INTERNATIONAL TELECOMMUNICATION UNION

Telecommunication Development Bureau

Training workshop on the ITU model for the calculation of
costs, tariffs and rates for telephone services (COSITU)
for Asia and Pacific Countries

Jakarta, Indonesia, 5-8 October 2004

Market, Economics and Finance Unit

FINAL REPORT

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1.   OBJECTIVES

The purpose of this workshop was to give the Asia and Pacific countries the opportunity to learn how to operate the ITU model for the calculation of costs, tariffs and rates for telephone services, COSITU. As a common tool for operators, regulators and policy makers, this model is receiving international recognition for facilitating reaching consensus on costs and tariffs. The workshop was addressed to regulators and operators from this region and was conducted by Mr Pape Touré, Chief, Policies, Strategies and Financing Department.

This workshop was jointly organized by the Telecommunication Development Bureau (ITU/BDT) and the Badan Regulasi Telekomunikasi Indonesia, which greatly facilitated all the arrangements and kindly supplied all the necessary logistics for the workshop, including the computer network, in coordination with the ITU Regional Office in Jakarta.

2.   PARTICIPATION

Thirty-five participants from five countries attended the workshop, the list of participants is attached as Annex 2. There was a mix of regulators and operators from fixed-line, mobile operator companies and service providers.

3.   MAIN ACTIVITIES

The workshop was divided into three parts: one day was devoted to theory, when participants were taken through the theoretical aspects of COSITU, i.e. the definition of services for which COSITU calculates costs, the calculation methods that are relevant, data to be collected for the effective use of the software, etc. A description of the real situation of the Indonesian telecommunication environment was presented by Ms. Koesmarihati, representative of Badan Regulasi Telekomunikasi Indonesia, so that this information could be used as an example of network complexity.

The second part of the workshop was focused on the use of the software, and the explanation of the different applications and tools, including formulas and interpretation of results.

In the final part, participants had the opportunity to participate in hands-on exercises on how to use COSITU. A practical case study on mobile network GSM was used in order to facilitate the understanding of the use of the software.

The participants were organized into nine groups. Their work was carried out in an endeavour to encourage the exchange of experiences between regulators and operators. Each group presented its results and a discussion took place so that different approaches in the region could be made known. A quiz on the calculation of endogenous tariffs, interconnection rates and the calculation of retail prices based on the data provided in the case study, was then put to the participants. It included simulation of competition, Universal Service Obligation, imposition of a cap on the montly rental fee, calculation of interconnection arates and inbound settlement rates.

At the end of the workshop, the development and analysis of results that can be produced for various uses and purposes was explained and discussed. The efficacy of the utilization of this model in an island region with no contiguous borders was also demonstrated.

4.   **EXPECTATION FROM PARTICIPANTS**

On the first day of the workshop a list of participant expectations was drawn up:

Cambodia
-    Set up tariff structure
-    Interconnection between operators

Indonesia
-    *New entrants*
        o   Understanding of telecom costs in the market
        o   Cost based interconnection
-    *Incumbent (PT Telkom)*
        o   Reference for tariffs
        o   Cost based interconnection
-    *Indosat*
        o   Cost based tariffs (per unit)
        o   How to use the software

Malaysia
-    Setting up of the next tariff review

Thailand
-    *TOT Corporation*
        o   New tool
        o   Cost based interconnection
-    *Ministry of Telecommunications (Post and Telegraph Department)*
        o   Move from benchmarking to real costs, cost based
        o   Need a tool

Vietnam
-    How to apply COSITU in their environment
-    Actual tariffs are too low => no profit

After discussion and a revision of expectations, there was a consensus that all expectations had been met.   Participants agreed that this software facilitated discussion between operators and regulators on

the matter of tariffs. They also expressed their satisfaction with the results from the model, and conveyed their gratitude to the BDT and the Badan Regulasi Telekomunikasi Indonesia for the organization of thieworkshop.

5.   FOLLOW-UP ACTIONS

Participants expressed their interest in the execution of a second workshop on COSITU, during which the practical aspect will be concentrated on, and when they will be able to apply the software by using their real data.

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