



Session 3

TARIFF POLICY AND REGULATION IN MONGOLIA

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**ITU Regional Seminar on Costs & Tariffs for Member
Countries of the SG3RG-AO**
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3/4/2011 Regional Seminar on Costs & Tariffs 1





Content

- 1 Country overview /brief/
- 2 Policy and Regulatory Authorities
- 3 Sector Overview
- 4 Tariff Policy and Regulation Development

3/4/2011 Regional Seminar on Costs & Tariffs 2

COUNTRY OVERVIEW






Location:	Northeast Asia, between China and Russia (landlocked)
Population:	2.7mln
Capital:	Ulaanbaatar
Territory:	1,566,500 sq.km
Government:	Semi-presidential republic
Natural resources:	Coal, copper, gold, molybdenum, tungsten, phosphates, tin, nickel, zinc, wolfram, flourspar, silver, iron, phosphate
GDP (US\$ bn):	4.2
GDP per capita (US\$)	1,560
GDP by sectors	agriculture: 21.2%, industry: 29.5%, services: 49.3%


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3

MONGOLIAN ECONOMIC INDICATORS



	2004	2005	2006	2007	2008
GDP growth (%)	10.7	7.3	8.6	9.9	9.0
Inflation	11.0	9.5	6.0	15.1	29.0
Export (M US\$)	872.1	1068.6	1545.2	1889.0	1968.6
Import (M US\$)	901.0	1097.4	1356.7	2117.3	2724.9

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4



Content

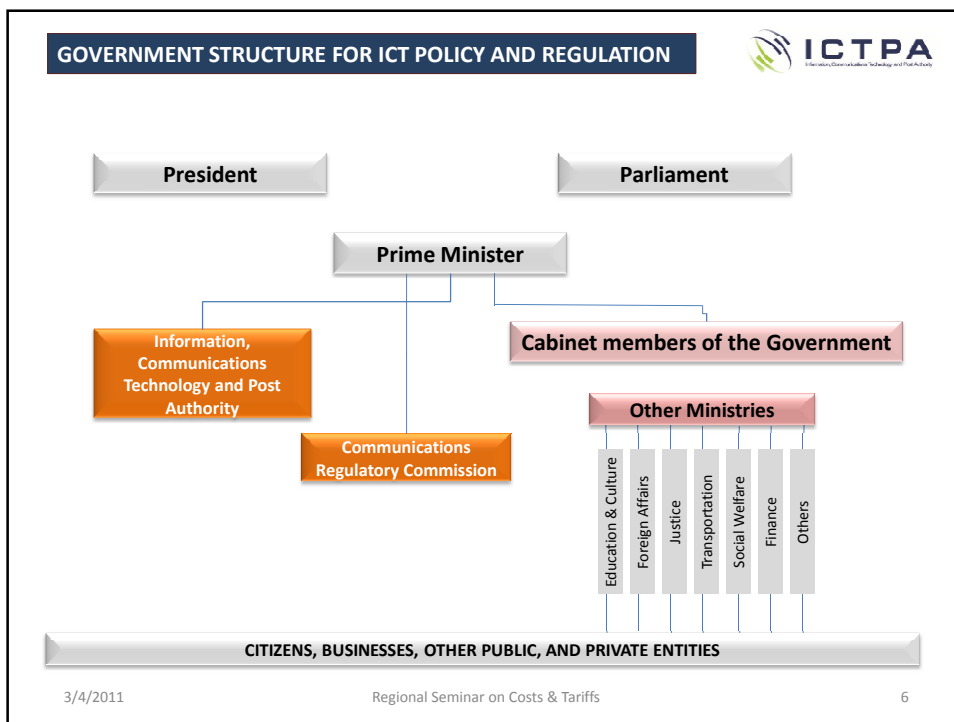
1
Country overview /brief/


2
Policy and Regulatory Authorities


3
Sector Overview


3
Tariff Policy and Regulation Development

3/4/2011
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5




POLICY AND REGULATORY BODIES 

 **The Information Communications Technology and Post Authority** is in charge of formulating the law, regulation and development policies in the ICT development matters.

