

# **Report**

## **Seminar on Economic & Market Analysis CEE Countries**

**9-11 September 2003  
Prague, Czech Republic**

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### **1. General**

The seminar was hosted by the Czech telecommunication agency.

### **2. Main Activities and Results**

Presentations by:

#### **2.1. Mr. Tanaka, TSB (ITU)**

- i. Economic Trends in Telecommunication Service Development in International and Regional Markets.
- ii. The Emergence of Competition in Telecommunication Markets for Voice Telephony.
- iii. Disparity in Termination Charges for Traffic Delivered over Mobile and Fixed Networks & Efforts of ITU in Addressing this Problem.

#### **2.2. Mr. Robert Shaw (ITU)**

- i. The Impact of New Technologies such as Broadband and VOIP on Telecommunication Markets.
- ii. Mobile Overtakes Fixed: What Happens Next?

#### **2.3. Ms. Ursula Harnischfeger, Germany**

- i. The Role of the Regulator in Respect of Encouraging Consumer Choice, Affordable & Quality Services, Encouraging Investment, Etc.
- ii. Incentives for Investment in Telecommunication Services in the EU and Eastern European Markets Outside of the EU.

#### **2.4. John Prince (BDT/ITU)**

- i. Quantitative Techniques for Analysis and Evaluation of logistics in Telecommunication.
- ii. Markets including Extent of Service Providers Market Power, Vertical & Horizontal Market Control, Development of Collective Dominance, Barriers to Entry and Price Elasticity.
- iii. Using Quantitative Techniques (COSITU) to Estimate Telecommunication Market Parameters, e.g. Cost of Fixed line and Mobile Services, Tariffs, Impact of Universal Service Obligation etc.

- iv. Estimating the Market Value of Spectrum for Commercial Use, in particular Spectrum for Mobile Telephony.
- v. Practical Application of an Analytical Tool, (COSITU) in Estimating Market Logistics.

## **2.5 CEE Administrations**

Situation and Developments in the Telecommunication Market In Their Respective Countries.

The Administrations that made presentations included: Albania, Bosnia Herzegovina, Bulgaria, Cyprus, Czech Republic, Hungary, Latvia, Lithuania, Macedonia, Poland, Romania, Serbia & Montenegro, Slovak Rep, Slovenia and Turkey.

## **3. Principal Problems**

The principal issues identified in the presentations/discussions are the following:

The telecom markets in CEE countries are in early stages of liberalization, placing these countries at a distinct disadvantage when compared to the maturity and continuously rapid developments in similar markets in the more developed EU member states. The critical areas of market-development weakness identified among the CEE countries are the following:

- I. A number of countries are yet to formulate and or enforce interconnect regulations that are consistent with EU specifications.
- II. Lack of statistical data and skill to undertake the market analyses identified in the presentations, that are important to accelerate the process of market maturity in CEE countries.
- III. Limitations in skill to formulate/apply appropriate costing methodology/ies to institute imperative tariff reforms, in particular estimating cost-oriented interconnect and domestic rates including tariff rebalancing.
- IV. Countries that have purchased COSITU, the ITU Software for the calculation of cost, tariffs and rates for telephone services, to undertake cost and tariff calculation for both the fixed and mobile network as well as to effect tariff rebalancing are having difficulty applying the software due mainly to problems of data manipulation necessary to populate COSITU.
- V. The effectiveness of Administrations to self-finance management and development initiatives in their telecommunication sectors has been compromised by the absence of a reliable technique for costing and pricing of licence fees for commercial spectrum. Thus, while the spectrum-pricing model presented by the BDT seems relatively easy to apply, a one-off exposure to the model did not provide enough training to resolve this problem.
- VI. The tools identified to enable a series of market analyses though relevant, need to be supplemented by case studies demonstrating their practical application.
- VII. There is an urgent need for a workshop to treat with the practical application of COSITU, the application of the spectrum pricing model and case studies on the application of market analysis tools.

## **4. Recommended Solutions**

A one-week workshop involving practical applications of the following:

- (a). Collection, collation and classification of data from assets and financial registers to establish cost ledgers along the lines required for input into COSITU.
- (b). Hands-on training on application of the COSITU software to estimate cost and tariff of both fixed-line and mobile services as well as tariff rebalancing and calculation of universal service costs.
- (c). Training module including case studies on the calculation of market sensitivity including risk.
- (d). Training on the detailed application of the spectrum costing and pricing model.

#### **6. Follow-Up Action**

- (i). Hold discussions with the relevant BDT personnel to consider the recommendations and, if necessary, explore the most cost-effective methods of implementation.
  - (ii). To facilitate in-depth understanding of the prerequisite theory for the application of quantitative market analysis, establish an electronic reflector to post training material on the basic, secondary and advanced quantitative imperatives for market analysis.
  - (iii). Continue to revise the model re: Methodologies for Valuing Commercial Spectrum.
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