

**Regional Seminar On Costs and Tariffs of
Telecommunication services**

Tariff and Interconnection in Viet Nam

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- **Part 2: Tariff regime in Viet Nam**
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Part I:

Viet Nam Telecommunications Overview

I. Vietnam Telecommunications Overview

1. Legal Frame work

- Post and Telecoms Ordinance 2002 and Telecoms Decree 160/2004/ND classified Telecoms Operators in two categories:

+ FBO (Facility Base Operator)

+ SBO (Service Base Operator)

I. Vietnam Telecommunications Overview

2. Market liberalization history

- ***In 1997 : Start opening the Telecoms market by First Internet licensing***
 - 1 Internet IXP
 - 5 ISP
- ***In 2000: VoIP licensing***
 - 4 VoIP Operators for both Domestic and International
- ***In 2003: Mobile licensing***
 - 03 Mobile operators

I. Vietnam Telecommunications Overview

2. Market liberalization history (Cont.)

- *In 2003: Fully opening market for domestic competition*
- *6/2007*
 - 08 Nation-wide fixed local operators;
 - 6 Nation-wide mobile operators;
 - 08 National and International long-distance operators;
 - 6 IXPs and over 30 ISPs

I. Vietnam Telecommunications Overview

■ Telecommunication development

- *Remarkable achievement in 2006*: The first time in the history of development of Telecommunication market in Vietnam, more than 10 mill new telephone sub added in to the network. By the end of 2006:
 - + Total Number of telephone sub reaching 27.5 million subscribers (new telephone subscribers: 11.68 million).
 - + Telephone density: 32.57 per 100 inhabitant.
 - + Number of Internet subscribers: 4.06 million
 - + Internet user density: 17.67%.
 - + 100% of villages in Vietnam having telephone services.

Part 2:

Tariff regime In Viet Nam

II. Tariff regime in Viet Nam

1. Background

■ *Before 1998:*

- Monopoly Market
- Telecoms services in small of scope of service and coverage areas
- Telecoms service tariffs were strictly under control of The Government

II. Tariff regime in Viet Nam

1. Background (Cont)

■ 1998 -2002:

Market remark with entry of newcomer operators

- Tariff still regulated with mechanism of Monopoly Market.
- PM decide: tariffs of under 20 gram postal mail service, PSTN local call.
- DGPT decides:
 - + Tariffs of almost services: International, Long distance, mobile, leased line circuit, Internet etc...
 - + Interconnection charge required

II. Tariff regime in Viet Nam

1. Background (Cont.)

■ *Issues for tariff regulation:*

- Tariff system still were in back not go in line with the development of Market
- + Tariff not base on cost
- + Interconnection charge still based on sharing revenue.
- + High leased line tariff
- + Tariff unbalancing
 - . Between long-distance and local call.
 - . Between domestic and international services.
- + Cross-subsidized tariff system
- + High price of long-distance and mobile services
 - Requirement for change of Tariff Regulation regime to go in line with market mechanism

II. Tariff regime in Viet Nam

2. Tariff management mechanism from 2003 – up to present.

By Oct 2003 Prime Minister issued a Decision 217/2003/QD-TTg on tariff management mechanism for Posts and Telecoms service.

- Principles of the new tariff management mechanism.
 - Government respect the own right of operator in providing telecoms services.
 - Non-Discrimination in providing telecoms services among telecoms operators.
 - To ensure that the operators having significant market power (SMP) does not abuse its dominant position
 - Cost-oriented tariff management.
 - To ensure the telecoms development in remote, rural areas.
 - Develop the Interconnection charge system based on cost, under non-discrimination terms

II. Tariff regime in Viet Nam

- **Radical change in the tariff regulation Regime, from the monopoly mechanism to the market one**
- **Strong Deregulation system**
 - + **State only control the retail tariff of SMP**
 - + **All others operators are deciding their own retail tariff base on market mechanism**

II. Tariff regime in Viet Nam

- **SMP : Significal Market Power Operator that are:**
 - **Having market share of more than 30% of the market**
 - **having the influence to the market entry of other operators**

II. Tariff regime in Viet Nam

- MPT annually issues the list of operators under SMP regime

- Services and operators are belonging to the list of SMP should submit proposal for their change the retail tariff to MPT for approval before they had made decision.
- All operators should register cost of service twice a year and have their own right to issue the tariff decisions in the condition that they must submit the cost calculation to MPT twice a year.