 **The Communications Regulatory Commission /CRC/** shall work with functions to develop effective and fair competition environment for market participants issue licenses, work out professional conclusions and decisions. **(Law on Communication)**

3/4/2011 Regional Seminar on Costs & Tariffs 7




Content

- 1 Country overview /brief/
- 2 Policy and Regulatory Authorities
- 3 **Sector Overview**
- 4 Tariff Policy and Regulation Development

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SECTOR PLAYERS



Fixed line operators - 4

WLL operators - 6

Mobile network operators - 4

ISPs - 77





International VoIP service provider - 28

IPTV - 2 in 2009

Mobile TV – 2 in 2009

Incumbent

Railway, Skynetcom /VoIP/, State communication dept

GSM

CDMA

GSM

CDMA


}

3G license in 2009

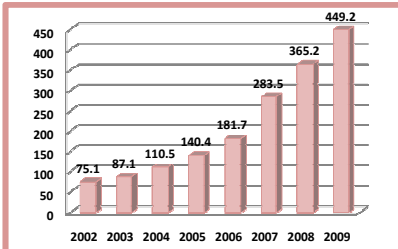
684 licenses were granted to the entities

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9

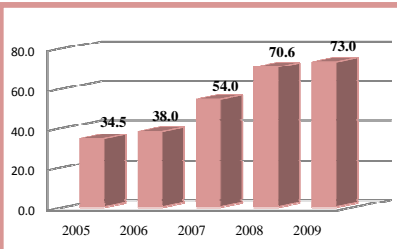
ICT SECTOR STATISTICS



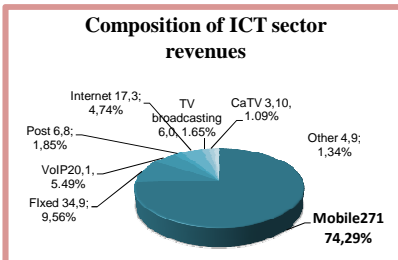
Total revenue of ICT sector



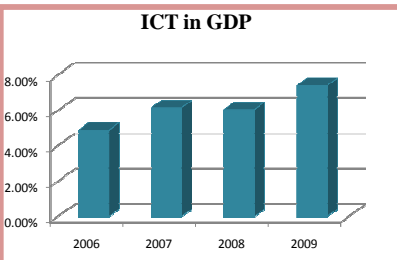
ICT sector investment



Composition of ICT sector revenues

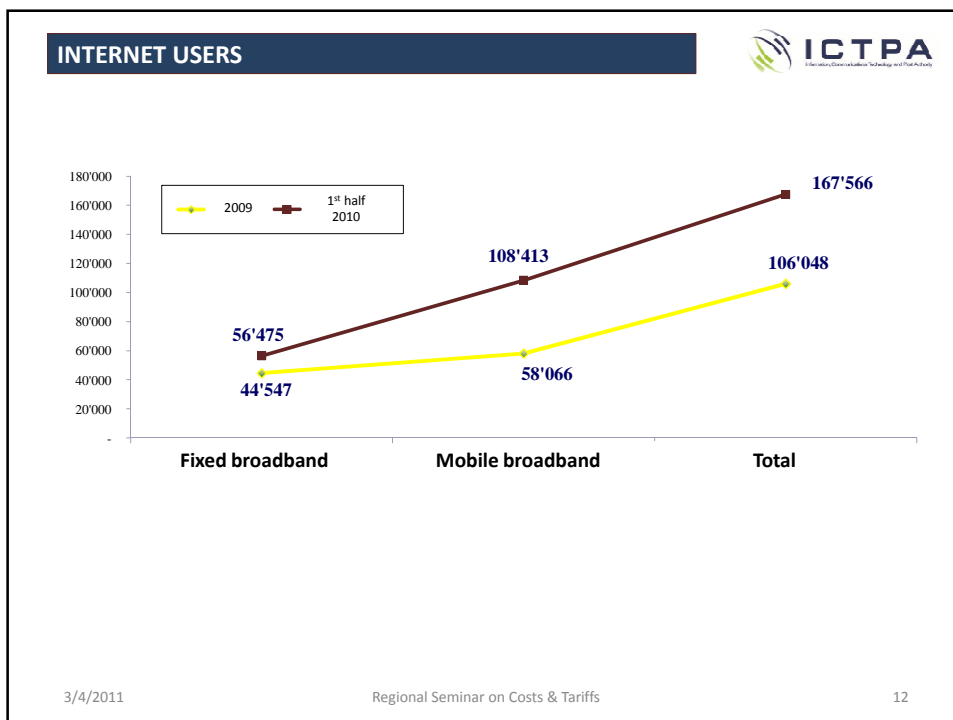
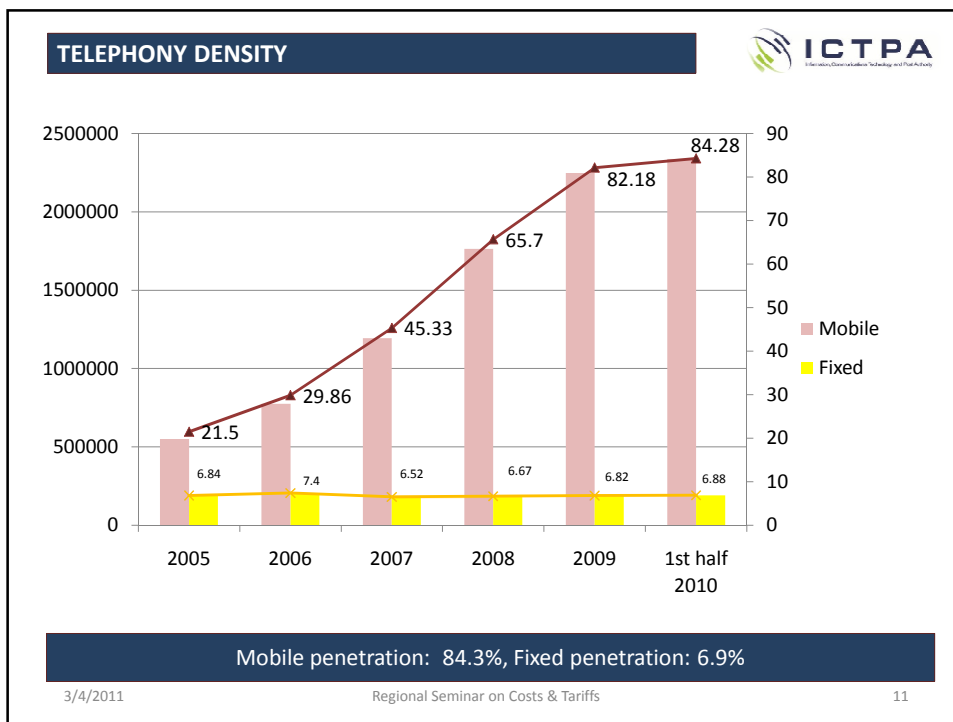



ICT in GDP

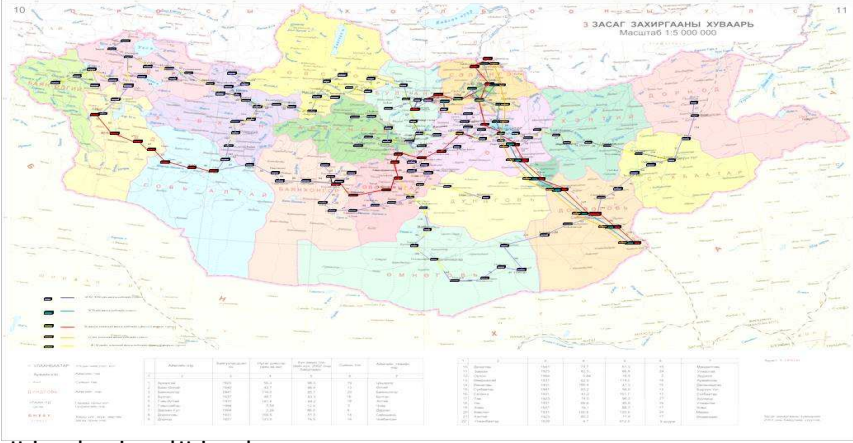


Source: White paper of development of information and communications technology of Mongolia – 2010

Development of information technology sector of Mongolia has been progressing at the reasonable level





COMMUNICATIONS NETWORK 



Universal service and Universal access

- Mongolia has 331 soums /administration unit/
- Over 12.000 km fiber optic cable covering 161 soums /state and private/
- All of them have at least 1 mobile operator's service

