



Regional Seminar on Costs and Tariffs for TAL Group member countries

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FINAL REPORT OF THE SEMINAR

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1. Introduction

Within the framework of the implementation of BDT's Doha Action Plan (DAP), and specifically Programme 4 "Economics and financing, including cost and tariffs" thereof, in the part concerning coordination within ITU, both the Regional Seminar on Costs and Tariffs for TAL Group member countries and the Meeting of the Tariff Group for Latin America and the Caribbean (TAL) were organized in coordination with ITU-T Study Group 3 and the Ministry of Public Administration and Information of Trinidad and Tobago. The events were attended by 46 delegates from 19 Latin American and Caribbean countries.

The opening meeting was attended by a representative of the Tobago House of Assembly, Assemblyman Frank Roberts, who, after warmly greeting the delegates, emphasized the importance of the regional group's work.

Mr Juan Zavattiero, Head of the ITU Americas Regional Office, welcomes the participants on behalf of the ITU Authorities and thanked the important support provided by the Ministry of Public Administration of Trinidad & Tobago for hosting this Seminar and the TAL Group Meeting.

Mr Facundo Fernández Begni, Chairman of the TAL Group, expressed thanks to the organizers of the two important events and encouraged participants to work together on developing common approaches for the region which could subsequently be presented to Study Group 3 in particular and to ITU in general. Mr Cleveland Thomas and Ms Cynthia Reddock-Downes, both from the Ministry of Public Administration of Trinidad and Tobago, were designated Chairmen of the Seminar.

2. Results

The seminar divided into two parts, the first of which consisted in a series of presentations organized in coordination with the work of the TAL Group and relating in all cases to the activities and objectives of Programme 4 "Economics and financing, including cost and tariffs". A brief summary of the results of each session is given below. In the second part of the seminar, each country gave a presentation relating to its strategies for implementing cost models.

Session 1: Effective deployment of broadband access and convergence

A brief description was given of the new broadband technologies and convergence, and of the new business models associated with such convergence. With regard to the regional situation specific to Latin America, a comparative analysis was made with respect to the most developed countries from three main standpoints:

- Deployment of the technologies – current status and trends.
- Description of the main regulatory factors fostering or holding back broadband development.
- Situation of the markets.

Details were also provided of the region's situation vis-à-vis the rest of the world in terms of the technologies deployed by country (xDSL, WiMax, 3G, etc.), commercial conditions, prices, and so on.

The Caribbean region requested that it be the subject of a similar study, and was informed that this would be organized within the framework of the activities of the Regional Office for the Americas and regional initiatives.

Session 2: Developments in European electronic communication markets

This session looked at the changes that are taking place in the European electronic communication market, for example quadruple play. The presentation showed how European regulatory authorities are working on market and convergence

issues and the introduction of NGN. With many operators moving to next-generation upgrades at the heart of their core networks, the focus is on determining the implications, necessary regulatory framework and interconnection policies.

Session 3: European regulatory framework

Within the context of the United Kingdom's competition legislation, the telecommunication market was distorted by BT's dominance, with the result that OFCOM, the regulatory body, suggested to BT that it separate its access network functionality from the rest of its business. This resulted in the creation of a new commercial segment which distributes wholesale services (LLU) to all operators including BT. A presentation was given of the way in which this change was effected and of how things are now being done, including the various advantages and drawbacks.

Session 4: Costing of services on converged networks

During this presentation, the discussion focused on the new regulatory challenges that are posed by services on converged networks. A presentation was made on the move from current network to converged network technology.

Session 5: The impact of telecom liberalization

Tariff regulation in Trinidad and Tobago was discussed, with emphasis on the main phases involved in establishing a regulatory framework and, above all, defining its objectives.

The telecommunication sector digital access (DAI) and digital opportunity (DOI) indices, measured at the national and community levels, were presented, as were the main challenges facing the administration in terms of the differences between legislation and regulation, resource constraints, information asymmetry and implementation of the regulatory framework in the areas of prices, quality of service and interconnection agreements.

