Regional Seminar on Costs and Tariffs for TAF Group Member Countries

BANJUL,GAMBIA 7-8 MAY 2007

International Telecommunication Union/Union Internationale de telecommunications

Tariff policy feedback from countries - an African perspective / Retroaction sur les politiques tarifaires – perspective Africaine

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Tariff policy tracking : ITU INITIATIVES

- SURVEY MECHANISM A KEY FEATURE TO COLLECT AND COORDINATE DETAILED COUNTRY LEVEL DATA

OUTLINE OF SURVEY

TARIFF SURVEYS CONDUCTED BY ITU ARE DETAILED AND SEEK TO ELICIT INFORMATION ON A NUMBER OF KEY PARAMETERS

OBJECTIVE : To track and show trends in the application of Tariff Policies related to pricing, cost/tariff models, analytical accounting, interconnection charges, management of universal service and price control in different countries.

Data is provided annually by Telecommunication Regulatory Authorities and Network Operators. This reflects the situation of the organization at the date the questionnaire is completed.

PARAMETERS STUDIED

- COST AND Tariff models
- Universal policy framework

Brief overview of Tariff issues-Africa PRICE SETTING

1. Set by the State	2001	18.75 %
	2002	17.39 %
	2003	22.22 %
	2004	16.67 %
	2005	13.04 %
2. On the basis of revenue requirements, having regard to company overheads	2001	50.00 %
	2002	52.17 %
	2003	55.56 %
	2004	33.33 %
	2005	47.83 %
3. On the basis of the individual production costs of each service	2001	37.50 %
	2002	52.17 %
	2003	33.33 %
	2004	33.33 %
	2005	56.52 %
4. Benchmarking of Tariffs	2001	0.00 %
	2002	0.00 %
	2003	0.00 %
	2004	33.33 %
	2005	52.17 %

TYPE OF COST MODEL

1. Cost model developed by the company itself	2001	46.67 %
	2002	63.64 %
	2003	44.44 %
	2004	57.14 %
	2005	39.13 %
2. Cost model acquired on the market	2001	6.67 %
	2002	4.55 %
	2003	0.00 %
	2004	0.00 %
	2005	13.04 %
3. Cost model of a regional organization	2001	0.00 %
	2002	0.00 %
	2003	0.00 %
	2004	0.00 %
	2005	4.35 %
4. ITU cost model	2001	13.33 %
	2002	13.64 %
	2003	22.22 %
	2004	28.57 %
	2005	17.39 %

. Cost model of an international organization other than ITU	2001	0.00 %
	2002	0.00 %
	2003	11.11 %
	2004	0.00 %
	2005	4.35 %
. None	2001	33.33 %
	2002	18.18 %
	2003	22.22 %
	2004	14.29 %
	2005	21.74 %

TYPE OF COST MODELS USED

. Historical costs	2001	68.75 %
	2002	45.83 %
	2003	0.00 %
	2004	57.14 %
	2005	69.57 %
. Current costs	2001	12.50 %
	2002	45.83 %
	2003	0.00 %
	2004	28.57 %
	2005	30.43 %
. Long-run market-based benchmark costs	2001	6.25 %
	2002	12.50 %
	2003	0.00 %
	2004	14.29 %
	2005	21.74 %
. Long-run incremental costs (LRIC)	2001	0.00 %
	2002	0.00 %
	2003	0.00 %
	2004	0.00 %
	2005	0.00 %

Basis of costing for tariffs

. Fully distributed costs (FDC)	2001	69.23 %
	2002	62.50 %
	2003	62.50 %
	2004	66.67 %
	2005	47.62 %
:. Incremental costs (IC)	2001	0.00 %
	2002	8.33 %
	2003	25.00 %
	2004	33.33 %
	2005	19.05 %

FINANCING ISSUES IN RESPECT OF UNIVERSL SERVICE

. Cross-subsidies between international and national services	2001	92.86 %
	2002	63.16 %
	2003	62.50 %
	2004	85.71 %
	2005	56.25 %