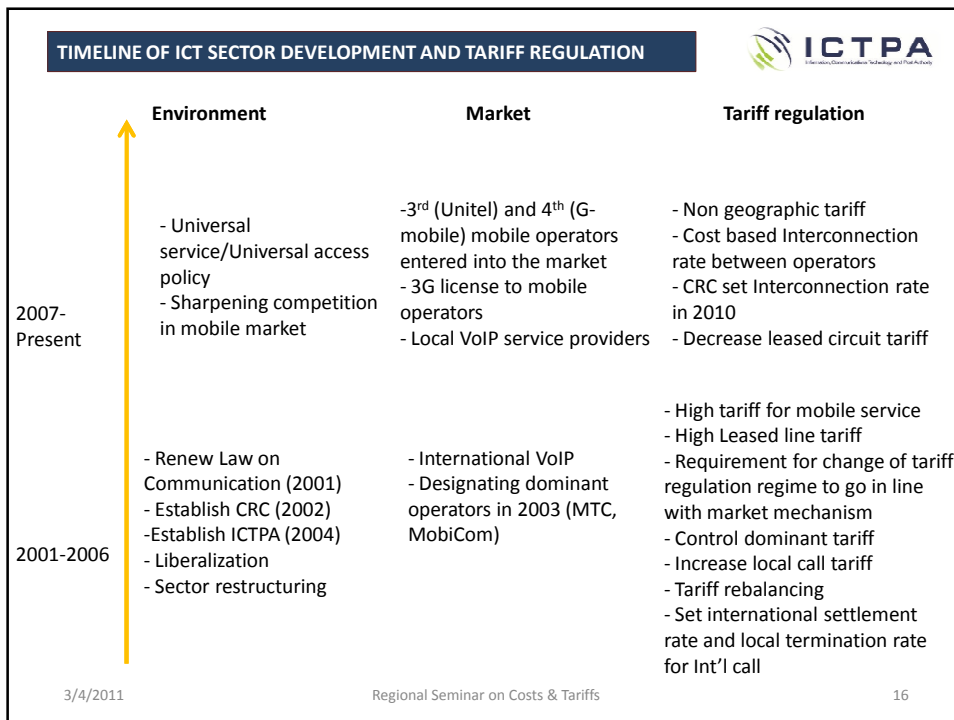
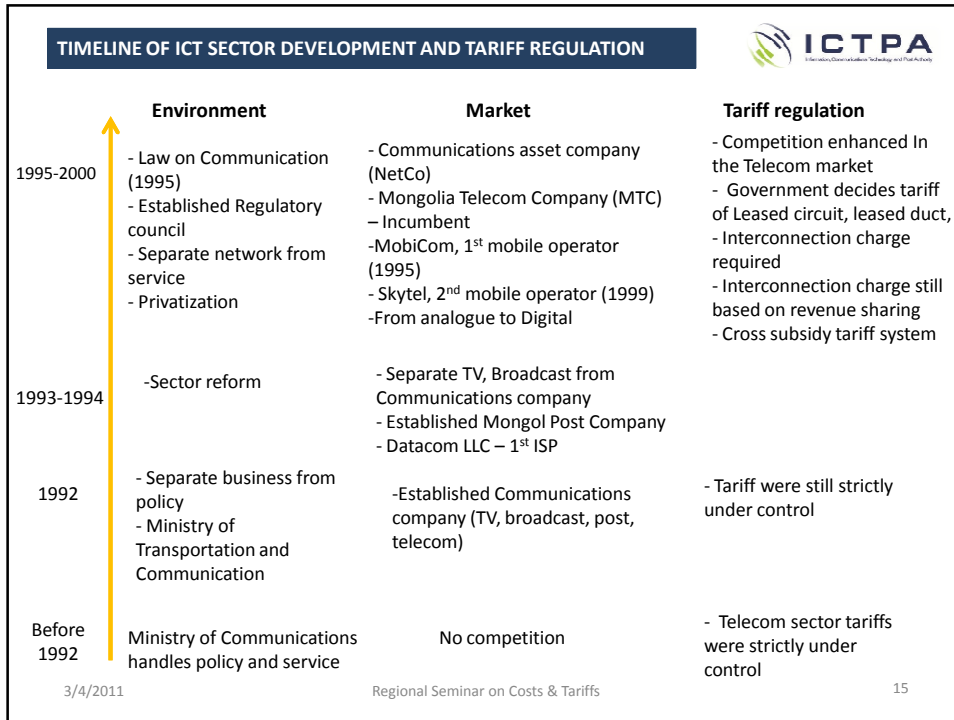
USOF is composed from 2% levies of taxable revenues of communications service providers