Session 6: Cost and tariff model

A progress report was presented on the COSITU upgrade project and ITU's strategy for implementing the upgrade. Given that, in practice, operators and regulators in the countries of the various regions use a variety of cost models, ITU has proposed the development of a hybrid/complementary and flexible model which can be tailored, if possible, to the environment of each country and each organization such as to satisfy the needs and objectives of ITU's membership in terms of tariff and rate calculation. For this reason, the model proposed is one in which the user selects the model's characteristics on the basis of the objectives for which it is to be used, the different dimensions to be considered by the cost models and the need for and availability of information. The idea is to expand the COSITU model into other dimensions, including a broader range of cost models (not only FDC) and application of the model to new services such as SMS, roaming, Internet and broadband access, among others. Finally, with the aim of optimizing the existing models, account has been taken of a number of existing models developed by major organizations at the global level. It is hoped that comments and contributions will be received from current and potential users of this tool in the interests of further refining the model currently under development.

Session 7: Efficient operator/network: methodologies, modelling and application for tariff regulation

This presentation analysed the concept of efficient operator for the purposes of tariff regulation, having regard to the methodologies used in modelling of the efficient operator. By way of examples, the results of the recent application of models in Chile, Venezuela and Colombia were presented.

Session 8: Regulatory costs in small countries

There was discussion on the different approaches that can be taken to the modelling of mobile termination rates (MTR), having regard to bottom-up cost modelling (BUCM) and benchmarking. The case of the Cayman Islands was presented since it illustrates the special situation of small economies in general.

Session 9: An overview of price caps in the Jamaican telecom market

During this session, participants discussed regulation in Jamaica, and application of the regulations through price-cap arrangements was highlighted. This presentation corresponds to the TAL Group's requirements. Key considerations in this regard are the data necessary for implementing a regulatory process based on price-capping and the approaches used in this country for estimating the X factor.

3. Discussion of the strategies pursued by the attending countries in implementing cost models

Each country/organization presented the current situation with regard to the strategies pursued by regulatory bodies in managing their tariff policies. The results of this discussion panel are summarized in the following table.

Discussion of the strategies pursued by the attending countries in implementing cost models

Country	Regulatory situation and data-gathering	Cost models implemented
Argentina CNC	<i>Regulations being studied with a view to updating. In force since 1996. Price cap until 2000. The RNI established long-run incremental costs for determining reference values for essential facilities. The reference values are currently set by means of a basket of international prices for essential facilities.</i>	<i>A work team is being organized to study a cost and data-gathering model.</i>
Aruba	<i>Where the retail price is concerned the market is regulated by competition. Where wholesale prices are concerned an adviser is being sought to help with setting up a framework appropriate to the country's situation.</i>	<i>No cost model for tariff calculation.</i>
Belize	<i>Under the Telecommunications Act of 2002 there is a list of rules and obligations to be followed by operators, including conditions for operator licensing.</i>	<i>The Regulatory Authority developed its own model using historical costs and following ITU recommendations. With the new technologies it is having difficulties in moving to a new version with this model, but is already looking ahead to IP-based arrangements.</i>
Chile	<i>Operators are required to submit a tariff proposal for regulatory purposes, this being the norm in cases of dominance.</i>	<i>The regulator has had an efficient operator model for 15 years.</i>
Colombia CRT	<i>The general regulatory framework is set out in Resolution 087 of 1997, under which operators are required to provide information to the regulator.</i>	<i>There are three cost models for fixed, mobile and local networks. Based on long-run incremental costs, they were developed by external consultants in close coordination with a CRT committee of engineers and economists.</i>
Cuba Ministry of Computer Science and Communications (MIC)	<i>The operator submits a schedule of tariffs to MIC for authorization. There is a decree requiring the operator to provide such information. The interconnection rates between national operators are set by mutual agreement, with the regulator intervening in cases of dispute.</i>	<i>ETECSA is currently using its own model (provided by the Italian owners of part of ETECSA).</i>
El Salvador SIGET	<i>CAFTA requires there to be a cost model, thereby obliging operators to be aware of the importance of this aspect and make every effort to provide information.</i>	<i>Efforts are being made to implement COSITU, but there are problems on the data-gathering side.</i>
Honduras CONATEL	<i>As in other countries of Central America, CAFTA requires the implementation of a cost-based tariff model.</i>	<i>CONATEL has introduced a price-cap arrangement. Efforts were made to use COSITU, but the work coincided with the year-end closure and the operators failed to provide the necessary data.</i>
Netherlands Antilles Bureau of Telecommunication	<i>Operators do not provide the information necessary for interconnection.</i>	<i>They have their own model, and in case of dispute the parties must first attempt to resolve the matter among themselves. If unsuccessful, they must then go through the regulator.</i>
Nicaragua TELCOR	<i>Regulations are being established under which operators will be required to submit data.</i>	<i>There is no cost model, and a price-cap mechanism is currently used. COSITU was successfully implemented and used for calculating tariffs; however, the change of government has brought with it many changes in the regulator, and for the time being the work that was in progress has been frozen.</i>