EMERGING AREAS FOR POLICY – VoIP

- Role of incumbent operator

1. Permit interconnection with an IP provider	2001	0.00 %
	2002	42.11 %
	2003	42.86 %
	2004	20.00 %
	2005	36.84 %
2. The incumbent operator is the only entity authorized to provide IP	2001	0.00 %
	2002	31.58 %
	2003	14.29 %
	2004	40.00 %
	2005	42.11 %

Policy towards VoIP

- Regulatory policy

4. No regulatory arrangements defined at present	2001	0.00 %	0/0
	2002	42.86 %	9/21
	2003	71.43 %	5/7
	2004	100.00	4/4
	2005	72.22 %	13/18

FEEDBACK ON TARIFF LEVELS

(IN US$)	2002	2005
Connection fee Residence -fixed	52	53
Monthly/ mensuel –fixed	4.3	5.2
Connection charge-mobile	28.32	14.78 (AUG 2006)
Per minute call-mobile	0.25	0.26 (AUG 2006)

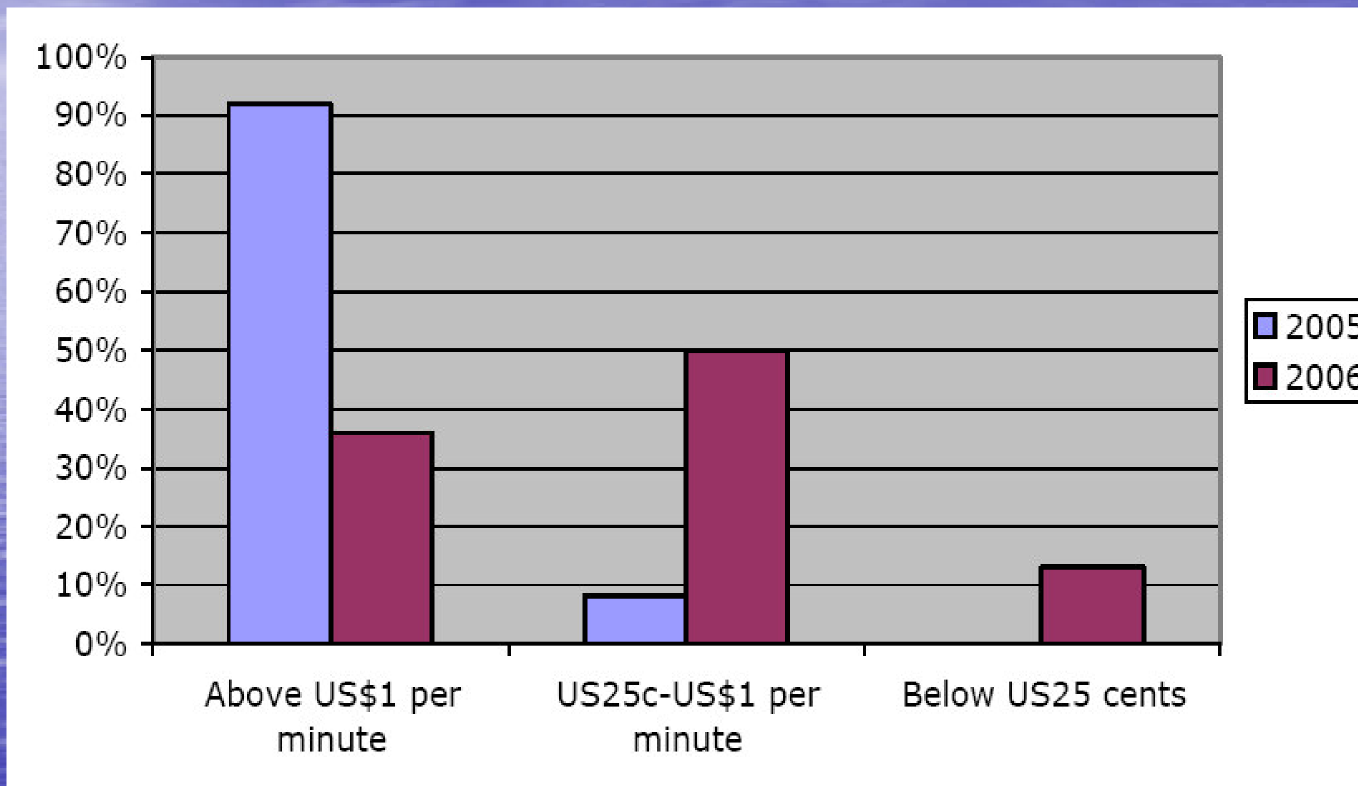
INTERNET TARIFFS

- Interesting trend
- For 20 hours of use
- In 2002- USD 60.09
- In 2006(March)USD 47.09

Implications for Revenue

	Total US$(million)	%Mobile revenues
WORLD	1 287 088,4	38.3
AFRICA	37 604,2	64,6
AMERICAS	39 088,4	32,7
ASIA	381 550,1	47,1
EUROPE	446 718,6	37,7
OCEANIA	30 335,2	27,3

International retail rates in Africa
Source: http://www.itu.int/osg/spu/ni/voice/papers/FoV-Africa-Southwood-draft.pdf