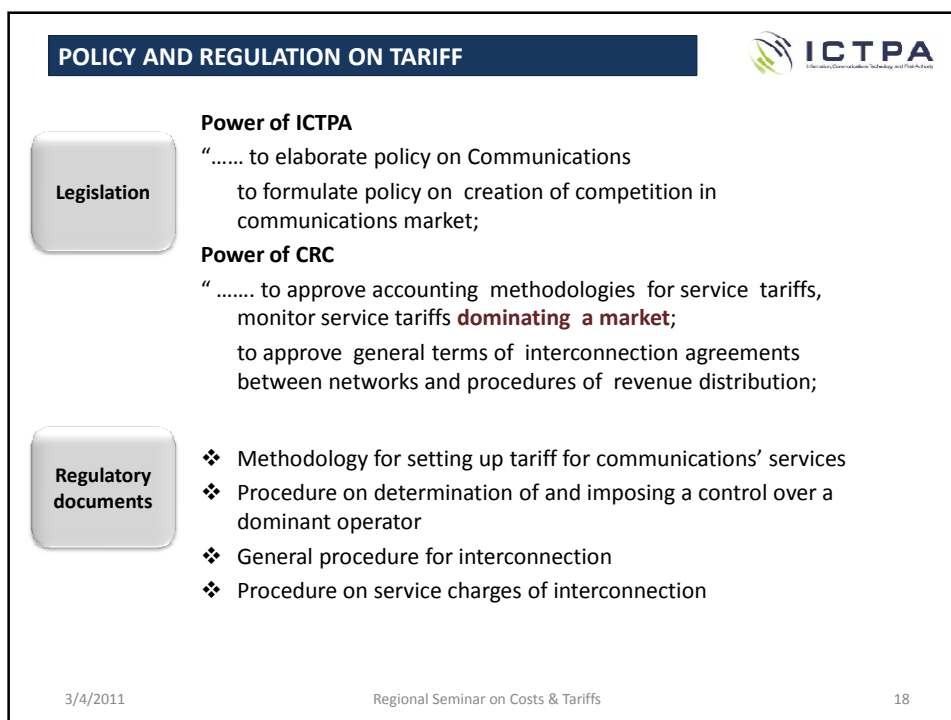
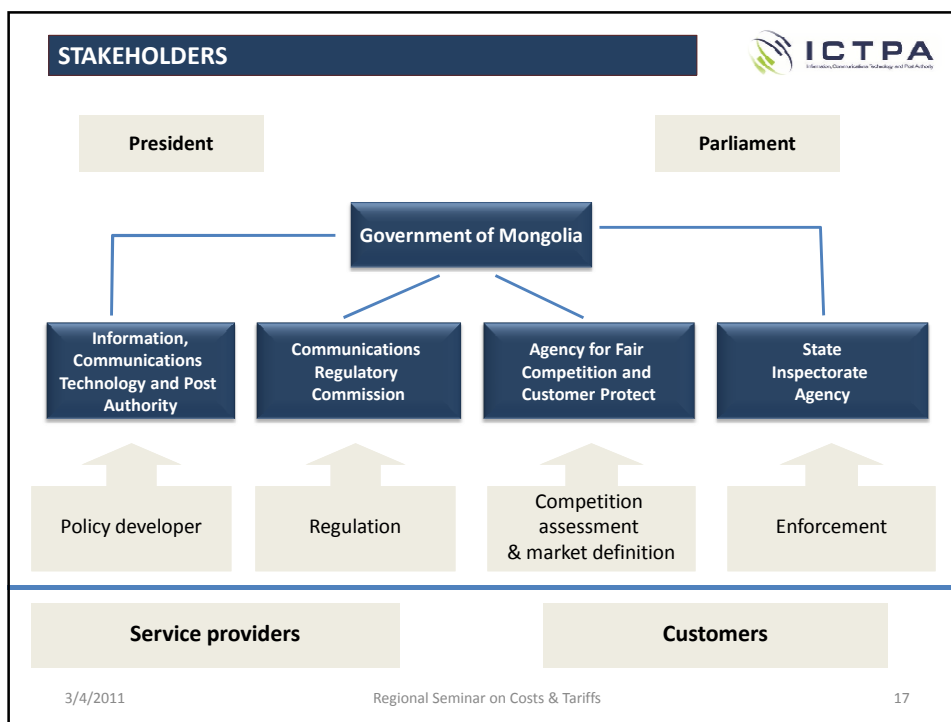
 