Country	Regulatory situation and data-gathering	Cost models implemented
Paraguay COPACO S.A.	<i>The basic telephony service is governed by the maximum price system. For calculating costs and interconnection, the regulations specify the long-run incremental cost methodology.</i>	<i>There is no own cost model, and a regulated price-cap mechanism is used for setting tariffs. A work team has been put together and trained on COSITU. There is interest in obtaining assistance for the implementation of this program.</i>
Panama National Public Services Authority	<i>Neither prices nor technology are regulated, only services. Under the regulations, operators are required to provide data, subject to a fine for non-compliance.</i>	<i>There is one fixed-network model and one mobile-network model, both of which stipulate the obligations, compliance with which is monitored. Within this model, there is a move to change from minutes to packets.</i>
Suriname TELESUR	<i>Under the 2007 Telecommunications Act, operators are required to submit data to the regulator.</i>	<i>There is a cost model which was prepared by a consultancy firm and subsequently modified by other experts when found to be lacking in flexibility. Another model is being sought owing to the absence of data specific to the operators' networks. There is interest in an LRIC-based model. COSITU has been used in the past for comparing results, and there is interest in using the new version of the model with ITU support.</i>
Trinidad and Tobago Ministry of Public Administration	<i>Studies are under way for the implementation of a tariff policy with price-cap arrangements.</i>	<i>Consultations are under way for the development of a top-down model with incremental costs, in the knowledge that this is a time-consuming process. Consideration is being given to the possibility of using the new version of COSITU.</i>
Venezuela CANTV	<i>The regulatory authority conducted an efficient operator study. The regulator will use this model only in cases of dispute.</i>	<i>CANTV has a fully-distributed ABC cost model, is producing a benchmark and is interested in LRIC.</i>
Eastern Caribbean ECTEL Saint Vincent and the Grenadines	<i>The Telecommunications (Interconnection) Regulations require that, interconnection rates should be cost-based. There is a price cap on tariffs that are not subject to competition.</i>	<i>LRIC models are being developed for fixed and mobile interconnection rates.</i>

4. ITU follow-up of regional activities and conclusion

During the course of the TAL Group meeting the following requests and undertakings were made further to the discussion on the examination and application of cost models in the region:

1. BDT was requested to add a question specifically aimed at those organizations that have never used the model, namely: why do you not use it?
2. All attending administrations were asked to respond to the questionnaire on COSITU, which had been distributed via the reflector group as Document 46, before the end of the meeting.
3. BDT will produce a compilation of the responses and present it through the reflector group together with the responses received from other parts of the world, separated by region. The TAL Group members will be invited to submit their comments.
4. With this, BDT will set to work on drawing up a contribution for presentation to ITU-T Study Group 3.

All of the presentations and results, together with the list of participants in this seminar, may be found on the ITU website at: www.itu.int/itu-d/finance.

The Chairman of the TAL Group requested that the title of the seminar be changed, and proposed the alternative title "Seminar on the economic and financial aspects of telecommunications".

He also stressed the importance of BDT's work in the region, particularly the development of the COSITU model presented during the seminar by the representative of BDT and discussed under item 8 of the TAL Group agenda, and the studies being pursued on regulatory accounting and the associated case studies.

The Chairman of the TAL Group expressed thanks to BDT for its contribution through the seminar on costs and tariffs. He requested that the event take place on an annual basis and that the present collaboration be maintained.