



# Seminar on Costs and Tariffs for Member Countries of the TAF Group

# BDT

Niamey (NIGER), 23-25 April 2001

*Tariff trends*

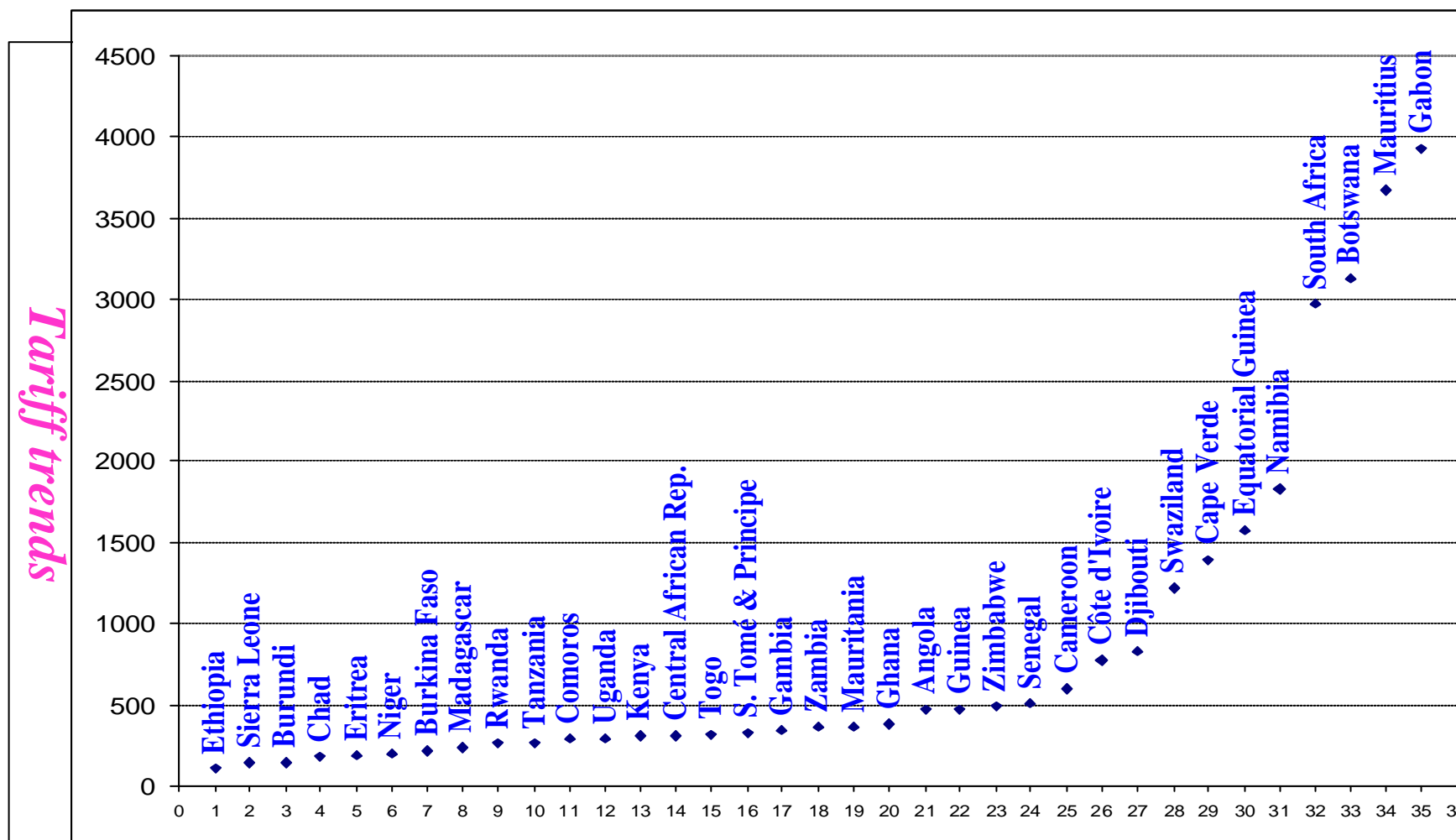
## Tariff Trends coming out of TAF Model Based Case Studies