Content

- 1 Country overview /brief/
- 2 Policy and Regulatory Authorities
- 3 Sector Overview
- 4 **Tariff Policy and Regulation Development**

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RETAIL TARIFF REGULATION



METHODOLOGY FOR SETTING UP TARIFF FOR COMMUNICATIONS' SERVICES /by CRC/

- Tariff setting shall apply accordingly a principles accepted by ITU recommendations and World Economic and Co-operations Organization, World Trade Organization's methodologies. :
 - a. Cost based principle
 - b. Price cap principle
 - c. Principle of benchmarking

PROCEDURE ON THE CONTROL ON THE BASICS OF SERVICE TARIFF /by CRC/

- The Dominant operator and new service providers, in order of their service tariff basics being checked shall submit to the CRC along with the price quotation the related materials 45 days prior to the launch of the service.

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19

WHOLESALE TARIFF REGULATION



GENERAL PROCEDURE ON INTERCONNECTION /CRC/

- Non-discriminatory, transparent and co-efficient principles
- Network owners shall publish RIO
- Cost-based and co-efficient.
- Any inefficiency should not be passed through interconnection or access charges.

PROCEDURE ON SERVICE CHARGES OF INTERCONNECTION /CRC/


- Cost should be calculated by the principles and methodologies stipulated in of ITU recommendations and COSITU model or the international accounting standards
- The parties within 21 days prior to the signing the agreement shall submit to the CRC commonly agreed the final proposal on the charges for interconnection or each parties' separate proposals alone with their basics, if the common agreement had not been reached

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20

ADDRESSING MARKET DOMINANCE



- **Competition Law**
 - Dominance exists when a single business entity acting alone, or a group of business entities acting together, account for over one third of the sales of certain kind of products in the market

Regulate

↑

↓

Relax

Monopoly


Dominant

33%

The CRC shall annually determine and announce to the public on the dominant operators within the communications market

21

ADDRESSING MARKET DOMINANCE




	Services	Indicators
1	International telephone calls services	Minutes
2	Fixed telephone services	End users, others
3	Mobile telephone service	Number of customers, others
4	Wireless telephony package services	End users, others
5	Mobile satellite services	End users, others
6	CaTV services	Number of customers, others
7	Internet services	Number of customers, others
8	Leased circuits services	Number of leased circuits, capacity
9	International registered and ordinary postal	Number of parcels and mails, others delivery services
10	Local and domestic postal services	Number of parcels and mails, others

-Occupancy of over 35% of a current market share
 -Composing over 40% out of a total revenue earned from a current market

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SETTING UP INTERCONNECTION RATE



CRC set interconnection rate of the operators
/most of the IC agreements are expired/

- Dominant operators in a retail market referred as Dominant in a wholesale market too
- Asymmetric rate between mobile operators
- Symmetric rate between mobile and fixed operators

Dispute and complain from service providers


➔ Defining relevant market

➔ Cost based Interconnection rate

ICTPA established working group to elaborate Policy Guideline on Wholesale and Retail Tariff

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23

WHOLESALE TARIFF REGULATION



Government of Mongolia has made a structural separation in the Fixed line Operator by separating the ownership and operation of telecommunications monopolistic infrastructure from the competitive services it provides and established a state owned Information Communication Network Company (ICNC), incorporating all monopolistic network transmission assets, including the local loop.

Currently ICNC is subject to wholesale price controls (Local loop, backbone transmission, duct)

Transmission cost is still high for service providers

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NEXT STEP


- In a policy guideline following principles are going to be reflected
 - Retail tariff
 - To prevent or to correct market failure
 - To ensure that certain services are affordable to users
 - To prevent excessive charges for services
 - Incumbent operators or operators with SMP are subject to tariff regulation
 - Wholesale tariff
 - Force to calculate costs by same methodologies (LRIC, FDC)
- Today license classification is very critical while moving toward the convergence in Mongolia

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25



**THANK YOU FOR YOUR
ATTENTION**

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26