

Q. 12/1 Tariff policies, tariff models and methods of determining the costs of national telecommunication services

1 Statement of the problem or situation

The level and structure of telecommunication tariffs have an important role to play in at least creating internally generated funds which in most cases is ploughed back towards the development programme and also used in meeting recurrent expenditure requirements of telecommunication entities. The tariffs can also promote efficient use of the network and services, enhance universal service provision and generate multiplier effects in the rest of the economy as telecommunications is both a traded service and facilitator of economic development. The role of tariffs would be enhanced by various countries putting into place appropriate and suitable telecommunication tariffs.

The trends and development in the telecommunications environment have important repercussions for telecommunication tariffs. In fact, the gradual opening up to competition of the telecommunication sector will oblige incumbent operators to develop tariff policies which take greater account of the actual costs of providing telecommunication services at both the national and international levels.

The pressure for efficient and cost-orientated tariffing has become a prerequisite for enhancing the role of telecommunication tariffs on a sustainable basis.

Most developing countries lack adequate experience and skills in formulating efficient and cost-orientated tariffing to enable them to benefit fully from telecommunication tariff policies, strategies and practices.

Developing countries need assistance in formulating efficient and cost-orientated tariff levels and structure for terrestrial-, space- and submarine-based telecommunication services including accounting and settlement rates, transit fees and interconnection charges.

They will need methods and tools for determining and calculating costs, in the context of the stage-by-stage implementation of analytical accounting systems similar to those developed by operators in the industrialized countries.

The use of these tools should be supplemented by an analysis of tariff models in order to assess the conditions in which implementation of a tariff restructuring and rebalancing policy might be both desirable and feasible

2 Question or issue proposed for study

Having regard to the outcome of the second ITU World Telecommunication Policy Forum (Geneva, 16-18 March) and to the work of ITU-T Study Group 3 and its Regional Tariff Groups, the study group should:

- 1) Consider the general evolution of tariff structures in countries which have implemented a policy for rebalancing their telecommunication tariffs, following a preliminary analysis to be carried out by the BDT on the subject.
- 2) Develop a database on costs and tariffs in developed and developing countries.
- 3) Identify the principal methods of determining and calculating the costs of telecommunication services, taking into account work already carried out by ITU-T, ITU-D and Regional Tariff Groups.
- 4) Identify, collate and/or develop suitable costing and tariffing models for applying cost-oriented telecommunication tariffs in developing countries, taking into account the evolution of the regulatory framework and certain economic, financial and social constraints, and ensuring the provision of universal services.
- 5) Develop necessary policies and regulations required for ensuring cost-oriented tariffs for national and international telecommunication services.

- 6) Prepare appropriate guidelines and recommendations in implementing cost-oriented tariffing of various telecommunication services.

3 Expected output

- 1) Policy and regulation document on efficient and cost-orientated tariffing of telecommunication services.
- 2) Guidelines and recommendations on efficiency and costing considerations for formulating levels and structure of telecommunication tariffs.
- 3) Tariffing and costing models for use in formulating efficient and cost-orientated telecommunication tariff levels and structure.
- 4) Comparative tariffing and costing models for a developed country and a developing country.

4 Required timing of the expected output

End 1999 or middle 2000.

5 Proposers/sponsors of the question or issue

This Question is one of the results of the Study Question 4/1 during the study period 1994-1998, combined with a proposal from Kenya.

6 Sources of inputs required in carrying out the study

- Member States.
- Sector Members.
- Regional Organizations.
- ITU Sectors.

7 Target audience for the output

	Developed countries	Developing countries	LDCs
Telecom policy makers	*	*	*
Telecom regulators	*	*	*
Service providers (operators)	*	*	*
Manufacturers	*	*	*

The output will be particularly useful for service providers, telecom regulators and telecom policy makers.

The implementation of the results should be through a number of channels including information dissemination, seminars, workshops, conferences, etc.

8 Proposed method of handling this Question

Within a study group for items 1), 3), 4) and 5); Expert Group within BDT activities for items 2) and 3).

9 Liaison and coordination

To secure the required coordination, there should be close liaison with ITU-T Study Group 3 and its regional tariff groups, as well as with other international or regional organizations concerned with the study of problems relating to tariffs for telecommunication services.