



## **Regional Seminar on Costs and Tariffs for Member Countries of the Tariff Group for Asia and Oceania (TAS)**

*Seoul, Korea 3-4 July 2007*

### **FINAL REPORT OF THE SEMINAR**

#### **Purpose**

In line with the implementation of the Doha Action Plan (2006), Programme 4( Economics and Finance, including costs and tariffs), in conjunction with ITU TSB and the Ministry of Information and Communications of Korea a Regional seminar on Costs and Tariffs for Member Countries of the Tariff Group for Asia and Oceania(TAS) was organised in Seoul, Republic of Korea on 3 and 4 July 2007. The meeting was attended by 50 participants from 19 countries.

The event brought together the focus of Program 4 of the ITU-D, and was attended by policy makers and members of national regulatory authorities as well as network and service operators, with the aim of achieving the following objectives:

- Providing a platform for interaction in regard to the key priorities of the Asia –Pacific region in terms of key themes and focus areas
- Disseminating updated information with respect to key telecommunications and ICT sector related developments , with special references to costing, tariffs and interconnection
- Bringing together perspectives on market related aspects of investment and financing options of the telecommunications sector with a regional focus.

During the opening ceremony, Mr. Sung –Chul Kang, from the Ministry of Information and Communication, Korea, welcomed all the participants. Bringing out the importance of this meeting in its regional context , the stress laid was on the positive learning outcomes for the participants in terms of its impact on policy considerations. The Chairman ,TAS group ,Mr. S.D Saxena, mentioned the importance of the meetings of TAS and meeting focus. It was necessary, he felt, to stress on business and investment related aspects as brought out through challenges for operators. It is important also to stress on the developmental aspects, namely issues such as the digital divide and its reversal that has come about through the phenomenon growth in cellular services in the Asia-Pacific region. It was also mentioned that the Asian region has become a model for the rest of the world for the development, marketing and management of cellular services. Korea's advances in the broadband revolution are also a learning ground. Dr Kishik Park,ETRI,Korea mentioned the role of the ITU and the nature of the deliberations that would stress on both the development and standardization aspects. Dr Joshi of ITU-gave a brief introduction on the structure of the meeting and its themes.

The seminar was followed by the TAS meeting organized by ITU-T Study Group 3.

#### **2. Thematic presentations**

- **Tariff and Investment trends in the Asia Pacific region –ITU**

The ITU presentation stressed on tariff trends in the region based on the available information in the World telecommunications indicators data base .Trends in connection charges in fixed and mobile segments in the Asia and Pacific region brought out competitive trends in tariffs that had made the region a dynamic one .The lowering of tariffs over time, particularly reductions in connection charges were positive drivers for growth and dynamic trends towards mobile phone accessibility in the region .Key questions and responses gleaned from the Study Group question on tariffs were presented for the Asia Pacific region – showing the fact that tariff determination , is now increasingly set with cost considerations .In addition , the regulatory arrangements for VoIP driven services, which are nascent in the region , are still to be crystallized as per the survey results. Yet

another thematic area in the context of TAS deliberations was that of International internet bandwidth, and its high potential for the region.

- **Evolution of tariff and interconnection issues**

Dr .N.M.Son, Ministry of Posts and Telematics, Vietnam presented the case study for Vietnam. The major interesting highlights were how the liberalization of the market and the opening up of the sector and tariff regulation measures impacted on tariffs particularly on international tariffs. Yet another insight given was that the SMP levels are set at 30% market share (corroborating the range of 25%-40% for SMP criteria as per the replies received from the Study group question 12/1) also provided an overview of the cost base orientation of interconnection charges based on network element usage with allowances for domestic least cost routing (hybrid of VoIP, PSTN and PLMN networks) It was also mentioned that the policy of introducing VoIP has been achieved

- **LRIC Costing and estimation –Country case study-Korea**

Dr Lee from ,ETRI Korea provided the background framework of the LRIC Bottoms up approach .The main steps were to use the Scorched Node approach and redesign the network based on efficiency engineering parameters which are subsequently costed based on the individual operators network characteristics and costs .Dr Lee explained the overview of the bottom up model with sample area extensions .In addition , costing profiles for 3G was also sought to be captured The engineering redesign of network through optimization provided efficient levels of operation, which in turn was used to determine the efficiency level of incremental costs based on LRIC.