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## GDP per Capita

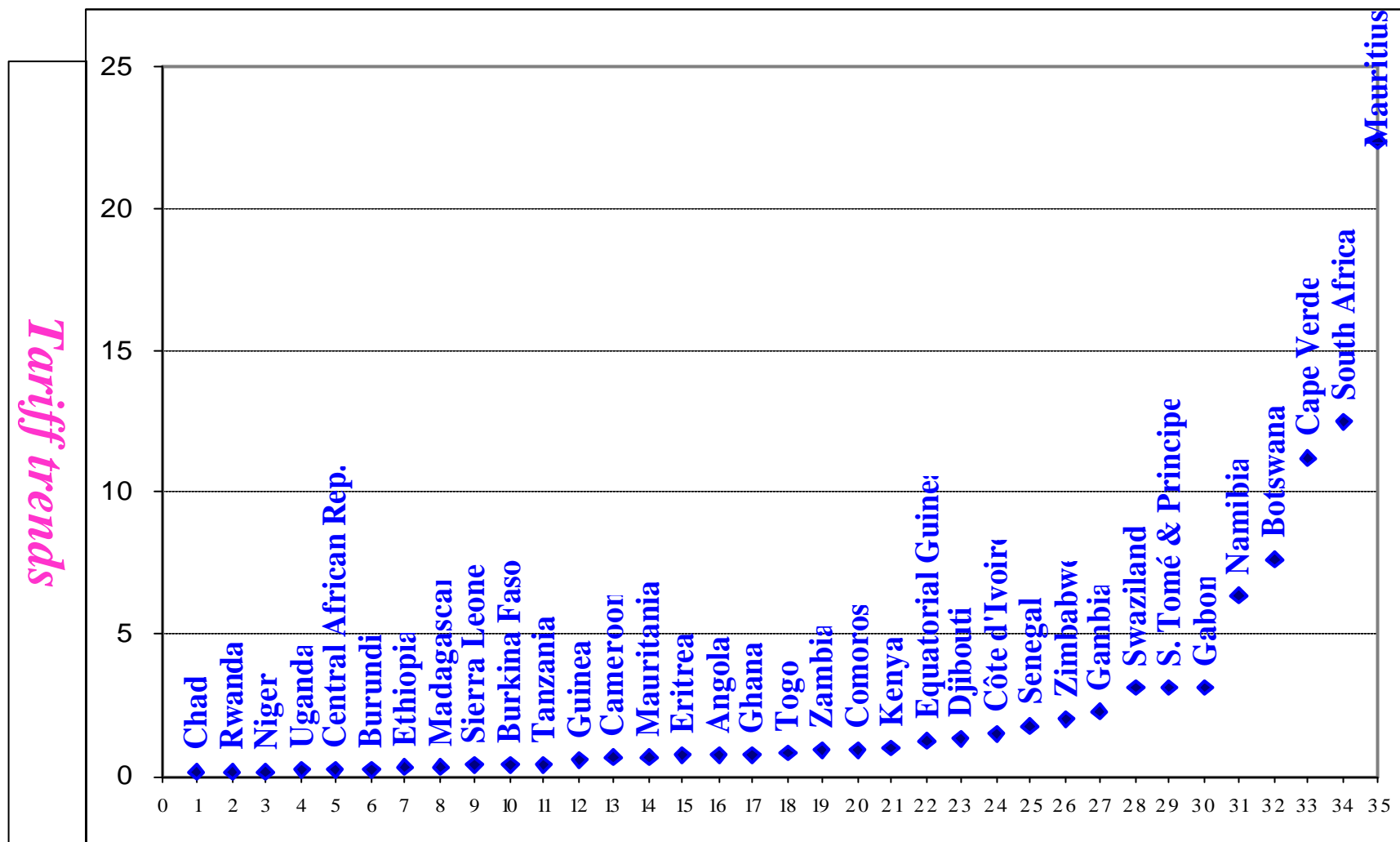


Source: ITU World Telecommunication Indicators Database



# Teledensity

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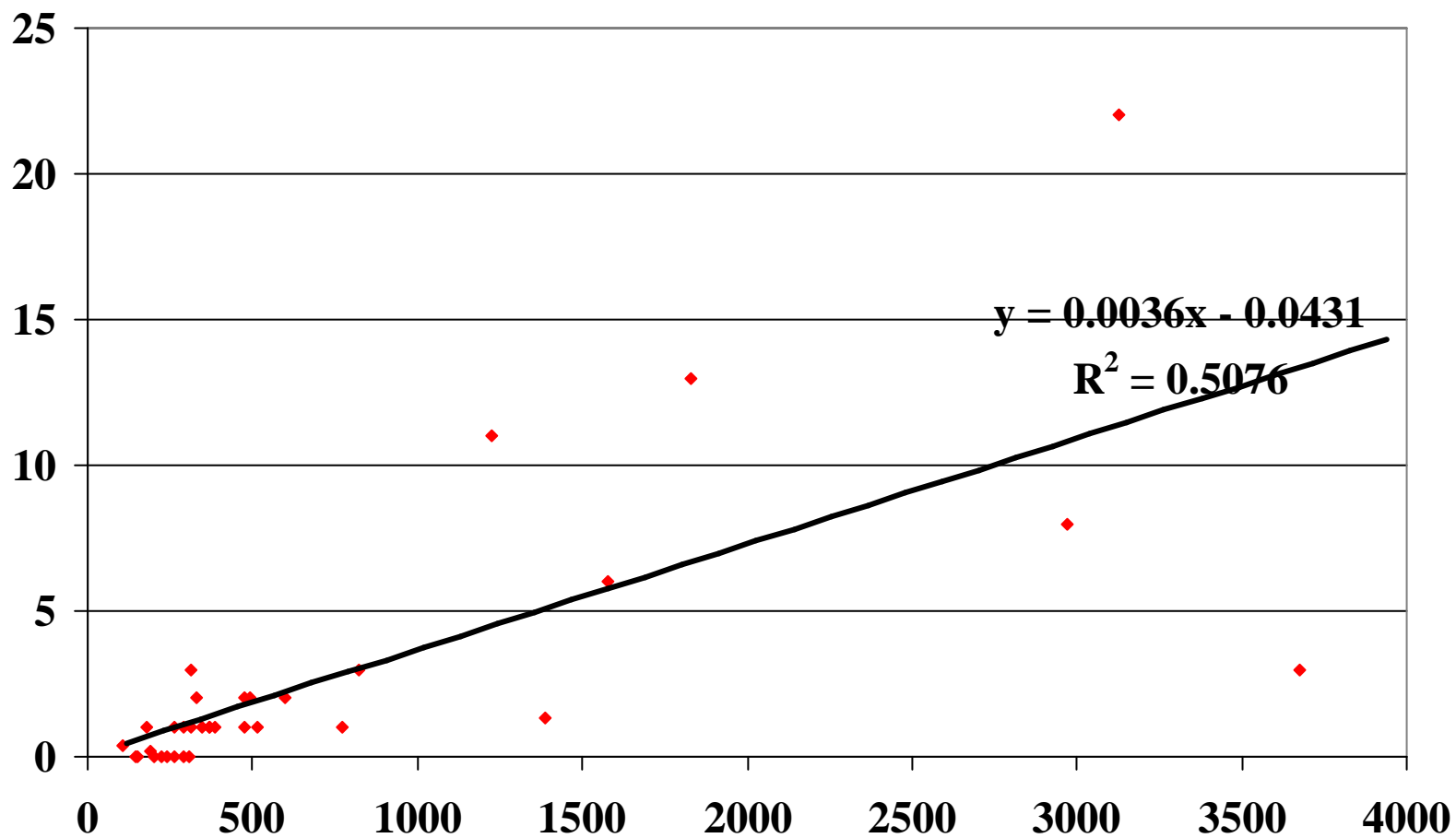
Source: ITU World Telecommunication Indicators Database -1999



# Teledensity as a function of GDP per capita

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Tariff trends





## Scope of the study

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*Tariff trends*

- 11 countries of various sizes
- Western, eastern-southern and central Africa
- Based on the data directly provided by the concerned countries
- The figures are based on cost orientated calculated tariffs and not on actual prices