II. Tariff regime in Viet Nam

3. Market effect

- Enhance competitive environment
- Retail tariff reduce strongly with services having more competition (such: Mobile, Long distance, VoIP services, International services, Leased line services
- Strong Tariff rebalancing process :
 - + Mobile retail tariff: from 03 regions to only one region fast subscribers grow rate.
 - + Long distance call: from 08 distance areas reduce 05 and 03 ones more reasonable price for users traffic volume increasing
 - + Long distance leased line circuit also restructuring go in line with the change of Long distance call services
- With the proper new regulation regime, especially in the retail tariff regulation having great impact to the development of the Telecommunication market In Vietnam. It had observed of 1.5 Mill subscribers grow in 2003 , 3.0 mill in 2004, 4.5 mill in 2005 and more than 11 mill in 2006 .

II. Tariff regime in Viet Nam

- By March 2007 PM issued new Decision for tariff regulation of Posts and Telecoms services.
- Main changes in new Decision are:
 - Fixed list of services for SMP operators (before decided by PM) now change to more flexible, decided by MPT and annually announce.
 - Tariff of services belong to the List of services for SMP operators before strictly decided by MPT, now change to 3 ways:
 - + Register
 - + Filling
 - + Notice

II. Tariff regime in Viet Nam

■ List of services and SMP operators by 2007

List of services	SMP operators	Tariff regime
1. Mobile services	VMS, Viettel, Vinaphne	Register
2. Telephone	VNPT	Filling
International service		Register
3. Leased line service	VNPT, Viettel, EVNT	Filling
4. Internet broad band service	VNPT, FPT, Viettel	
5. Inmarsat ser	Vishipel	Notice

Part 3:

Interconnection in Viet Nam

III. Interconnection in Viet Nam

- **Interconnection charge regime before 2003:**
 - **Disperse interconnect regulations**
 - **Interconnect rates setting by ratio of Revenue sharing; heavily depend on end-user tariffs.**
 - **Discriminatory interconnect rates:**
 - **VoIP termination vs. PSTN termination**
 - **International vs. domestic**
 - **M – F vs. F - F**
 - **Unbundling interconnection**
 - **Disincentive for launching new services**
 - **Not define USO obligation**

III. Interconnection in Viet Nam

- Requirement for change in interconnection regime:
 - Legal environment:
 - Enactment of new Ordinance on Posts and Telecoms in 2002
 - VN – US BTA
 - WTO accession process
 - Market requirement
 - Grow competition in Telecommunication market
 - Licensing issue for Telecoms basic services
 - International experience and VoIP practical lessons

III. Interconnection in Viet Nam

- 7/2003 MPT Issued Decision 148/2003/QD-BBCVT Radical change in interconnection regime with main following basic principles:
 - Cost base oriented
 - Divided on network element
 - Transparency and non-discrimination among operators
 - Gradual elimination of discrimination among services (technology neutrality)
 - Pro-competitive:
 - Reasonable unbundling towards “any-to-any interconnection”
 - Preferential interconnect rates for non-SMP (new entrants)
 - Benchmarking of regional interconnection rates while cost base oriented were under study.

III. Interconnection in Viet Nam

- Main content of the new regime :
 - Scope of regulation: Basic voice services
 - Classification of networks: Local, provincial, national long distance, mobile, international
 - Introduction of 30% discount for off-peak interconnect rates for domestic traffic
 - Billing and charge collection: Subject to bilateral negotiations
 - Establishment of cost sharing principle for interconnection links between 2 networks

III. Interconnection in Viet Nam

- **Component interconnect charge:**
 - Fixed termination/origination
 - Mobile termination
 - National tandem
- **Define owner of services**
- **Asymmetry regulation for Interconnection charge for SMP and non-SMP for encouragement of new comer operators.**
- **Allowance for domestic least cost routing (hybrid of VoIP, PSTN and PLMN networks)**
- **USO obligation**

III. Interconnection in Viet Nam

Outstanding issues:

- The interconnection regime mostly for basic services, still lacking of:
 - Internet interconnection
 - Interconnection for value added services
 - Interconnection for 2 step dialing services (HCD, calling card etc.)
 - SMS and MMS interconnection
 - Interconnection for new services (fixed WLL using mobile infrastructure, Wimax
- Streamlining interconnection rates domestic calls (still SKA)
- USO obligation in interconnection charge
- Cost base oriented direction

**Thank you for your
attention!**