
**Regional Seminar on Costs and Tariffs for Member
Countries of the Regional Group for Africa
(SG3RG-AFR) (former TAF Group)**

Maputo, Mozambique 4-6 May, 2009

ITU-D Strategy on Cost Modeling

Carmen Prado-Wagner
Telecommunication Development Bureau
Regulatory and Market Environment Division



Committed to connecting the world

Agenda

- A brief summary of COSITU
- Some statistical results
- Code source release
- Cost model development - training
- Overview of related ITU-D activities

COSITU

COSITU is an ITU-designed software for calculating telephone service costs, tariffs and interconnection rates.

This model is based on principles of enhanced fully distributed costs (FDC), using activity-based costing (ABC) principles.

It adopts the ITU-T's D-series Recommendations on general tariff principles.

Main users of this model

- Policy-making bodies
- Regulators and public authorities
- Fixed and/or mobile telephony operators and service providers

Costed services

Basic telephone services

- Local/urban
- Trunk/interurban
- International outgoing
- International incoming
- Subregional outgoing
- Subregional incoming

Transit services

- International to international traffic
- International to subregional traffic
- Subregional to international traffic
- Subregional to subregional traffic

Interconnection services

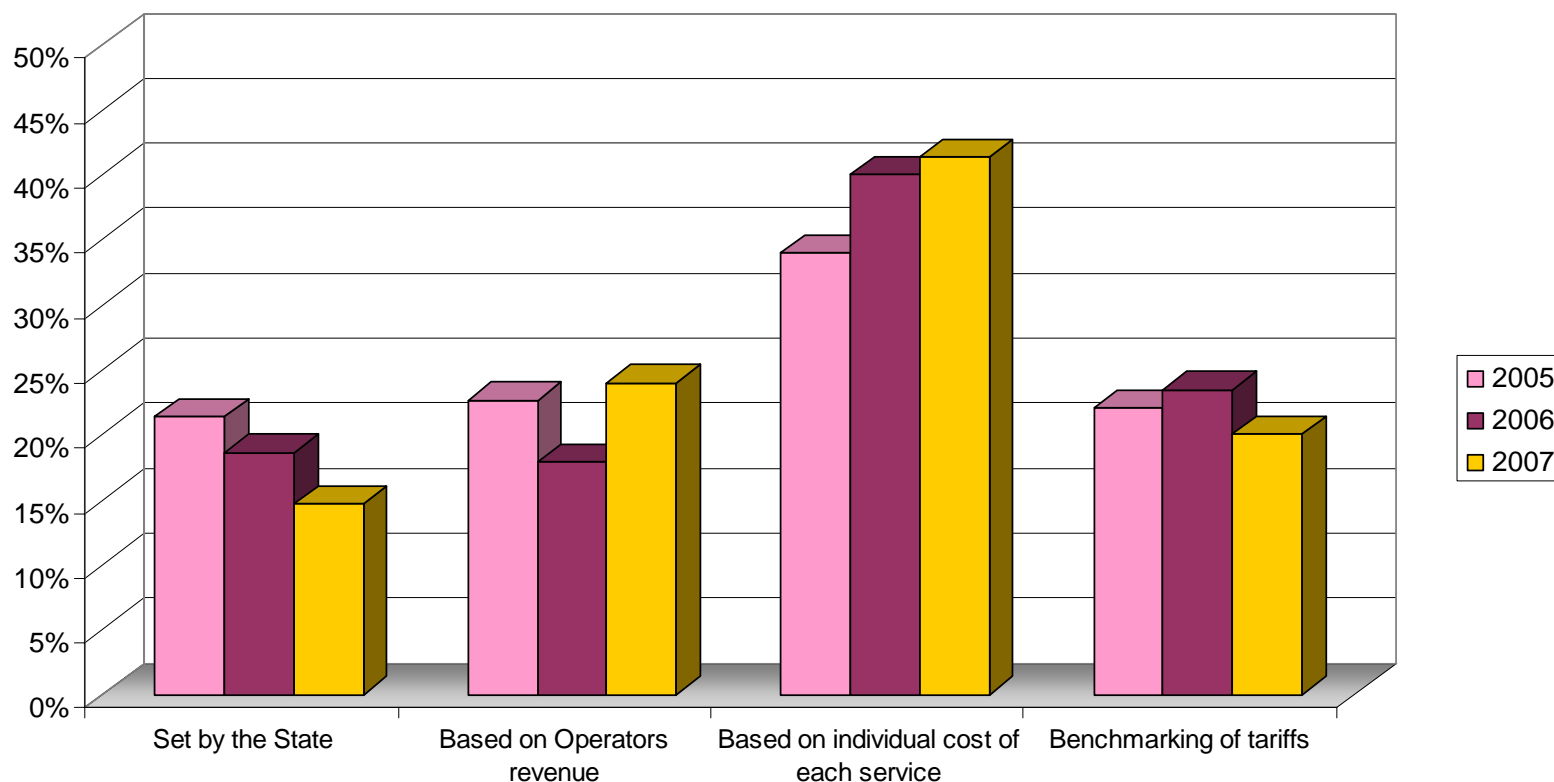
- International to national traffic
- National to international traffic
- Outgoing national traffic
- Incoming national, single transit traffic
- Incoming national, double transit traffic
- National to national traffic

