



Regional Seminar on Costs and Tariffs for Member Countries of the Regional Group for Asia and Oceania (SG3RG-AO)

Thailand, 8 – 9 March 2011

FINAL REPORT ON THE SEMINAR

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1. Introduction

The regional seminar on costs and tariffs for Member Countries of the Regional Group for Asia and Oceania (SG3RG-AO) organised in cooperation with the National Broadcasting and Telecommunication Commission of Thailand (NBTC) and followed by the Study Group 3 meeting, from 10 to 11 March 2011, welcomed forty delegates from six countries. Professor Prasit Prapinmongkalokan, NBTC Chairman, opened the seminar and welcomed the delegates. Mr Byoung Nam Lee, Chairman of the SG3RO-AO and Ms. Carmen Prado-Wagner (ITU) addressed their welcome speech and opening remarks. The seminar was chaired by Mr Pitjapol Jantanasaro, NBTC DSG, Thailand.

2. Results

The choice of the subjects treated during this seminar was made in coordination with the management team for the Regional Group for Asia and Oceania, in order to serve as guidelines and recommendations for Administrations as well as for the discussions of the Regional Group of the Study Group 3 meeting to be held directly after the seminar. Discussions focussed on Telecommunication Development Bureau (BDT) activities specifically in the framework of Programme 3 “Enabling Environment” under the component on Economics and Finance, including costing and tariffs.

Session 1: Trends on Convergence and Migration leaps : economic and regulatory issues
Oscar Gonzalez Soto
ITU Expert

The speaker presented a complete explanation of the different types of convergence in several domains such as 1) networks, 2) services, 3) access, 4) operational and business, and finally 5) terminals. The speaker offered a brief description of the implications of these types of convergence providing some examples from different countries. It was clarified that economies of scale (EoS) are an inherent characteristic to the telecom technologies that impact on solutions, efficiency and cost reduction of convergence. This was followed by an explanation about the impact of regulation of NGN, and the implication of multiplicity of interoperability of services.,

Session 2: Asymmetric regulation/regulatory convergence - Should Internet-based services be given a “lighter touch”? Regulating “top-down” or “bottom-up”
John Alden, ITU Expert

The presenter gave a brief explanation of how affordable and ubiquitous access to the Internet is increasingly available through mobile and fixed broadband networks, as this enables more use of smart phones and mobile applications. Today’s innovations in smart phones, social networking, intelligence and computing power are at the edge of networks. In this sense, regulatory focus is broadening/shifting away from operators (i.e., economic regulation) and oriented toward users (i.e., consumers and applications designers). Regulation is also becoming more difficult because IP and the Internet are so open and decentralized, and Internet is inherently international. The speaker also defined the notion of asymmetric regulation as a framework that applies several sets of rules to different situations, operators and/or services, in order to achieve certain policy goals.

Session 3: Tariff Policy and Regulation in Mongolia - *Shagjjamba Oyunchimeg*
Information, Communications Technology and Post Authority (ICTPA)
Mongolia

After a complete presentation of the situation in Mongolia in terms of telecommunication markets and penetration, the speaker described the timeline for ICT sector development and tariff regulation as defined by the Mongolia Regulatory authority. and The speaker explained how the tariff regulation adopted during the different implemented phases impacts of the actual the market behaviour.. In this regards, it was noted that building broadband networks is one of the critical priorities for Mongolia.

Session 4: Economic aspects of the spectrum – Broadband implications
John Alden, ITU Expert

The speaker explained the new paradigm of spectrum management that starts with liberalization, as this has fundamentally changed the way spectrum is managed. The objective was to discuss spectrum valuation, as no static valuation methodology exists. As a success story, the case of Wi-Fi was mentioned as it is an unlicensed service which doesn't need to be sold or authorised. The elements to be considered for spectrum auctions was discussed, these were illustrated using country cases, such as India, New Zealand and Germany. In the framework of the study on the economic valuation of the spectrum for broadband services, the speaker presented a spectrum pricing checklist, with the objective of obtaining comments from participants. This checklist could be considered as a baseline for regulatory authorities assessing how to achieve spectrum distribution and determine/estimate the value of spectrum.

Session 5: Toward broadband society
Hoang Tuyet Lan
VNPT Group, Vietnam

The speaker presented the situation in Vietnam in relation to the telecommunication environment. She emphasised the social structure and segmentation of the market, taking into consideration consumer behaviour for telecommunication services (voice and data). The speaker also explained how the telecommunication market in Vietnam is distributed between different operators, and how significant market power (SMP) for pricing strategies is determined. Regarding broadband deployment, it is expected that mobile broadband will cover 85 per cent of the population by 2015, rising to 95 per cent in 2020.

Session 6: Charging trends for NGN and Market Dynamics
Oscar Gonzalez Soto, ITU Expert

This session was divided into two parts, the first one on the description of the charging elements to be considered for NGN services and the second one on charging strategies and trends. The speaker showed the relationship between traffic flows for network dimensioning with the equivalent sustained bit rate (ESBR) or aggregated equivalent rates for the provision and quality of service, considered as the baseline for the determination of service charges provided under NGN technologies. In relation to charging and accounting principles to be applied to NGN, the speaker proposed a methodology for cost allocation, explaining the different variants for LRIC and TSLRIC in the case where these costing methodologies are relevant to "capacity". It was recommended that infrastructure sharing by operators should be promoted to take advantage of savings on infrastructure in addition to economies of scale. The Chairman of Study Group 3, Mr. Kishik Park, requested permission to use this presentation for the work of Study Group 3.

