world. It is, however, more complicated as there are more elements we must consider (economic strength, bottleneck facilities, independent behavior, etc.) before we can make a decision under the second test. The Act does not require us to apply both standards – we can choose to apply one or the other.

20 In both cases, though, we must collect relevant evidence in order to reach a reasonable decision regarding dominance.

RELEVANT MARKETS

21 The first step in the process is to identify the relevant product and geographic markets that will be assessed.

Relevant Product Markets

22 We are of the view that there are three principal retail product markets for the provision of telecommunications services in the FSM:

- a. fixed voice services;
- b. fixed internet services; and
- c. mobile services.

23 We consider that these three markets describe appropriately the structure of the actual overall telecommunications market in the FSM.

Fixed Voice Services

24 In our *Draft Determination*,⁶ we expressed the preliminary view that the retail product market for fixed voice services is a separate market in the FSM because, generally speaking, fixed voice and fixed Internet services are not substitutes or interchangeable for each other.

25 Given that this market is in decline and evolving, we did not believe it is necessary to regulate the activities of a DSP in this product market in order to protect the long-term interests of users and consumers. As a result, we proposed not to determine whether there is a DSP in this product market.

Fixed Internet Services

26 We were similarly of the preliminary view that the retail product market for fixed internet services constitutes a separate market in the FSM for the following reasons. As noted above, generally speaking, fixed voice and fixed Internet access services are not substitutes or interchangeable for each other. Further, because of the lack of mobility, fixed internet services are not effective substitutes for mobile services. In addition, the prices and characteristics of mobile and fixed internet services are sufficiently different that they are not effective substitutes for each other.

27 We also noted that the market for fixed internet services is changing. Starlink has recently begun offering services that may be competitive with FSMTC's fiber- and copper-based fixed internet services, iBoom has been providing limited services in Yap, and additional retail competitors may enter the market in the near future using OAE's wholesale fiber network services.

28 We included in our *Draft Determination* a table showing how the share of market gross revenues has evolved between licensees as new competition has entered the market during the past three financial years.

29 Based on the above information, we were of the preliminary view that we should allow this retail product market to continue to evolve and become more competitive, and that we did not need to determine at this time whether there is a DSP in the retail market for fixed internet services.

Mobile Services

30 In our *Draft Determination*, we expressed the preliminary view that the retail product market for mobile services should be considered a separate market. We have not yet seen evidence that fixed services are substitutes for mobile services⁷ and the two products are therefore not sufficiently interchangeable to be in the same market.

⁶ *Draft Determination on Dominant Service Provider Determinations*, published December 15, 2025 (**Draft Determination**).

⁷ We reached a similar conclusion at paragraph 94 of our 2022 *Final Bottleneck Facilities Decision*.

31 Further, we noted that there is at present only one licensee providing services in that product market on a national basis and that entry into that market has been limited.

32 In light of the limited competition available to protect the interests of consumers and users, we were of the preliminary view that we should investigate whether there is a DSP in the retail product market for mobile services.

Relevant Geographic Markets

33 In the 2022 *Final Bottleneck Facilities Decision*, we determined that the relevant geographic markets for services enabled by FTTP facilities were “*areas covered by a contiguous FTTP network ... typically a single island, or a group of islands lying in sufficiently close proximity to each other to enable connection to the same network.*” We noted in particular that “*Services provided using terrestrial fiber are inherently local in nature, as services provided on one island or group of islands do not substitute for services provided on another island or group of islands.*”⁸

34 We are of the view that the same considerations apply to each of the communications services discussed above. We were of the preliminary view in our *Draft Determination*, therefore, that the relevant geographic markets for each of the communications services discussed above (fixed voice, fixed internet access, and mobile services) is each of the States of the FSM.

Other Markets

35 We did not propose to examine at this time markets for wholesale telecommunications services, that is, services that telecommunications licensees only sell to other licensees. The Act and the Interconnection and Access Rules give us separate regulatory powers that we consider are better suited for those services.

RELEVANT INFORMATION

36 In our *Draft Determination*, we noted that the first of the two standards for dominance in section 302(p) is based on the gross revenues of the providers in the relevant markets. We already collect this information through quarterly reports submitted by licensees.

37 The second of the two standards requires consideration of different, more complex types of information. In light of the applicability of the first standard, we did not consider it necessary to pursue the information required for the second standard at this time.