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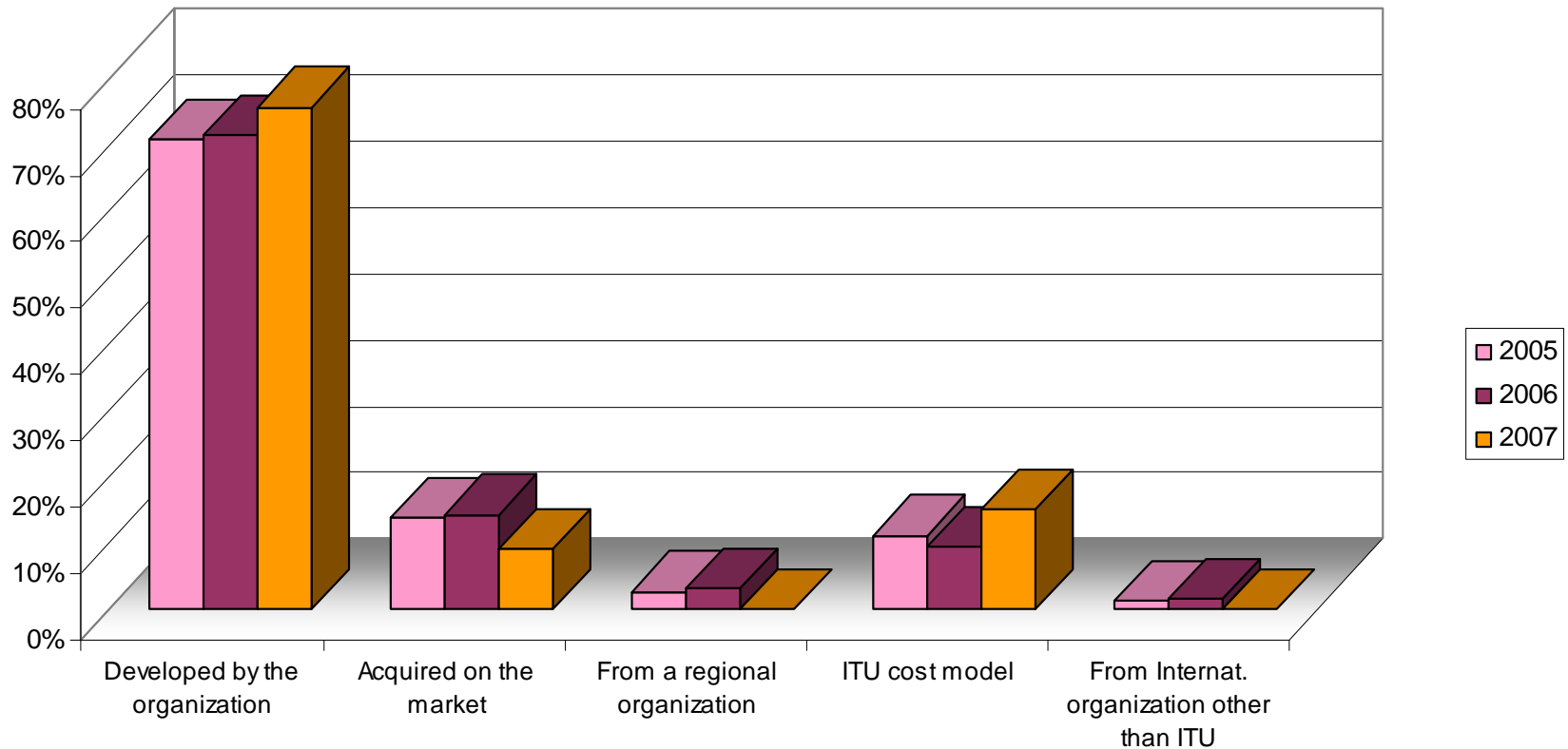
Some results from the Tariff policies survey...

