

**Report**  
**Seminar on Costs and Tariffs**  
**Study Group 3 Regional Group for Africa (SG3RG-AFR)**  
**Dakar, Senegal, 16- 19 March 2010**

**I Introduction**

The ITU Regional Seminar on Costs and Tariffs, organized jointly by the Telecommunication Development Bureau (BDT) and Telecommunication Standardization Bureau (TSB) of the International Telecommunication Union (ITU) in collaboration with the Agence de Régulation des Télécommunications et des Postes du Sénégal (ARTP), took place at the Radisson Blu Hotel in Dakar, Senegal, from 16 to 17 March 2010.

Ninety (90) participants from 22 countries took part in the seminar.

**II Opening**

The opening ceremony was chaired by Mr Ahmadou Lamine Dial, ARTP Secretary-General, in the presence of Mr Modibo Traoré, Chairman of the Regional Tariff Group for Africa, and Ms Margarida Evora Sagna, Chief of the ITU Regional Office in Dakar.

The importance of tariff issues related to ICT services for developing countries was underlined, because such services remain expensive in relation to per capita income.

The ITU representative thanked ARTP for hosting the meeting and providing the facilities.

The Chairman of the Group thanked BDT for its support and its efforts in the sphere of assistance to members aimed at equipping them with competent, well-trained managers.

**III Results**

**Session 1: Submarine cables in Africa (Mr Abossé Akue-Kpakpo)**

The presentation paper provided a definition and overview of submarine cables with the various terrestrial interconnections and described the issues relating to the regulation of submarine cables in Africa. Planned cable projects were also presented, including that of the African Union, which aims to link all the capital cities of Africa.

Four levels of regulation were identified, namely: backhaul, landing point, access to the (fibre optic) submarine cable, and access to the international point of presence. The best way to regulate submarine cables is competition with clearly established rules which enable all interested players to have access. The best form of competition is to have at least three cables which land in a country at the same landing station.

As regards costs, it was noted that one third of international telephone traffic passes via submarine cables, which are much less expensive than satellite systems. However, there is a lack of clarity in this area. The meeting discussed whether submarine cables should be considered as essential resources. After the presentation, the main questions covered: the life of cables (20-30 years); satellites not to be considered as essential resources; regulation of maritime waters (with the possible result of cost increases); the problem of payment of the total cost of the international Internet bandwidth by developing countries; and the lack of Internet exchange points (IXPs) in Africa. The meeting drew the following main conclusions:

- It is important to establish frameworks for international cooperation and increase the number of IXPs in Africa;
- Appropriate terms must be laid down in interconnection catalogues and above all ISPs must have access at reasonable cost;
- It is important to have good visibility with regard to the composition of costs;
- It is useful to establish infrastructure operators.

**Session 2:** Regulation of mobile operator promotional offers (Mr Michel Rogy, TERA)

On the basis of the experience of the European Union (EU) and some north African countries such as Morocco and Algeria, the presentation highlighted a number of points, including: the lack of experience on the issue in Europe and particularly in Algeria and Morocco; retail prices which are regulated in cases where wholesale regulation has failed (regulation of retail prices is the last resort); the importance of verifying the absence of any price squeeze.

As a rule, promotional offers are regulated in the same way as the “basic” structural offers with which they are connected. Key criteria for regulation of the retail market were reviewed. The following issues were raised:

- The existence of dual chips;
- Anti-competitive practices of unlicensed operators;
- Scope and definition of off-net;
- The creation of tools for competitor protection;
- Focus on non-tariff variables.

To sum up, the meeting recommended: 1) the establishment of a tariff watchdog for the on-going collection of all basic and promotional offers; 2) the acquisition of tools to enable on-net/off-net non-discrimination tests and price squeeze tests; 3) quarterly monitoring of certain key indicators of competition dynamics; 4) consumer protection and collection of consumer views.

**Session 3:** Wholesale tariff regulation: the Senegalese experience (Mr Seyni Faty, ARTP/Senegal)

The presentation was largely concerned with the telecommunication environment in Senegal, the regulatory framework, challenges and future outlook.

