

Managing Risk in the Competitive Environment of the Telecommunication Sector

Report on the Expert Dialogues Meeting that took place
in Geneva, Switzerland
28-29 October 2004

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The Expert Dialogues Meeting on Managing Risk in the Competitive Environment of the Telecommunication Sector that took place in Geneva from 28 to 29 October 2004 gathered 24 experts from 14 countries¹. Representatives of telecommunication operators², regulators³, ministries⁴, scientific institutions (8)⁵, INTUG and ITU took part in the meeting. The meeting was brought to a close with a panel discussion drawing attention to the most important problems in the field of risk management in the telecommunication sector as well as future activities in this field.

The expert dialogues meeting was organized within the framework of Action 6528 (Analysis of Tools and Models to Conduct Economic Forecasts, Simulations and Sensitivity Analyses) under Programme 4, Economics and Finance, including Costs and Tariffs, of the Istanbul Action Plan.

The purpose of the meeting was

- 1) to review risk management methods being applied in the telecommunication sector,
- 2) to review available tools supporting decision making in the telecommunication sector,
- 3) to demonstrate case studies,
- 4) to identify areas where improved risk management can enhance the performance of the telecommunication sector,
- 5) to encourage discussion on particular needs in terms of the ability to manage risk in telecommunications and the ability to incorporate risk related components into decision making processes,
- 6) to create a forum of experts specialized in risk management, focusing on ICT.

The meeting was officially opened by Mr Pierre Gagné, Deputy Director & Chief, Field Operations, BDT, ITU and Mr Pape G. Touré, Chief of Policies, Strategies and Financing Department (PSF/BDT).

¹ USA, UK, Hungary, France, Germany, Poland, Greece, Canada, Serbia and Montenegro, Italy, Turkey, Lithuania, Belgium, Bulgaria.

² France Telecom, British Telecom, German Telecom, Polish Telecom, Telecom Serbia, Telenor Networks

³ Lithuanian Communications Regulatory Authority, Bulgarian Communications Regulation Commission

⁴ Italian Ministry of Communications

⁵ Centre for Study of Regulatory Economics and Finance, Colorado University, Temple University, University of Athens

Key points highlighted during the dialogues:

- There is still too little attention paid to risk related issues by private as well as public telecommunication sector stakeholders.
- There is a need to incorporate risk related issues into regulators' decision-making processes. From this perspective, assistance from ITU leading to a better understanding of risk management would be very valuable.
- More in-depth investigation of risk management issues could lead to the creation of more complex techno-economic tools that support decision-making processes to conduct risk evaluations for telecommunication investment projects for the next generation of mobile networks and services.
- As risk analysis is a critical issue for telecom investment projects, enhanced cooperation on the international level in the form of research projects could have very valuable effects. Promotion and dissemination of existing research projects and their results would be an advantage for all parties involved
- Systems optimization, decision tree analysis, game theory, sensitivity analysis and real options analysis are tools used by decision makers to evaluate and measure the risk in telecommunication investment projects. Their incorporation into future ITU analysis of investment projects in developing countries as well as transition economies might be valuable.
- Lack of knowledge on existing risk factors influencing the performance of telecommunication sector stakeholders requires deeper investigation. ITU activities in this field such as gathering information from stakeholders - e.g. surveys - could be very valuable. An investigation into tools used in risk management should be considered.
- There is still a need in terms of dissemination of information, research results, and best practices in risk management. From this point of view the following should be taken into consideration in terms of future activities:
 - creation of sector-oriented discussion fora,
 - foundation of exchange platforms,
 - promotion of international research projects,
 - preparation of specialised publications supervised by ITU. A follow-up conference on “Managing Risk in the Competitive Environment of the Telecommunication Sector” could be considered.

In concluding the discussions, it was recognized that the approaches presented during the meeting were more oriented to developed countries, which are more stable and have better data resources than developing countries. More research should be done in order to present risk analysis methodologies and case studies for developing countries, taking into account issues related to country socio-economic situations, regulatory constraints, limited resources, offer/demand aspects, universal service obligations (USO), lack of data, etc.

The closing ceremony was led by Mr. Pape Touré, who acknowledged the high level of the dialogues and emphasised the role of ITU in assisting countries in the development of telecommunications and ICT. He said that this can only be achieved with very close collaboration between ITU and telecommunication administrations/regulators, working hand-in-hand with operators and the private sector, as well as scientific institutions.