Determination of Price of domestic telecomm services in the world



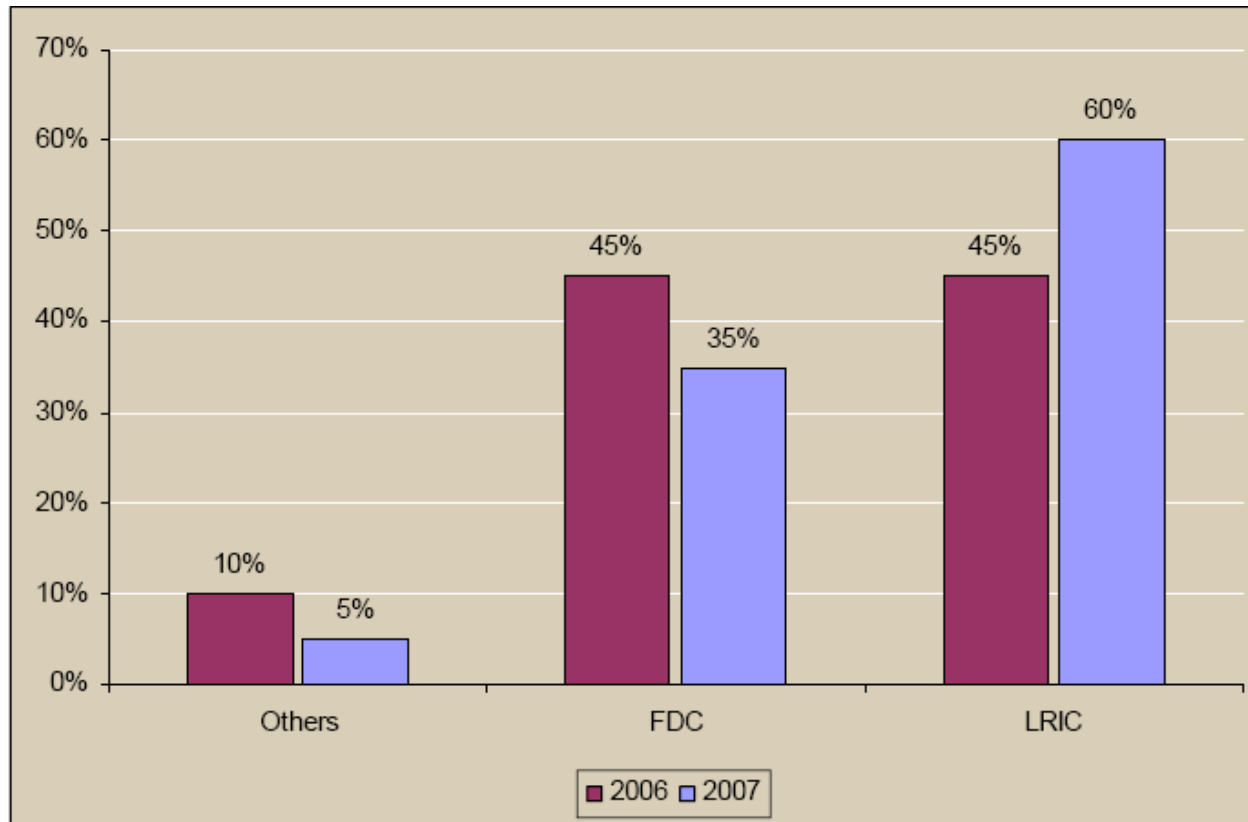
Source: ICT Eye

Type of cost model used for cost-based tariff



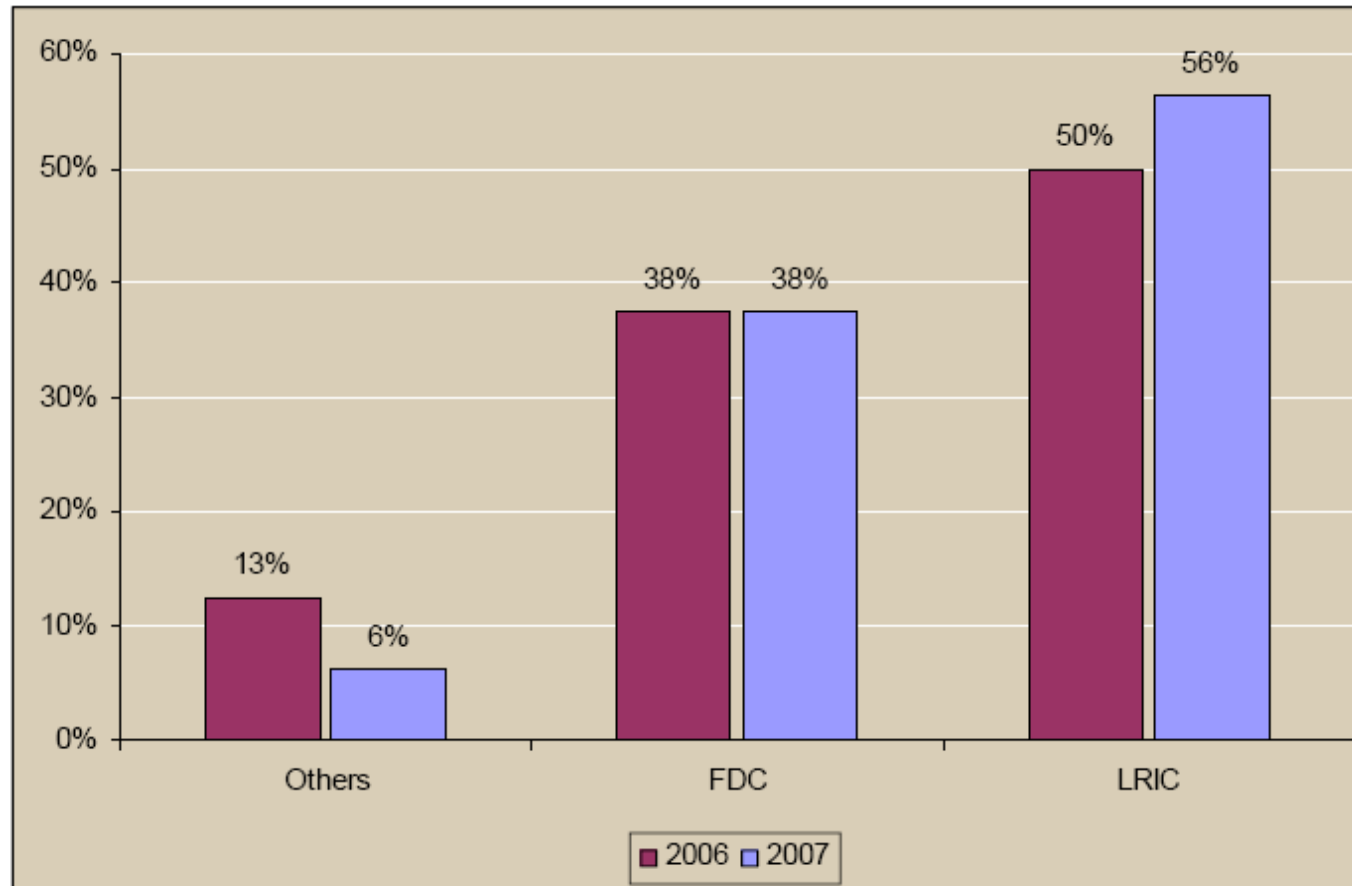
Source: ICT Eye

Accounting methodologies used by EU-25 in the setting of fixed termination rates



Source: ERG RA-PT 2007

Accounting methodologies used by EU-25 in the setting of mobile termination rates



Source: ERG RA-PT 2007

COSITU Users survey results 2008

Africa

	Question	Cameroon	Côte d'Ivoire	Equatorial Guinea	Niger	Republic of Guinea	Senegal	Swaziland	Zambia	Zimbabwe
1	I am a representative of the:									
	Regulatory authority		✓	✓			✓		✓	
	Ministry or decision-making body				✓					
	Fixed-line operator	✓				✓		✓		✓
	Mobile operator					✓				
	Other entity									
2	Are you using COSITU in your work?									
	NO	✓	✓					✓	Not trained	
	Yes, because				✓					✓
	It is useful				✓					
	It is not expensive				✓					
	I was trained to use it				✓					
	I am not aware of other available models									
	Other (please specify)			Don't know						It was demanded

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Code Source Release...

- Based on the fast changing information and communication technology (ICT) environment
- The difficulty to upgrade COSITU at the same rhythm
- The increasingly use of other models developed by private firms by Regulators
- Tailor-made cost models cost are very expensive
- ITU limited resources to develop this type of model

Code Source Release...

- ITU is preparing the release of the source code of COSITU to National Regulatory Authorities
- This code source release will be available soon in a protected website, permitting a discussion forum and the exchange of new developed versions
- This release will include Terms of Reference and Technical specifications for the upgrading of the software taking into account new regulated services (Wholesale level: broadband internet services, sms (origination, termination, transit), national roaming (roaming in); Retail level: dial up internet, retail broadband internet services, sms, etc.)



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Cost model development

- In 2008, ITU developed a two-week in-depth training course on cost model development, including long run incremental cost models (LRIC) to keep pace with technological and market developments
- In addition of a two-day Executive-Level training event designed for Heads of Regulatory Authorities on the strategic impact of cost models

