

## **Report to International Telecommunication Union (ITU) on Workshop on 'Price Caps and Interconnection' in Pakistan**

by Xu Yan, Department of Information and Systems Management  
Hong Kong University of Science and Technology

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In cooperation with the Pakistan Telecommunication Authority (PTA), a workshop on 'price caps and interconnection' was successfully held by the ITU in Islamabad, Pakistan, from 2-4 August 2001. Under the effective organization of Mr. William Withers, this workshop received overwhelming response from all participants coming from both regulatory and industrial sectors.

According to the program, I delivered three lectures on the subjects of "Universal Access and Domestic and International (Settlements) Interconnection", "Fixed-Mobile Interconnection Fees: (a) Components for Facilities (b) Costing of Interconnection – i.e. LRIC" and "Interconnection – Presentation on Fixed-mobile Interconnection – Issues and Options for Pakistan". These topics, which were suggested by Mr. William Withers, received great interests from all participants due to the fact that the incumbent and the mobile operators are currently settling interconnection under an interim arrangement that is due to expire in six months. Making a more reasonable interconnection arrangement is an urgent issue to be concerned by all parties, including the regulator.

The presentation introduced all necessary theoretical models of defining interconnection costs, including Fully Allocated Costs (FAC), Long Run Incremental Costs (LRIC) and Long Run Averaged Incremental Costs (LRAIC). The advantages and disadvantages of these models and considerations on choosing an appropriate model were highlighted in the presentation. Experiences in China, Finland and Hong Kong were introduced. I tried to emphasize that there is no single universal model or approach to be followed by all countries, and a best solution is to incorporate a specific model within the context of the market and services.

Based on information I obtained when preparing a case study for an ITU's workshop on mobile-fixed interconnection in September 2000, I highlighted the controversies that have occurred in Australia, China and India when these countries changed or planned to change the mobile services payment scheme from Receiving Party Pay (RPP) to Calling Party Pay (CPP). As Pakistan changed the payment scheme from RPP to CPP at the beginning of 2001, lessons and experiences from other countries is believed to be useful.

In the context that Pakistan might adopt LRAIC for its future interconnection settlement, I provided an overview of the future development trend of mobile communications, especially that in Asia-Pacific region. It provided the participants a big picture of the future dynamics of mobile communications, including potential alternative solutions for universal service and universal access.

One of the most exciting parts of this workshop is group discussion and presentation. This provided a good opportunity for interactive communications among presenters and participants. The mixture of participants with different professional backgrounds in the same group enabled members to understand concerns of each individual institution that each individual member represents, although they have to forget their identities as the whole group can only represent one of the three institutions and groups – the incumbent, the new entrant or the consumer. The outline which was suggested by Mr. William Withers and was prepared by the consultants provided an important framework to steer the discussion in an effective way.

Overall, according to feedback we have received, I believe this workshop is a marvelous success. It provided a channel for information exchange, a forum for discussing concerned issues and a think tank to identify challenges for future efforts, such as IP telephony, international settlement and mobile commerce. Importantly, it enhanced the understanding among all concerned parties, which might lead to more smooth settlement over such issues as interconnection in the future.