## Weighted averages

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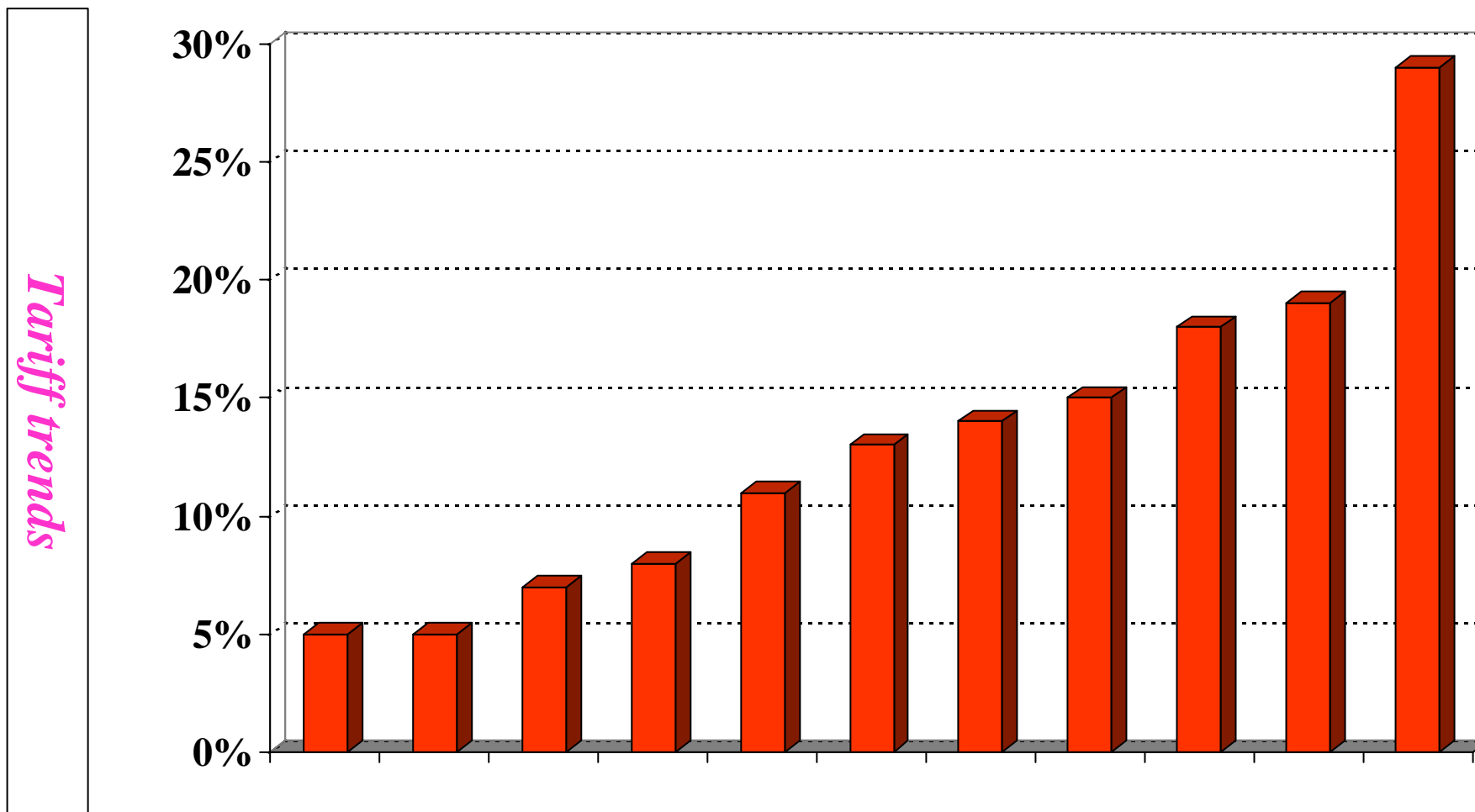
Tariff trends

- Global inefficiency: 1.97%
- Used capacity growth rate:
  - *Average: 13.06%*
  - *Standard deviation: 7.16%*
  - *Interval of confidence at 95% of the average of TAF Group member operators growth rate:*
    - 9.07% to 17.05%



## Annual Growth rate

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## Cost structure of networks

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*Tariff trends*

International transmission	3.78%
International switching	4.18%
National switching	24.07%
National transmission	22.64%
Access network	30.53%
Other investments	14.80%

