

Regional seminar on costs and tariffs for the Member Countries of the TAL Group

Rio de Janeiro, Brazil – 2 and 3 May 2006

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FINAL REPORT ON THE SEMINAR

1 Introduction

The seminar was held as part of the implementation of BDT's Istanbul Action Plan, specifically Programme 4, "Economics and Finance, including Costs and Tariffs", in coordination with ITU-T Study Group 3 and the *Agência Nacional de Telecomunicações* [National Telecommunication Agency] (ANATEL) of Brazil. It was attended by 25 delegates from nine countries.

The event was organized for the countries of Latin America and the Caribbean, and national regulatory authorities and telecommunication network and service operators took part. It had three objectives:

- to present Member States with information on general trends in telecommunication development with reference to new technologies and the cost models used within the region;
- to serve as a forum for the exchange of opinions and points of view on policies, strategies and financial issues in regard to telecommunication services, as well as on regional initiatives;
- to identify practices commonly followed within the region, taking into account private-sector initiatives.

The seminar was followed by a meeting of the Regional Tariff Group for Latin America and the Caribbean (TAL).

2 Opening of the seminar

In attendance at the opening was Mr Luis Fernando Serra, Chief of ANATEL's International Bureau, who warmly welcomed all the delegates to the seminar and to Rio de Janeiro. He stressed that issues surrounding the definition of cost-based tariffs within the region were of critical importance, and that coordination among the countries is needed. Also present were the representative of ITU's Regional Office for the Americas, Mr Juan Zavattiero, and the representative of the TAL Group Chairman, Mr Facundo Fernández, who expressed his thanks to the organizers of the two important events and urged participants to work together to improve the situation of the countries of the region. Mr Vanderlei Campos, Vice-Chairman of the TAL Group and representative of ANATEL, was appointed to chair the seminar.

3 Results

Session on economic and financial aspects of next-generation networks (NGN)

This session was divided into four parts: definition and architecture of NGN; migration from conventional networks to NGN; services using NGN; advice for the implementation of a commercial plan for installing or migrating to NGN, including a cost-benefit analysis; and a discussion forum to enable countries to find out about the current situation of telecommunication operators in the participating countries.

The first part of the session focused primarily on providing a clear and specific explanation of the design and architecture of NGN, taking into account the outcome of the discussions held by ITU-T Study Group 13, which is working in this area. It also looked at the question of migration to NGN, with a presentation of different scenarios, both at the local level (network replacement beginning with the areas that are busiest or have the highest traffic volume) and at the nucleus level (replacement beginning with the main network centre in packet mode).

Discussion focused on the advantages and disadvantages of incumbent national operators in the implementation of new technologies, from the point of view of network familiarity, traffic, demand, quality of service (QoS), and so forth, as well as on the negotiation of access and interconnection tariffs at the national and international levels. Another key point in the discussion was how technology of this kind should be regulated. It was suggested that services and competition between operators should be regulated, rather than the technology itself. The relevant legislation should evolve in line with the development of the network.

With respect to services using new technologies such as NGN, it is important to standardize both the engineering regulations and the QoS to ensure that the customer receives a quality service whose price is matched by the level of quality. Various services that operators can use to enhance their revenues were presented.

During the discussion forum on current network status, not every country gave a presentation because some countries were represented by the regulatory authority, which was not familiar with the current situation of operators in that area.

It was determined that most of the countries are currently in the pre-NGN phase. Work has to start on planning the services whose provision is being considered and estimating the demand curve for the coming years before negotiations can be begun for the purchase of technology. Other relevant considerations are the type of usage licence that will apply in the future and the question of tariff regulation in regard both to interconnection and to customer tariffs. Work could now usefully begin on defining those aspects and taking appropriate measures to ensure that the environment is ready when the time comes to implement the technical migration.