Implications for revenues : Source: http://www.itu.int/osg/spu/ni/voice/papers/FoV-Africa-Southwood-draft.pdf

ox 3.1: Examples of Grey Market revenues as a % of overall international call revenue

Overall average	20-30%
Cameroon	30%
Lesotho	17%
Sierra Leone	47%
Equatorial Guinea	20%

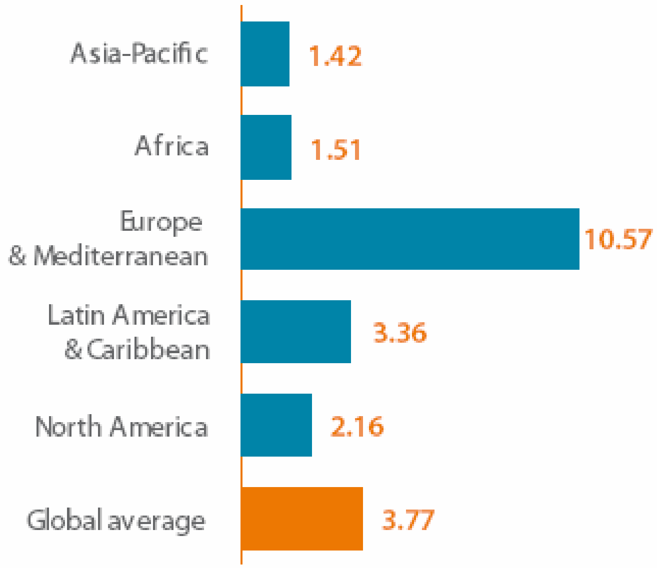
ote: Incumbent and Balancing Act estimates

International fixed and mobile call termination rates in different world regions, 2006

Termination rates in US cents per minute

Region	Average fixed rate	Average mobile rate
Asia-Pacific	11.69	16.58
Africa	13.62	20.57
Europe & Mediterranean	3.11	32.86
Latin America & Caribbean	4.88	16.43
North America	2.81	6.07
Global average	5.77	21.76

Ratio between fixed and mobile call termination rates



Note: The regions used in this analysis refer to the ITU regional tariff groups (TAS, TAF, TEUREM and TAL) and do not correspond precisely to those used for analysis elsewhere in the report. The "North America" region is not a regional tariff group, and this includes also jurisdictions and carriers regulated in North America.