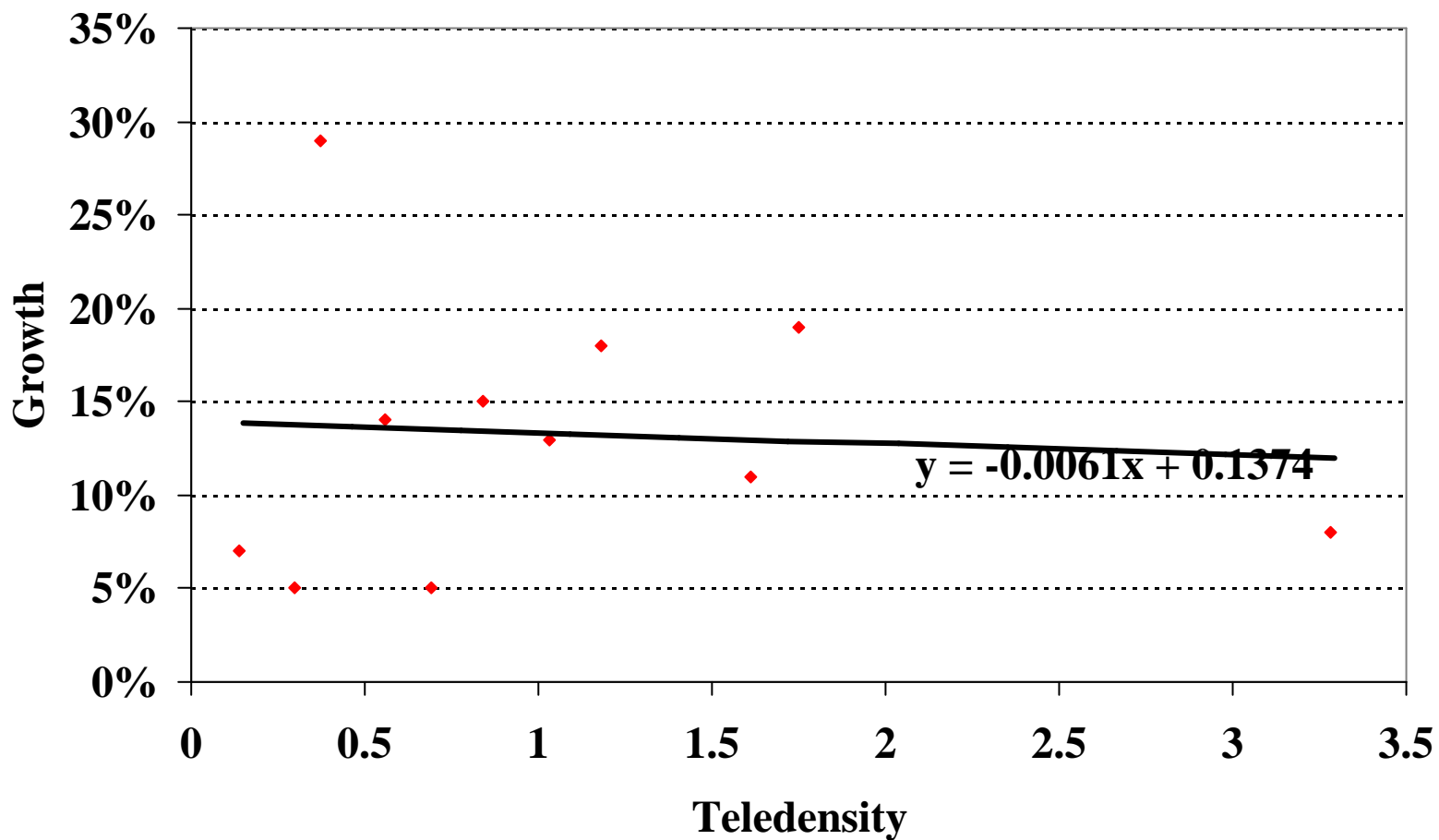




## Growth vs Teledensity

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Tariff trends



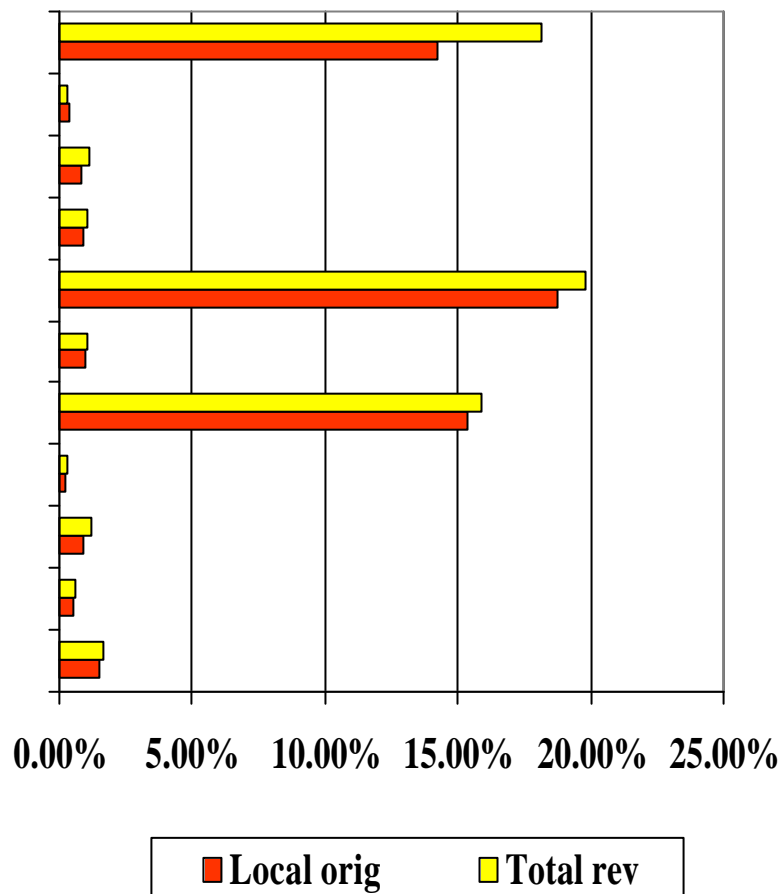


## Revenues as a % of GDP

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*Tariff trends*

- Average turnover is 1.69% of the GDP
- The confidence interval of the weighted average for the TAF members is: 1.41% to 1.97%;
- Opportunities for private sector
- Need for increased investments;
- Tariff rebalancing to be engaged progressively