Cost models in the region

In this part of the seminar, ANATEL gave a presentation on the cost and tariff calculation model now being used in Brazil. A brief description was given of the country's regulatory framework in regard to tariffs and the regulatory context in regard to costs. That was followed by a run-down of actions currently under way, with particular emphasis on the establishment of a cost model committee (CMC) which is working on the development of consultation mechanisms to serve telecommunication operators, an interface that operators can use to transmit information to the regulator in electronic form, and the elaboration of terms of reference for hiring three consultancy firms to validate the models to be adopted for fixed networks: top-down and construction of the bottom-up (efficient network) version and reconciliation. All these advances have been made in coordination with the country's telecommunication operators.

Following this presentation, the discussion forum was opened. Discussions focused on how to cost interconnection and access without affecting universal service. Some countries, Costa Rica among them, described their own experience. As part of the free-trade agreement being implemented in Central America, participating countries are obliged to use a cost model for tariff control purposes. The *Comisión de telecomunicaciones de Centroamérica* [Central American Telecommunication Commission] (COMTELCA) is endeavouring to help countries choose the appropriate cost model for the region and, if they have difficulty doing so, it could work to develop a model specifically for those countries. The aim is for the regulatory authorities and the fixed and mobile telecommunication operators to use the same model, so that efficient control of the tariff and interconnection system can be maintained. It was reported that ITU, through its regional office in Honduras, is organizing a COSITU workshop to be held towards the end of July 2006. In addition, a study of the economic and financial effects of the free-trade agreement and related cost models is being conducted in the region, and the findings will be presented at that workshop.

Outcome of WTDC-06 and the Doha Action Plan for BDT

This presentation centred on the outcome of the 2006 World Telecommunication Development Conference (WTDC-06) and the implementation of the BDT action plan for the period from 2007 to 2010, including the work of BDT's programmes, initiatives and study groups. Also discussed were regional initiatives for the Americas, and how BDT will endeavour to work within a regional and subregional framework in close coordination with administrations.

BDT database migration project

The webpage "ICT eye" provides a one-stop window for information on ICT, where one can find telecommunication and ICT indicators and statistics, characteristics of regulations and national policies, tariff policies, information on operators, information on financial institutions that may fund and invest in the development of telecommunications, information on scientific institutions that focus on telecommunication and ICT research and economic research tools. As soon as this database is published, BDT will circulate the information through the e-mail reflector (electronic distribution list) to all TAL members.

4 Items of work to be carried out; close of the seminar

Information on the cost model used by administrations: Bearing in mind that each country has its own specific needs in developing its own cost models, at the last meeting of the TAL Group it was decided to develop a document setting out common principles and basic guidelines according to the cost models adopted by the TAL Group administrations and taking into account the TAL cost model that had been adopted. Thus the TAL Group decided to continue with this study, in close coordination with BDT, with a view to preparing an information document on cost models that are being developed in the region. The study will be distributed to all members of the TAL Group, and the findings will be presented at the next seminar. The rapporteur group, led by Argentina, will compile the responses, taking into account the annual surveys conducted by BDT and additional information to be obtained from the other administrations.

International internet connectivity: The TAL Group, taking into account the contribution by Cuba (D3), accepted the proposal to establish a rapporteur group to study the costs borne by service providers in the region for an international internet connection, with a view to developing recommendations as to best practices (benchmarking) which could be useful in negotiations. Cuba and Brazil will lead the study, and the proposed terms of reference, programme and timetable will be circulated by means of the e-mail reflector.

It was also decided to request Study Group 3 to organize similar studies in other regions. Studies of internet traffic flow methodologies and international internet connectivity were recognized as very important activities.

IP telephony: The TAL Group took note of Delayed Contribution D.3 from Argentina which concerned the updating of activities relating to IP telephony carried on in Study Group 3 and in CITEL, and was the reference document to be considered in subsequent studies by the TAL Group. However, since not all participants had had enough time to study the document, members were asked to comment on it using the e-mail reflector.

The Chairman of the TAL Group expressed his thanks to BDT for the contribution it had made through the seminar on costs and tariffs, and asked that such a seminar be held every year. It was requested that among the topics to be covered the following year, the results of the study on common principles and basic guidelines be considered in accordance with the cost models applied by TAL Group administrations.