- **Determining International Bandwidth Tariffs –a Case study for Pakistan**

Mr. Aasif Inam,Director Commercial Affairs, Pakistan Telecommunications Authority, outlined the case of IPLC(International Private Leased Circuits) tariff determination – in particular the process of benchmarking which was used as one of the analytical methods. Interestingly , reference was made to the ITU indices of digital divide which formed the basis of the examination so as to cluster countries .Yet another criteria was clustering countries which had competition induced IPLC tariffs. The network readiness index of the World Economic Forum was also used in the analysis. Finally the benchmarking was done on the following – geographical considerations, (particularly neighboring countries) level of GDP, usage of international bandwidth usage per capita by country .IPLC tariffs were analyzed between ISP's, call centers and Long distance operators. A proportional tariff distribution analysis between tariffs for E1: DS 3: STM 1 was also used. The criteria for up to landing station were taken. The differentiation between E1 retail rates between data and voice was also highlighted

- **Foreign direct investment in Pakistan telecommunications sector** The presentation, also, by Mr. Aasif Inam, PTA, Pakistan on FDI trends in Pakistan brought out the drivers and the incentives for telecom investment as per the Government of Pakistan's policy framework. With the economy becoming competitive in the telecommunications sector and a base of 63 million subscribers, the presentation brought out the different aspects of the private sector investments in the sector with mergers and acquisitions being a mode of investment financing .The presentation also brought out the fact that USD 1.55 billion has been invested in the first eleven months of 2006-07 including USD133.2 million from privatization proceedings .The buoyant sector has been driven by positive reform processes brought about to attract investment in the sector .

- **Recent trends in the expansion of financing and investment opportunities for telecommunications services in the Asia Pacific region**

In the presentation ,by Amit Sinha ,Senior vice President of DBS Bank, the main theme was to present the investment opportunities brought about through the challenges of change and the strong growth profile witnessed in the region .From 2001 to 2006, the Asia Pacific region raised a total of US\$ 172 billion from loan syndication markets .North Asian telecommunications companies provided a background for

dynamic rollouts .With markets maturing towards 3G/3.5G launch , the potential for mobile revenues in mature markets seem to be poised for a positive growth path .Cash flow characteristics in the various stages of company growth profile and the financing patterns were also presented as an illustrative example of hands on experience in the raising and execution of financing opportunities in the sector .

- **Reversal of digital Divide –the case of India**

Chairman TAS, Mr S.D. Saxena in the presentation, highlighted the Indian experience in the cellular revolution which has brought about a reversal of the digital divide. With the demand being higher than supply and more than 20 companies in the market, the competition for subscriber acquisition is keen leading to positive competitive forces in the market. In the process, the common man has gained tremendously. The growth of mobile telecommunication has been phenomenal with additions being of the range of 6 million per month. Speaking from an incumbent operator's perspective, the presentation outlined the initial frameworks of the tariff design and brought out the trend in tariffs. The reversal of digital divide in the Indian context was due to affordability and growth of accessibility in semi urban and rural areas of the country leading to the enhanced penetration .Both declining entry costs and rising purchasing power had led to the boost in the telecom usage as an input to the economic growth .Internet penetration through broadband investment and tariff schemes are being streamlined to now provide a boost to e-governance and e-commerce.

- **Number portability**

Mr. Young Sic Jeong, of ETRI,Korea, in the presentation brought out the policy framework that drove the move to implement the number portability in the fixed, mobile networks .The presentation stressed on the technical considerations in this regard. The standards in the Korean context were presented. Study Group 2 is publishing documents on this topic. The impact of number portability on revenues was discussed, and it was stated that in some countries competition has resulted in lower prices despite the additional cost of infrastructure to provide portability.

### **3. Follow-up actions**

In terms of growth opportunities, the region provides a positive profile of acceleration in subscriber base with broadband and internet beginning to be the driver for increased e-readiness and the movement of the networked economy

The priority themes suggested for the next TAS seminar were

- Costing of broadband and leased circuits (Country case studies – method and commercial considerations)
- Interconnection of NGN networks
- Revenue and sharing of data base issues in Number Portability-policy and operator experiences
- Settlement of VoIP traffic and issues to address them (policy and operator experience)
- Roaming charges – case studies.
- Access to cable landing stations for interconnection ,sharing of cable capacity, landing rights issues and entry fees

The TAS Group expressed their thanks to ITU, the Ministry of Information and Communication of Korea and the TTA, for their hospitality and the excellent support provided in organizing the event.