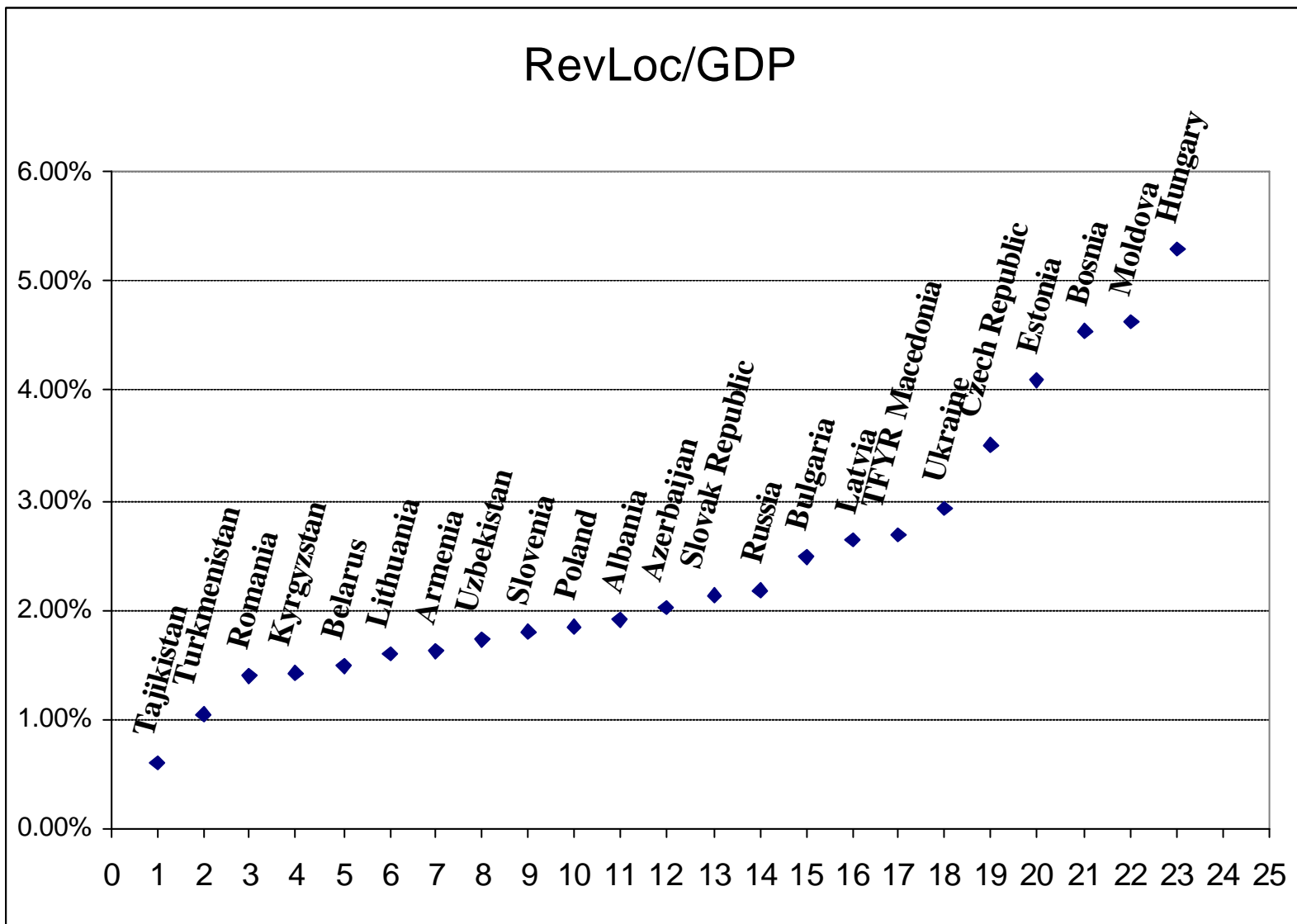




# Comparison with ECE countries

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Tariff trends

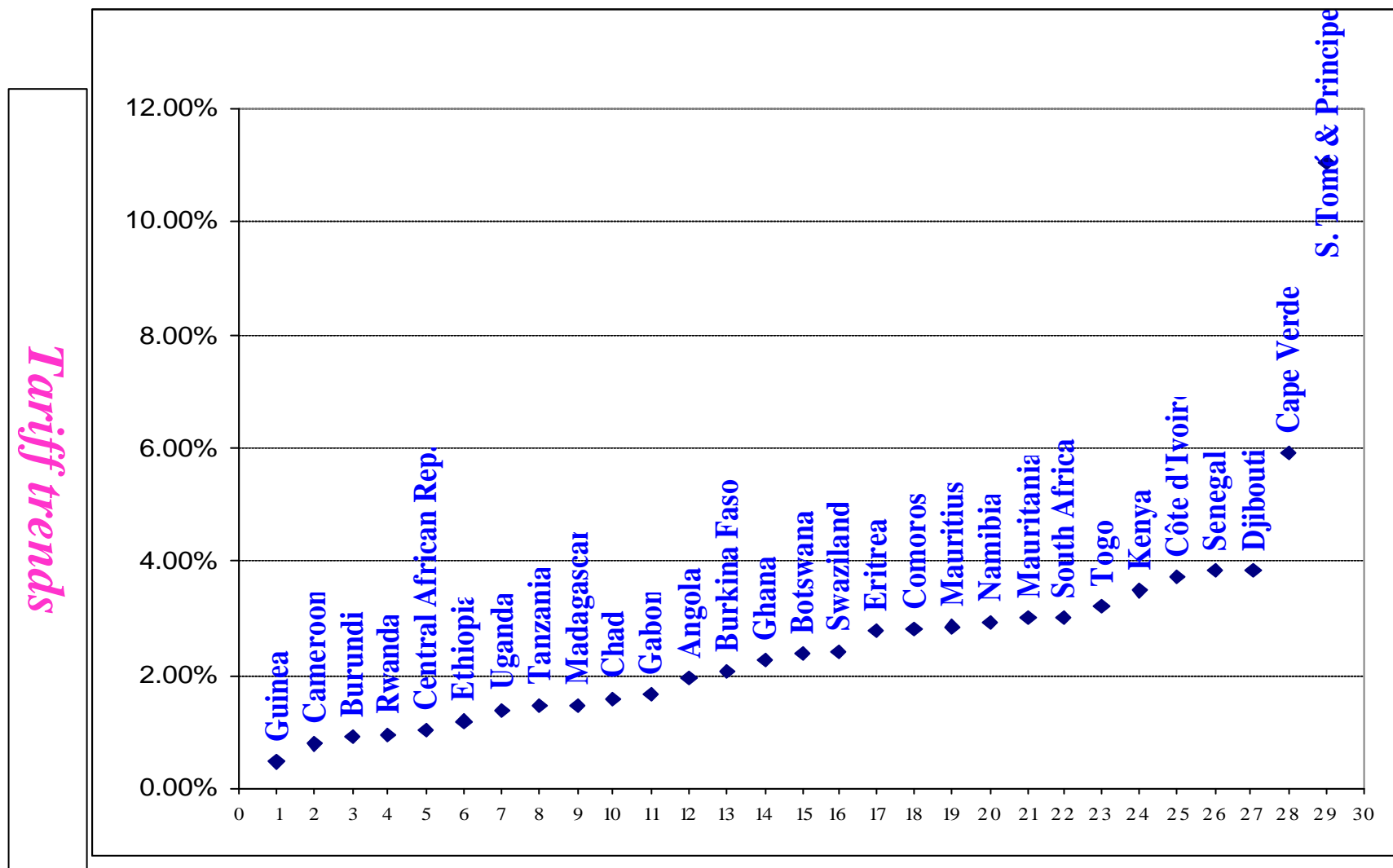


Source: ITU Database -1998 data



# Telecommunication revenues as a % of GDP

# BDT



Source: ITU World Telecommunication Indicators Database

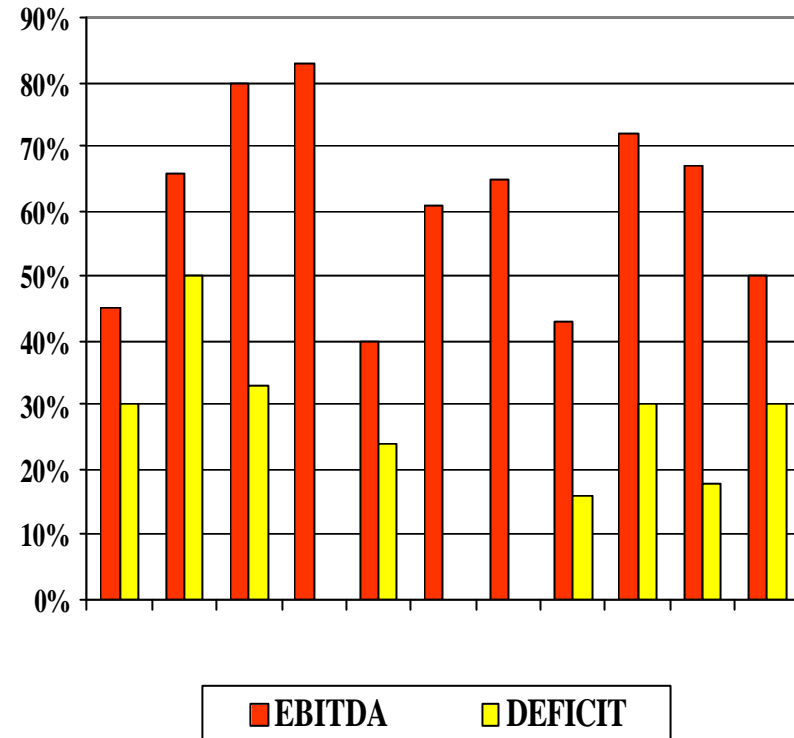


# EBITDA & Access Deficit as % of Total Revenue

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Tariff trends

- Cost orientated tariffs include transfer of access deficit charges;