For Senegal, the determination of final interconnection rates is based on either an LRAIC or an FDC method.

Regulatory challenges in Senegal are: adaptation of existing tariff regulation models to the evolution of current networks towards next generation networks; the large number of operators with international gateways; the re-emergence of promotions at short intervals. The future outlook is concerned with bearing the cost of convergence and “X-Play” offers in an environment where operator licences differ in scope.

**Session 4:** Price squeeze tests (Mr Michel Rogy, TERA, France)

The presentation was concerned with the following points:

- Ex-ante and ex-post price squeeze tests in Europe;
- Review of price squeeze tests by African regulators in the mobile market.

It enabled a good understanding of the various methodologies for conducting these tests.

It was noted that there were no rules for ex-post tests. The tests aim to establish whether there is any abuse of a dominant position.

**Session 5: Understanding a unified/single network (Mr Abossé Akue-Kpakpo)**

The presentation provided a definition and described the legal basis, historical background and issues relating to the unified/single network concept introduced by Telecel in Africa involving the use of six different subscriber numbers.

The concept was further developed by Zain in an enhanced version. Four operators currently offer unified/single network services in Africa, which meet the needs of low-income population groups. Questions were asked with regard to:

- Competition rules and dumping issues;
- Agreements with operators;
- Observance of the non-discrimination principle;
- Credit top-ups;
- Results of WAEMU and ECOWAS studies.

Unified/single networks highlight the expensive nature of roaming.

By way of conclusion, the meeting noted the need to establish a framework for international cooperation with guidelines for reducing tariffs while taking account of limits in national regulation. It was also considered important to conduct a study to provide a framework regarding tariffs and also to have community regulation.

**Session 6: Methodologies for regulating wholesale and retail prices: The case of roaming (Mr Antonio Garcia, Spain)**

The presentation reviewed the following points:

- The case of the EU, where 18 markets were established and which were subsequently reduced to seven;
- Trends in the EU, United States and Hong Kong, China;
- Problem of access competition or infrastructure competition.

Questions related to:

- Short-term regulation;
- Fiscal matters at country level;
- Relationship between roaming termination and standard termination.

It was recommended:

- To establish appropriate cost models with consideration of all elements;
- To conduct studies on the situation of roaming (SMS and voice) in subregional areas.

**Session 7: Regulation of SMS services (Mr Antonio Garcia, Spain)**

The presentation covered:

- An overview of SMS networks;
- Evolution and different stages of mobile markets;
- The situation in the EU as regards existing regulations; handling of premium SMS;
- Risks of “cannibalization” of voice by SMS.

By way of conclusion, seven recommendations were proposed and adopted.

**Session 8:** Difficulties of hubbing and wholesale in traffic exchange between operators (Mr Saliou Touré/SONATEL).

The presentation reviewed: international traffic exchange procedures under the bilateral system; emergence of unregulated procedures; adoption of hubbing as traffic exchange mode; tariff issues, evolution of the industry, and the wholesale market.

A definition of hubbing was proposed for the attention of the Regional Tariff Group for Africa.

The seminar noted the need to change and adapt the rules. Revision of the International Telecommunication Regulations was necessary in order to have a new, up-to-date framework.

**Session 9:** BDT activities on enabling environment and finance (Mr Makhtar Fall/ITU-BDT).

The object of the presentation was to familiarize the participants with the activities of the RME Division and the tools developed by it.

These tools aim to provide support for members in the spheres of regulatory activity and finance.

#### **IV Conclusion and closure**

The participants expressed their satisfaction with the seminar, the relevance of the subjects covered and the quality of the experts.

With regard to the preparation of the next meeting in 2011, the Chairman would launch, as soon as possible, a discussion forum for members, with a view to identifying priority themes of common interest together with matters for inclusion in the agenda.

All presentations made at the seminar, and the list of participants, are available on the RME site at: <http://web.itu.int/ITU-D/finance/work-cost-tariffs/events/>.