

Regional Seminar on Costs and Tariffs for the Tariff Group for Africa (TAF)

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FINAL REPORT ON THE SEMINAR

1. Purpose of the Seminar

The seminar on Costs and Tariffs for TAF Group Members was held within the framework of the activities planned under Programme 4 of the BDT Operational Plan IsAP 2006 (Economics and finance, including costs and tariffs).

The seminar was organised in coordination with ITU-T Study Group 3. The Ministry of Posts and Telecommunications of Guinea, and the Société de Télécommunications de la Guinée (Sotelgui) were the coorganisers for both events. The purpose of the seminar was to provide Member States and Sector Members with the opportunity to discuss relevant matters on economics and finance for the region as mentioned in the attached Agenda. 71 delegates from 25 countries participated.

The seminar was followed by the meeting of the Regional Tariff Group for Africa (TAF Group).

2. Opening

The opening ceremony was conducted by Mr Mamadou Pathé Barry, Director of Regulation of Sotelgui. Ms Carmen Prado-Wagner, representative of ITU, thanked the organiser of the seminar and presented the objectives of the seminar including the actual context of telecommunication in the region. Mr Thierno Oury Diallo, General Director of Sotelgui, stressed the importance of partnership with ITU for the region and urged the TAF Group to implement a cost model applicable to the whole African region. Mr Modibo Traoré, Chairman of the TAF Group, thanked the people of Guinea and drew attention to the importance that this country is giving to the implementation of new technologies and to the opportunity to start working on aspects related to network externalities and IP. Dr Boubacar Sako, General Secretary of the Ministry of Posts and Telecommunications and representative of the Minister during the opening ceremony, said what an honour it was for his country to host this seminar. He stated that this would present an opportunity for the Republic of Guinea to continue organizing this type of event which facilitates an exchange of information and experiences. He thanked ITU and especially the BDT for the support received in the development of the telecommunication sector.

3. Outcomes

The seminar was divided into two sessions. The first session focused on the implementation of new technologies in Africa especially those related to Next Generation Networks (NGN). The second session focused on alternative calling procedures in telecommunication networks and interconnection, and access deficit. The conclusions of the sessions, including the most important comments and exchanges of information, are presented below.

The economic and financial aspects of implementing Next Generation Networks (NGN) in African countries

This session was divided into four parts:

- 1) ***Next generation networks (NGN)*** : Architecture – Implementation – Impact on service offers
- 2) ***Next generation networks (NGN)***: *New service offer : Definition – Practice in some countries – Implementation strategies for African countries (Key success factors)*
- 3) ***Next generation networks (NGN)*** – *Case Study on service offer for next generation networks*
- 4) ***Panel Discussion***: *Country experiences*

The objective of these presentations was to bring to the attention of operators and regulators the issue of NGN and its commercial implications. It is important to encourage discussion on these issues and to look at what countries are doing in this field in the African context, in order to be prepared for future challenges.

This session focused on the fact that this change is necessary because of the increase in new services (mobile, internet), the needs of customers to be connected, and the opportunity for operators to increase profits by managing the implementation of new technologies.

Discussion centred on migration strategy, investment, new service offer, the regulatory framework to be established to regulate the new service market, and on interconnection with other operators and new entrants.

The speaker stressed the importance of formulating market studies to determine urban and rural demand and services most requested. This would facilitate management of the implementation of new services including marketing activities.

With respect to regulatory aspects, it was stated that if convergence is the future, the regulator should converge too. It is difficult for the regulatory authority to regulate technologies; it is better to focus on USO, society, services and affordable services.

The second presentation focused on a new, unlimited offer as the basis of service at fixed price. In this sense, the services offered are voice, data and images. Examples of how countries in Europe and America are applying this offer were presented.

Participants expressed their interest in this type of presentation as they felt that new technologies should be integrated in the African environment, but they also felt that attention should be paid to rural areas in order to avoid increasing the digital divide at national and international level. On the other hand, one of the main problems for operators is the considerable investment necessary in order to migrate whole systems.

Country Experiences

Sonatel, Senegal, made a presentation to reflect the situation in the implementation of ADSL (Asymmetric Digital Subscriber Line) in Senegal - how it works, what type of technology is being used, and pricing and market studies undertaken. Tariff measures regarding the offer of Internet services was explained. In Senegal, tariffs for ADSL services for 1024K internet access were reduced from CFA Francs 212'500 to 33'989 in two years (2003 to 2005). Coverage in the country is being extended and access is being increased, presently 71% of ADSL coverage is in the capital

and the rest in the regions. One of the most important statements made by the speaker was that new technologies are very important for operators as new technologies means opportunities. Marketing services must undertake market studies to determine demand, and operators must try to implement the results of the studies as soon as possible, because if they do not, new entrants could take the market.

Cote d'Ivoire Telecom presented their situation regarding the use of IP Protocol, bandwidth and the introduction of ADSL. The number of clients using Internet via ADSL had increased 6 fold in the eight months since this service was first offered. The use of ADSL for television is also being discussed with TV and cable companies. They are also working to deploy these services in the localities outside Abidjan.

In Cameroon they are concerned about the regulation of access. The regulator should control Internet services. The operator in Cameroon is experimenting with this new NGN service but nothing is defined yet.

Gambia was more concerned about the definition of basic pricing, and the complexity of pricing on these new services running on the old networks. He proposed that the TAF Group should work on how the regulator can regulate and manage these changes in Africa.

Case Study on service offer for next generation networks

A case study about migration strategy, services offered on NGN networks, and revenue earned by an incumbent operator in an imaginary country was presented to the participants. A discussion then took place on each question of the case study.