- EBITDA shows generally high revenues compared to real costs;
- Average EBITDA: 58% of Total revenues
- Access Deficit average: 18.30% of total revenues
- Interval of the weighted average for the TAF members: **9.68% to 26.92%**
- => domestic communications price too low compared to their cost



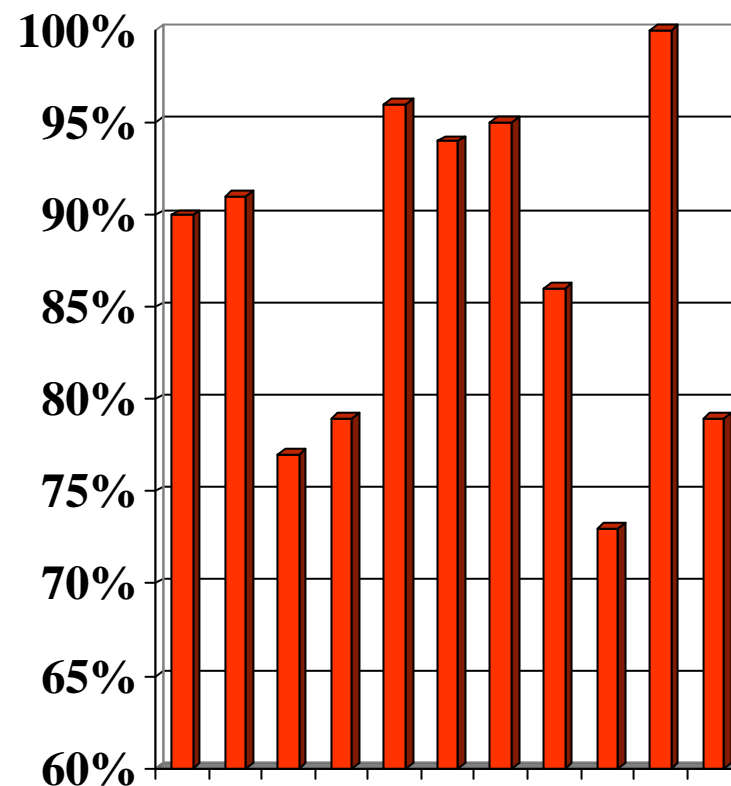


## Turnover as a % of total revenue

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*Tariff trends*

- Turnover : 88.91% of total revenue
- Standard deviation: 5.14%
- Confidence interval: 83.77% to 94.04%