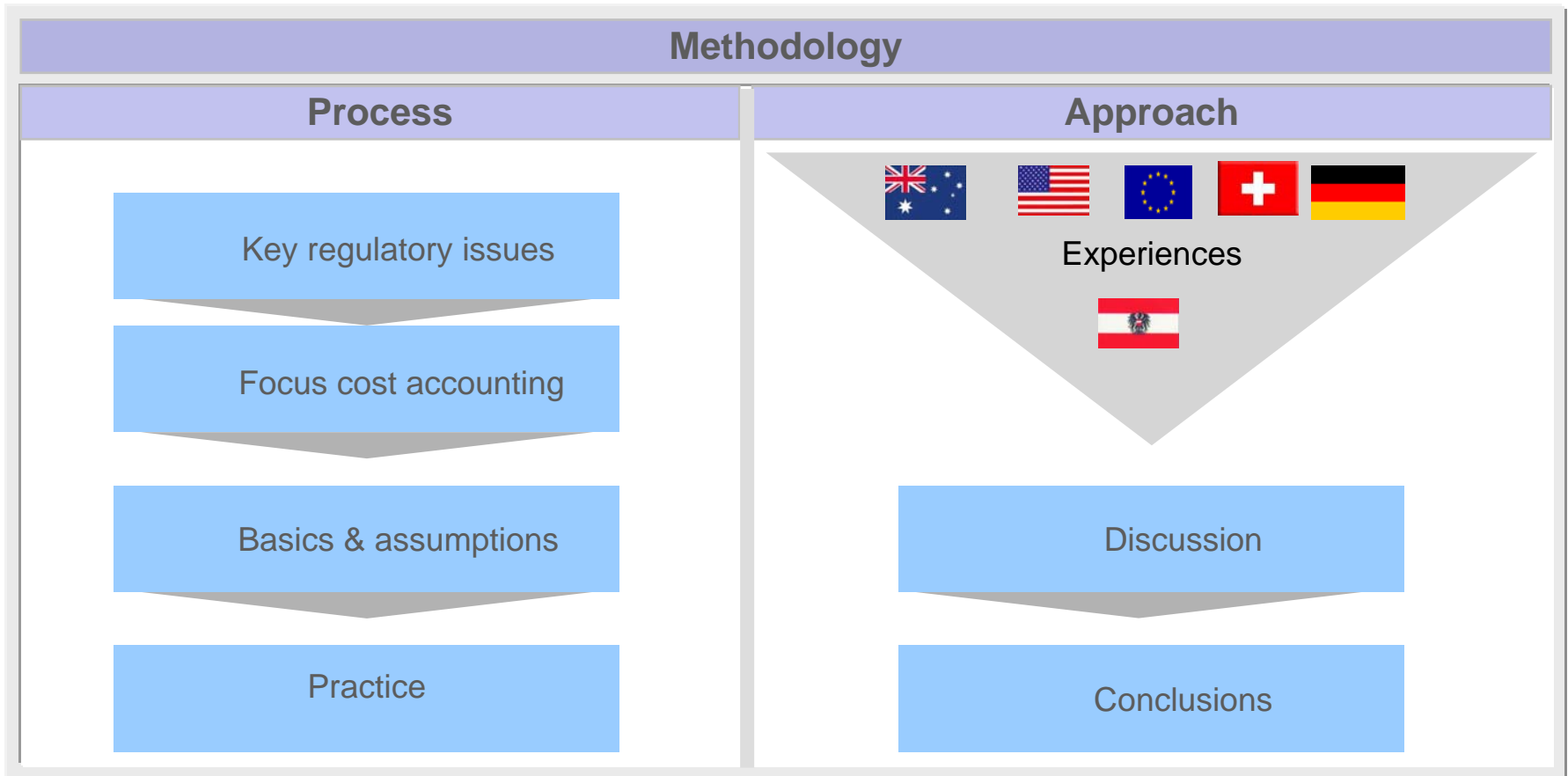
Objective

- To provide technical staff from Regulatory Authorities with sufficient cost modeling tools and knowledge to enable them to understand how to develop their own cost models or to adapt existing cost models to the changing environment

The focus

- Analyze and describe in detail the different costing methodologies applicable to telecommunications/ICT (e.g. LRIC, LRAIC, FDC, ABC, etc.) and showcase alternative methods of price regulation (such as benchmarking, price cap, accounting separation, etc.);
- Provide a detailed presentation of existing available cost models (e.g. COSITU, World Bank Model, EU model) as well as some private enterprises cost models examples;
- Provide participants with a concrete step-by-step check list to determine which method and methodology to apply in accordance with their national context;
- Explain the importance of the data collection process: how to collect the data!!!