Impact of traffic re-file and alternative calling procedures on rates, settlements, collection charges and quality of services

During this session the speaker focused on alternative calling procedures and accounting rates to reduce costs of terminating outbound traffic. The main objective of this presentation was to explain how to reduce bypass via other lower revenue-generating direct routes of telecommunication traffic.

One of the problems mentioned during the discussions was the installation of illegal carriers that are refiling national and international traffic without any penalty. This greatly affects the revenues of the incumbent operator.

Interconnection and Access Deficit

As requested by TAF members last year, this presentation was included in the Agenda of the seminar to permit delegates to discuss and debate best practices. The objective of this presentation was to show a model from the ESMT for the calculation and cost recovery of a fixed local (access and local calling) network.

The presentation was based on a simplified telecommunication network. The approach presented some cost covering methods, who should support these various costs, access deficit problems and their management, and, finally, access deficit management methodologies: tariff rebalancing, universal access fund, interconnection charges.

Delegates reacted enthusiastically to this presentation, in particular, with respect to the applicability of the model in reality and how to regulate it. The situation of African countries, especially incumbent operators, is complicated, as they are confronted with the management of access

deficit, investment in new technologies, and trying to cover Universal Service Obligations. Discussions on this subject continued during the TAF Meeting.

Capacity building project for telecommunication sector

A presentation was made by the representative of the Centre of Excellence, French-speaking Africa, École Supérieure Multinationale des Télécommunications (ESMT), to show the capacity building project for the telecommunication sector in the region. The principal objective of this project is to reinforce the telecommunication sector by means of capacity building for Ministries, regulators, operators, ISPs, the private sector, etc. with the organization of workshops, seminars and the provision of direct assistance.

Results from WTDC-06 and Doha Action Plan for BDT

This presentation focused on the results of WTDC-06 and the implementation of the BDT Action Plan for the period 2007-2010, including the work of the ITU-D Study Groups. Attention was given to Regional Initiatives for Africa and how BDT will implement them in a regional and subregional framework. This will be based on the “SMART” model which requires that each project should be specific, measurable, attainable, result-focused and timely. The definition of several independent objectives may lead to several projects and sub-projects contributing to the same initiative.

BDT Database migration project

The ICT “eye” website was presented as a ‘one-stop shop’ for ICT information that will be available in June 2006. This project will provide telecommunication/ICT indicators and statistics, regulatory and policy profiles, national tariff policies, operator information, information on financial institutions for financing and investment in telecommunication development; information on scientific institutions focusing on telecommunications/ICT research, and economic research tools.

As soon as this database is published, all TAF Members will be informed by the Reflector Group mail.

4. Cost model discussions and follow-up actions

Discussion and review of the TAF Group Model

The representative of Senegal presented Document D3 regarding the results of the study group in charge of studying whether IP Telephony could be integrated into the COSITU software, taking into account incoming and outgoing IP telephony traffic. The results of this study were that neither Recommendation D.600R nor COSITU should be modified. Document D3 describes how the cost of the dedicated internet capacity for IP telephony should be assigned.

Discussion on the implementation of the TAF Group Cost model

The discussion was based on implementation of the COSITU model in African countries as defined in the report of last year’s TAF group meeting. Countries expressed their concern regarding the implementation of the software after the training given by BDT, data collection, support from BDT, and the use of different models by regulators and operators.

Information was given concerning the development of the guide on data collection for COSITU that will be available in the summer free of charge, and the support given by BDT through the Centres

of Excellence to countries that have requested assistance on COSITU (e.g. Guinea, Mali, Ivory Coast, Benin), by way of national workshops. The importance of developing a team to work on the collection of traffic data was also stressed.

Following discussions and examples given by countries regarding their experiences in the implementation of COSITU and other models, BDT was requested to evaluate the countries that have been trained by BDT and the Centres of Excellence in order to determine those that have not been introduced to the model.

As was the case last year, it was also noted, that this model was developed by ITU with the objective that it be used by regulators and operators as a negotiation tool. It was never intended that it be imposed on countries.

International Internet Connectivity

The TAF group estimates that the high cost of International Internet Bandwidth is a break with the development of the Internet in the area. It was decided to study the trend of the cost of this bandwidth in the region by including in the questionnaire on the tariff situation in Africa, a question related to the cost of Internet International Bandwidth. The results from this questionnaire will be used as a basis of negotiation for the member states of the TAF Group.

Interconnection between fixed and mobile networks (Hubbing)

After discussions described in the Report of the TAF Group on how this subject will be treated by the TAF Group, the Chairman of the TAF Group requested BDT to include a session on Hubbing - concept and impact in the African Region - in the framework of next year's seminar. He also requested BDT to present case studies to illustrate the practices and effects in the region.

Access Deficit and Universal Access

BDT will continue to work on these issues and present to the next TAF meeting, the work implemented in the framework of Study Group 1, as this group is working with the national elements of telecommunication networks. Last year during the seminar in Midrand a presentation on Universal Access was made and this year Access Deficit was discussed, in order to coordinate the works of BDT and TSB.

5. Closing

The Gambia, Uganda and Ghana were proposed as candidates to host next year's Regional Seminar and TAF Meeting.

Dr. Boubacar Sako, General Secretary of the Ministry of Posts and Telecommunications and representative of the Minister, concluded the seminar and the TAF Meeting by expressing his gratitude to BDT and TSB for organizing these regional events in his country and requested ITU to continue to do so as they provide the best introduction for debates in the TAF Group. The participants also expressed their gratitude to ITU, the Government and the people of Guinea, and in particular to Sotelgui, for their hospitality, and the organization of the seminar on costs and tariffs, and the TAF Group meeting.