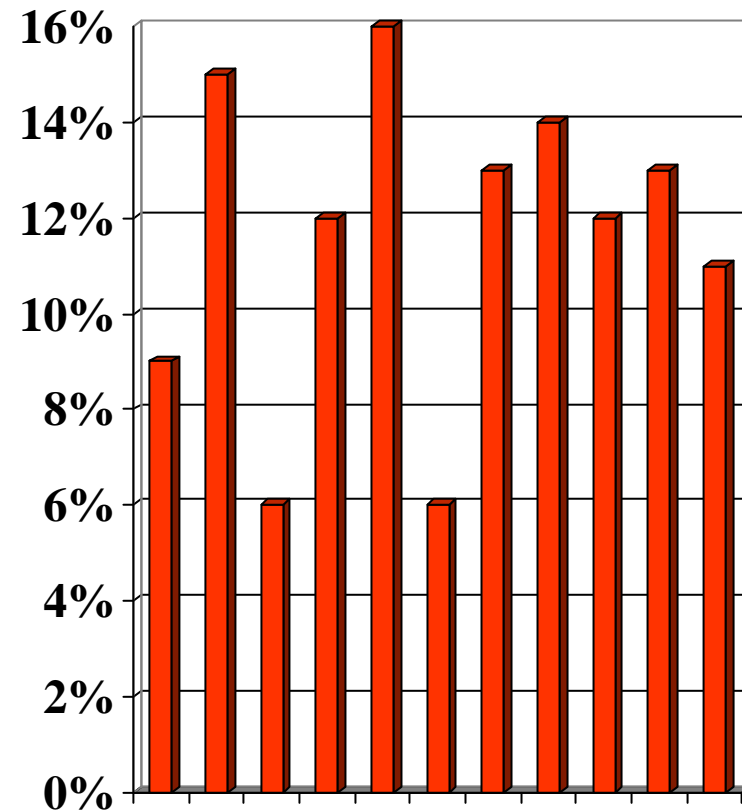


## Return On Equity

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*Tariff trends*

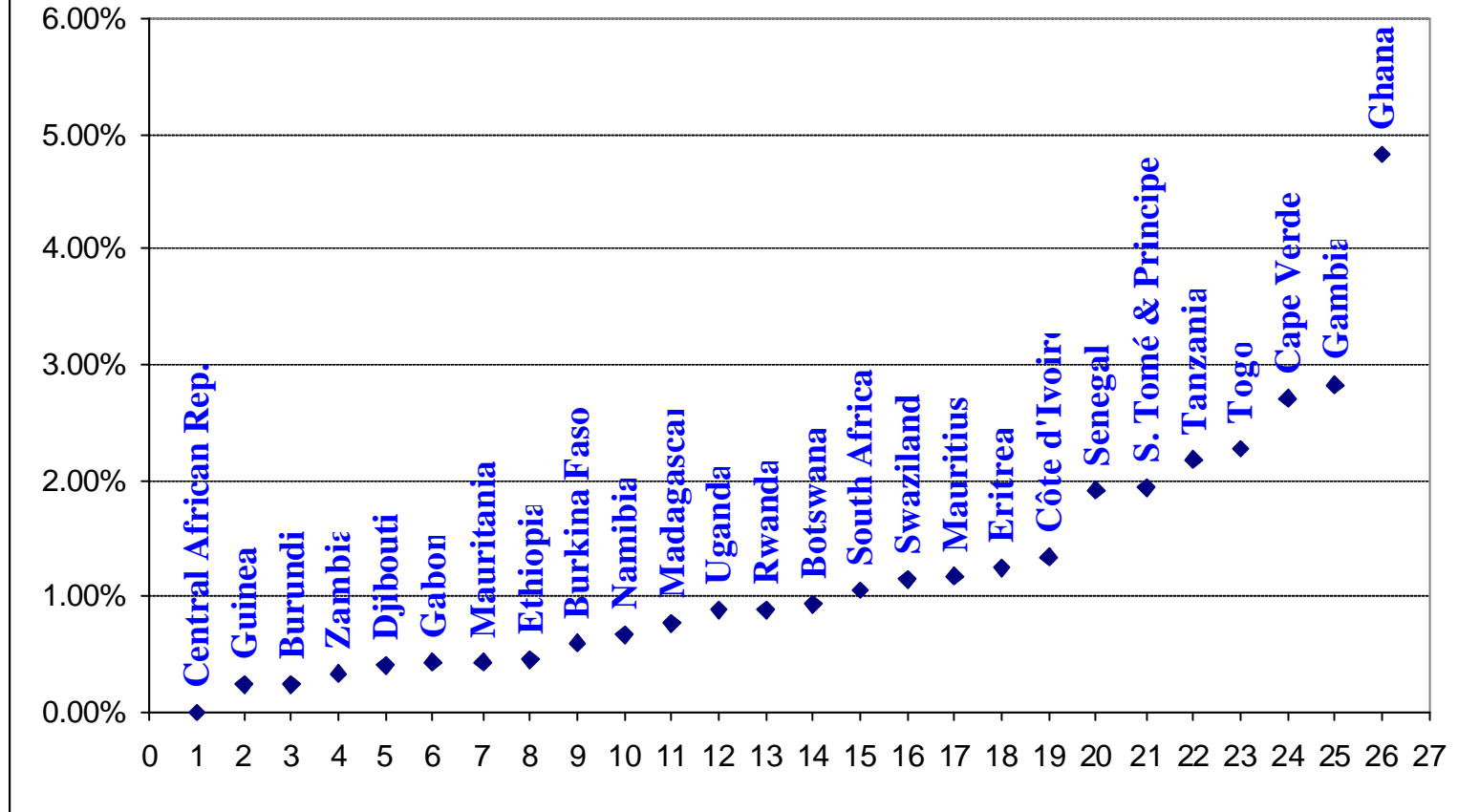
- Average return on equity: 11.55% after deduction of inefficiency costs where applicable:
- Interval: 9.69% to 13.40%;
- RoE from cost orientated tariffs can be increased without negative effect on the actual prices





## Telecom investment as a % of GDP

*Tariff trends*



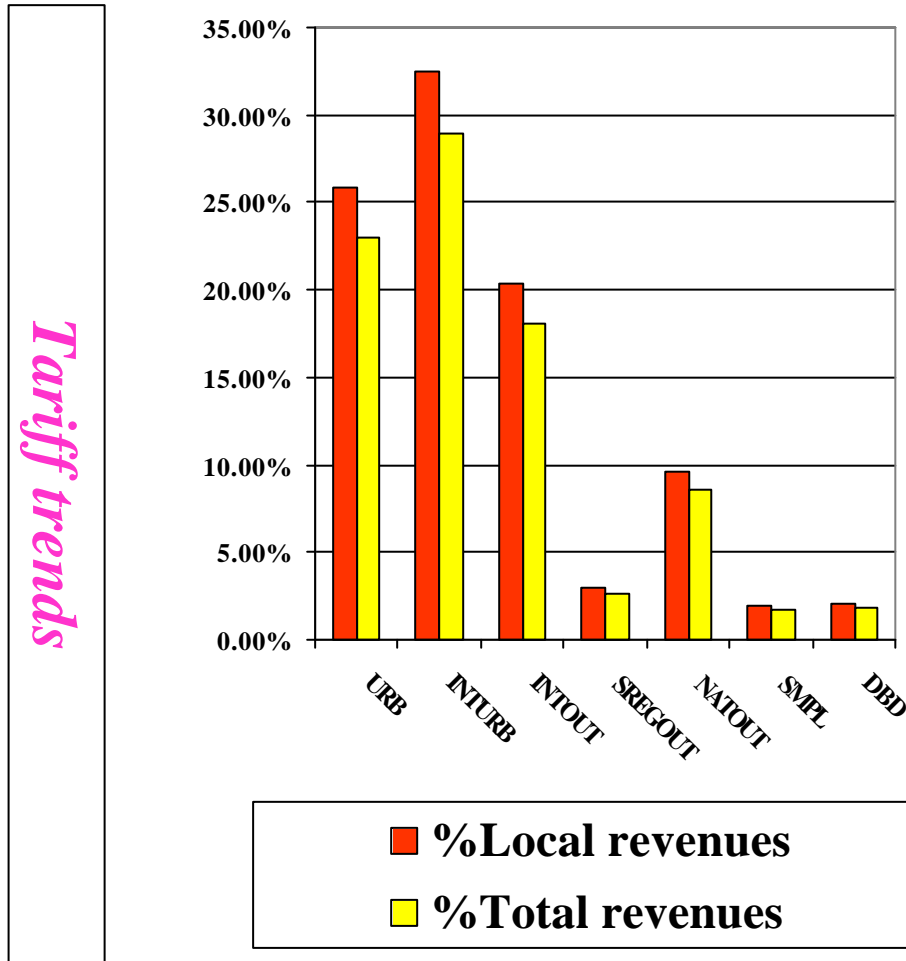
Source: ITU World Telecommunication Indicators Database