Source: ITU-T Study Group 3 research, based on January 2006 questionnaire of ITU Member States

Insights from analysis

- Tariff and revenue issues key to investment generation
- Linked to balanced and targeted policies of tariff policies
- Need to align future investment and financing policies with trends observed and targets sought to be achieved

Way ahead

- Tariff policies need to be seen in alignment with market trends
- Cost orientation of tariffs and its regulatory implications to be shaped by competition conditions
- Accessibility and affordability still a key factor

ENCOURAGING FINANCING AND INVESTMENT

- Thinking ahead- impact of VoIP
- Protecting consumer interests and choices
- Providing operators an enabling environment

THANK YOU

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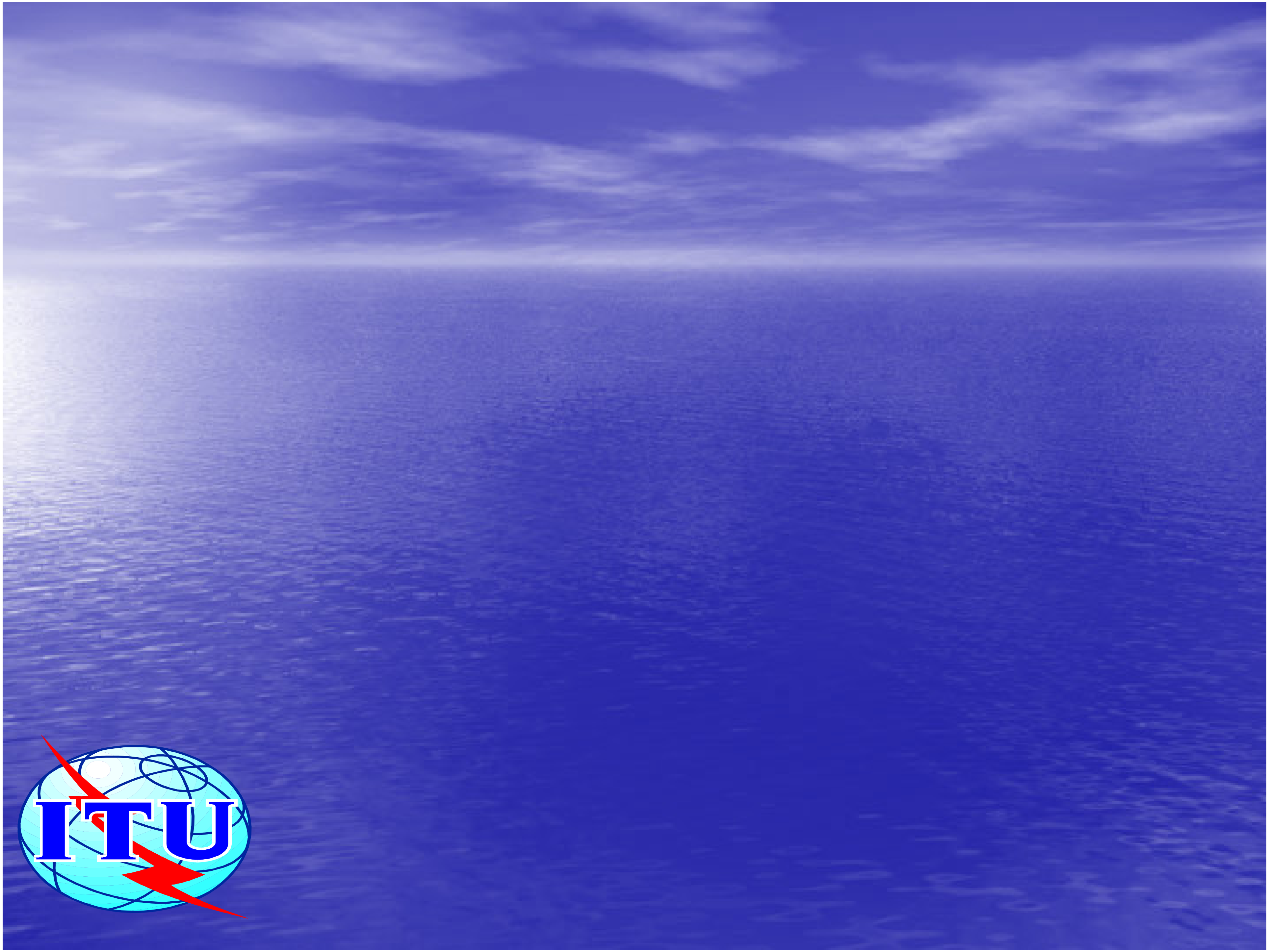
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