POSITION OF LICENSEES IN THE RELEVANT MARKET

38 There is at present only one licensee, FSMTC, providing services in the retail product market for mobile services on a national basis (i.e. in every State). Entry into that product market has been limited, with only one licensee (iBoom) with limited market share operating exclusively in Yap. We granted a national mobile spectrum license to a third licensee, iSolutions, in 2024 but they do not appear to have begun to deploy their network, let alone offer services to the public.

⁸ Paragraphs 76-77.

- 39 As a result, virtually all of the gross revenue of all providers in the mobile services product market in all of the geographic markets, including Yap, is generated by FSMTC.
- 40 We included in our Draft Determination a table showing the share of gross revenues between licensed mobile providers across the four geographic markets.
- 41 Based on the above information, we proposed in the *Draft Determination* to determine that FSMTC is a DSP in the retail product market for mobile services in each of the relevant geographic markets of the FSM (i.e. the States).

CONSULTATION PROCESS

- 42 On November 14, 2025, we published a consultation paper inviting public comment on Dominant Service Provider Determinations (the **DSP Consultation Paper**). In that paper, we presented our preliminary views on the relevant product and geographic markets and on the type of relevant information we proposed to use to make a determination on whether a licensee is a DSP in one of those markets.
- 43 No submissions were received on the DSP Consultation Paper.
- 44 On December 15, 2025, we published a draft determination inviting public comment on our Draft Decision on Dominant Service Provider Determinations (the **Draft Determination**). In that document, we presented our proposed decisions on the relevant product and geographic markets, on the type of relevant information we proposed to use to make a determination on whether a licensee is a DSP in one of those markets, and on FSMTC being a DSP in the retail product market for mobile services in each of the States of the FSM. These draft determinations were outlined in the preceding paragraphs.
- 45 No submissions were received on the Draft Determination.

FINAL DECISION

- 46 Having considered its draft determinations and noting the lack comments of respondents to both the DSP Consultation Paper and the Draft Determination, the TRA makes the following (final) determinations:
- a. The TRA should investigate whether there are DSPs in one or more communications markets in the FSM.
 - b. There are three principal retail product markets for the provision of telecommunications services in the FSM: fixed voice services, fixed Internet access services, and mobile services.
 - c. There are four separate geographic markets for the provision of retail telecommunications services in the FSM: each of the States of the FSM.
 - d. The retail fixed voice, retail fixed Internet access, and wholesale service markets do not need to be investigated at this time.

- e. FSMTC is a DSP in the retail product market for mobile services in each of the relevant geographic markets of the FSM (i.e. the States).

CONSEQUENCES OF A DSP DETERMINATION

- 47 As noted above, the Act gives us certain regulatory powers which we may apply if we determine that there is a DSP operating in a specific telecommunications market. These include:
 - a. the power to approve and require publication of tariffs, in section 346;
 - b. the power to require prices to reflect costs and to require price adjustments where warranted, in section 347;
 - c. the power to require standard terms and conditions of service and to approve any differences, in section 348; and
 - d. the power to impose minimum standards for quality of service, in section 354.
- 48 To be clear, we are not deciding at this time which of these powers we may wish to exercise in relation to a DSP, if there is indeed one. We would decide in a separate regulatory proceeding which of our powers we might need to exercise in any given situation. For example, it may be that, in one market, the interests of consumers would be best protected if quality of service is regulated, while in another market it may be prices that need to be regulated. In any event, we will exercise those powers in a manner that is consistent with the light-touch regulatory approach of the Act.
- 49 Nor does a DSP determination automatically lead to regulation of the DSP. We will be flexible in our approach to ensure the interests of consumers are best protected with the lightest regulation that is appropriate, particularly as circumstances change. For example, if a market becomes more competitive after we determined there was a DSP, we might adopt a wait-and-see approach before choosing to apply any of our regulatory powers.

Annex

- 1 Attachment 1: Final DSP Determinations

Attachment 1 – Final DSP Determinations

The TRA has made, and hereby publishes, final determinations that:

- 1 The TRA should investigate whether there are DSPs in one or more communications markets in the FSM.
- 2 There are three principal retail product markets for the provision of telecommunications services in the FSM: fixed voice services, fixed Internet access services, and mobile services.
- 3 There are four separate geographic markets for the provision of retail telecommunications services in the FSM: each of the States of the FSM.
- 4 The retail fixed voice, retail fixed Internet access, and wholesale service markets do not need to be investigated at this time.
- 5 FSMTC is a DSP in the retail product market for mobile services in each of the States of the FSM.