The methodology is based on practice and experiences



This training will be replicated in 2009

In regional training in coordination with the Centres of Excellence in local languages:

- **America:** In Spanish for Latin American countries to be held in Argentina, August 2009
- **Africa:** In English for English-speaking African countries in Lesotho, June 2009
- In French for French-speaking countries in Senegal, December 2009 (tbc)
- **Arab States:** In English and Arab in coordination with the Arab League of Regulators (tbd)
- **Asia and Oceania:** Not request at present



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Other ITU-D related activities

- International mobile roaming
- The impact of international gateway liberalization
- Regulatory accounting Guide
- Efficient Network implementation Guide
- NGN Interconnection and access - case studies
- Mobile termination rate study
- And other interesting regional studies published in the ITU-D finance website



www.itu.int/ITU-D/finance/



ICT Regulation Toolkit



- **Module 1:** Regulating the Telecommunications Sector: Overview
- **Module 2:** Competition and Price Regulation
- **Module 3:** Authorization of Telecommunication/ICT Services
- **Module 4:** Universal Access and Service
- **Module 5:** Radio Spectrum Management
- **Module 6:** Legal and Institutional Framework
- **Module 7:** New Technologies and Impact on Regulation

Global Regulators' Exchange

The screenshot shows the ITU Global Regulators Exchange (GREX) website. The browser window title is "ITU Global Regulators Exchange - Windows Internet Explorer". The address bar shows "http://www.itu.int/ITU-D/grex/default.asp". The page includes the ITU logo and a "G-REX" banner. A navigation menu at the top includes "home", "discussion boards", "members", "search", "guide", "links", and "last posts".

On the left side, there is a "Welcome Prado!" section with a profile picture and a "LOGOFF" button. Below it is a "Subscribe to ALL BOARDS" button. The "Announcements" section includes a call for papers for the "Congress 'ICTs and its Social & Economic Impact in the Americas'" in Mexico City, with a deadline for abstracts on 15 January 2009. Another announcement is for "ITU Expert-Level Training for National Regulatory Authorities on cost model development" in Geneva, Switzerland, from November 10-21, 2008. A "Dear regulators," section asks users to send information about forthcoming events.

The main content area is a forum listing table:

Forum	Questions	Posts	Last Post
Regulators Hotline			
Regulators Hotline	487	2233	10 February 2009 19:14:36 by: michele.rioux
ITU Expert-Level Training for National Regulators			
Discussion Forum	2	5	11 December 2008 15:25:56 by: Mariya Popivanova
Study Group Q12-2/1			
Discussion Forum	0	0	
Interconnection Dispute Resolution			
Interconnection Dispute Resolution	12	33	09 October 2007 07:52:50 by: manluz
Regional Regulators Association Forum			
Regional Regulators Association Forum	5	7	17 October 2006 14:07:37 by: arkhanal
List of national contacts			
List of national contacts	1	2	23 April 2005 12:18:31 by: kkezang
G-REX Online Interviews			
G-REX Online Interviews	3	3	17 September 2002 10:34:00 by: n/a
Bulletin Board			
Bulletin Board	23	28	12 January 2009 08:51:11

The Windows taskbar at the bottom shows the start button, several open applications, and the system tray with the date and time (16:02).

www.itu.int/ITU-D/grex/

ICT Eye Database

- ICT Statistics
- Regulatory Information
- Tariff Policies
- Scientific Institutions
- WSIS Stocktaking



For more information on cost and tariffs in ITU-D

- Telecommunication Development Bureau
 - www.itu.int/net/ITU-D/
- Regulatory and Market Environment Division
 - www.itu.int/ITU-D/treg/
 - www.itu.int/ITU-D/finance/
- The Global Symposium for Regulators GSR
 - www.itu.int/ITU-D/treg/Events/Seminars/GSR/GSR08/
 - www.itu.int/ITU-D/treg/bestpractices.html
- TREG - www.itu.int/ITU-D/grex/
- **COSITU** - www.itu.int/ITU-D/finance/COSITU/
- ICT Eye - www.itu.int/ITU-D/ICTEYE/
- ICT Regulation toolkit
 - www.ictregulationtoolkit.org/
- Trends in Telecommunication Reform
 - www.itu.int/ITU-D/treg/publications/

THANK YOU!

[carmen.prado\[at\]itu.int](mailto:carmen.prado@itu.int)