## Revenue structure of services

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- The cost orientated structure of revenues shows a preponderant role for urban, interurban and international outgoing communications;
- The interconnection traffic has a still limited significance except for fixed to mobile communications



## Intrinsic endogenous cost of services

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*Tariff trends*

Urban	10.36 US\$ cents
Interurban	18.72
International incoming	20.00
International outgoing	20.65

- Those cost do not include:
  - Corporation tax
  - Universal Service Contributions
  - USO access deficit transfer induced by Regulatory Authorities opposing tariff rebalancing



## Other findings

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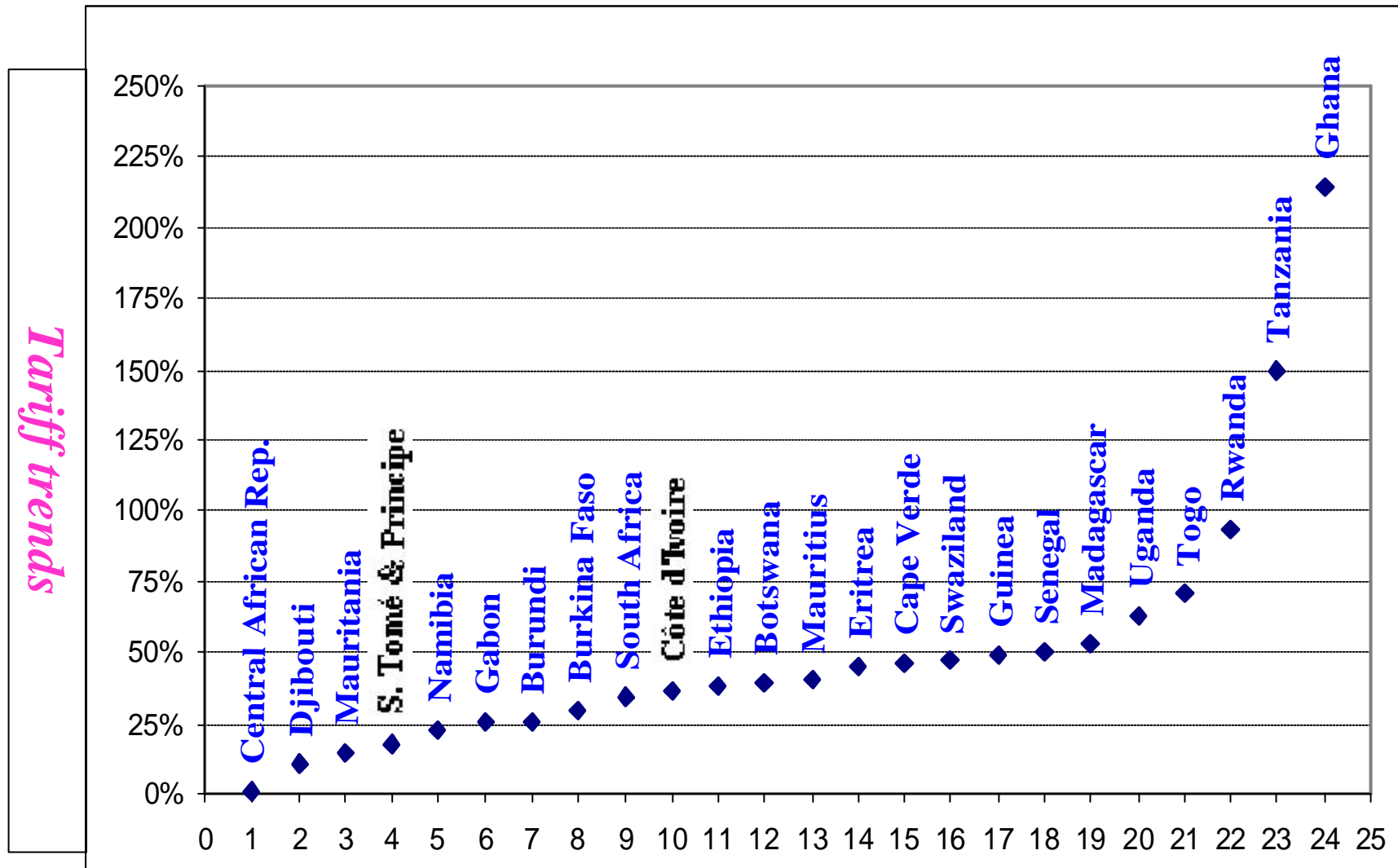
*Tariff trends*

- USO constraints maintains the domestic communications price low compared with their cost based normal level;
- The cost orientated tariffs are lower than the actual international outgoing tariffs;
- The interconnection rates are not cost based and do not take part of the transferred charges (Access Deficit) => subsidy from fixed to mobile on domestic communications, and from mobile to fixed on international communications.



# Telecom Investment as a % of Revenues

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Source: ITU World Telecommunication Indicators Database



## Conclusion

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*Tariff trends*

- The sector has proven to be profitable;
- The cost orientated return on equity can be increased to around 15% to 17% without real global price change;
- The investment level is still below its normal level compared with the average GDP => business opportunities;
- The interconnection rate calculation for fair competition is urgent in almost all the African countries