Session 7: Broadband services: regulation and pricing issues
David Bernal, ITU Expert

The speaker presented a general overview of broadband and its definition, as stated by the FCC and the ITU-T Recommendation I.113. Following this explanation, the speaker remarked that broadband is linked to NGN from the technology point of view, as this is a platform for transmission of different services. In this sense, a brief description of NGN operation and migration was made. Country case studies on broadband deployment were presented from USA, Europe and specifically in Spain. The speaker described the different costing methodologies and reconciliation processes, and presented a "Real Option" cost modelling system, which is based on the possibility of modifying a project, and can be useful when investment decisions are made under uncertainty.

Session 8: International Mobile Roaming setting price: achievements and experiences

David Bernal, ITU Expert

The case of the European Union international roaming regulation and the action launched to protect consumers against high prices billed by operators was presented. The main change to this international regulation was the introduction of price caps in both retail and wholesale markets. It was also explained how the different criteria for the regulation of roaming were applied in Europe. The speaker explained the difference in applying top-down or bottom-up costing methodologies to determine the prices of mobile roaming including advantages and disadvantages.

Session 9: Present and Future of the Interconnection System in Korea

Byoung Nam Lee

SKT, Korea

The speaker divided this presentation in two parts, the first part described the telecommunication market in Korea, including competition and the structure of the market. The second part treated the interconnection system applied in Korea in the all IP environment. The service providers in Korea are developing integrated, convergent, and QoS/Broadband services based on All-IP, and implementing advanced networks with multi-functional features. With the expectation of increased possibilities of cost variation and complex cost estimation models, SKT is considering a review of the forward-looking LRIC cost model. This presentation also described the criteria that SKT is using for the calculation of network costs under the All-IP environment and the improvements that this model needs to consider for the estimation of interconnection charges.

Session 10: Market and Price Regulation Development in Thailand

Chitsata Sriprasertsuk and Pasu Srihirun

NBTC, Thailand

The speakers presented the telecom market in Thailand and the impact of telecommunications on the Thai economy. This included broadband indicators, which demonstrated a very good situation in terms of deployment, coverage and penetration. It was also noted that broadband is a government priority on the development agenda. Regarding price regulation, the presenters showed the price trends in fixed and mobile services, as well as for wholesale price regulation development. The process of cost modelling by applying LRIC for interconnection rates and roaming charges was also described. The vision of the regulator is to move towards a “converged” regulator, where changes are being made, for example, to the integration of both broadcasting and spectrum components in the regulatory authority, even if the content for broadcasting is not regulated.

3. Follow-up activities

The follow-up activities were defined during the seminar and specially during the meeting of the Regional Group for Asia and Oceania, as follows:

- The BDT representative presented the TD71 Questionnaire on Tariff Policies which includes all the new questions that were discussed with the Working Groups of the SG3RG-AO, this includes new questions in Section 2 on Telecommunication Services (price control), Section 7 on NGN, a new Section 9 on International Internet Connectivity which includes the contribution C5 relating to HUB traffic and transit price, as requested during last year’s meeting by Mr Hutagalung, Vice Chairman of the AO Group.
- As requested by the Chairman of the Study Group 3, BDT provided as a contribution to TD69, the presentation on “Charging trends for NGN and Market Dynamics”, that was presented during the BDT seminar, as this contains interesting elements to be considered for NGN charging.
- The BDT representative informed to all participants that there is a new section on the Tariff Policies Questionnaire on Broadband Service Pricing. She also informed participants about the works carried out by BDT on the publication of the Broadband Series, which will include the following papers:
 - o Impact of broadband in the economy,
 - o The economic and social valuation of the spectrum for broadband, and
 - o Broadband service pricing.
- On the issue related to NGN charging, the BDT representative participated actively in the works of the Ad Hoc group on this issue, she also presented the results from the Tariff Policies Survey, which has 57 responses so far, 4 from Asia and Oceania. Regarding questions 7.1 And 7.2 of the questionnaire, the BDT representative will revise the results and number of responses of these questions, in order to analyse

the possibility to change the structure of the questions to facilitate the answer from regulatory authorities. BDT has been requested to send a message to the ITU-T SG3RG-AO mailing list, indicating the launch of the questionnaire each year. Result of the conclusions of the work carried out by this group are described in Doc. TD75.

- The BDT representative participated in the works of the Ad Hoc group on Mobile Roaming, and the conclusions of the works carried out by this group are described in Doc. TD74.
- Mongolia proposed to investigate the possibility of organizing the next SG3RG-AO seminar and meeting for 2012, probably in June.

The final report and presentations of the seminar on costs and tariffs as well as the contributions for the SG2RG-AO meeting are published on the website:

<http://www.itu.int/ITU-D/finance/work-cost-tariffs/events/tariff-seminars/Phuket-11/index.html>

The Chairman thanked the host country for its excellent organization, and the BDT and TSB staff for their support. The meeting thanked the management team and the BDT and TSB staff for their excellent work, and requested BDT to continue with the organization of the seminar together with the future activities of the SG3 as well as to continue with the synergies of both sectors to support the Asia and Oceania region.
