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# A Costing Perspective on **RETAIL PROMOTIONS**

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# Basic Economic Market Principles:

## Can we find an Equilibrium in the Equation of Needs between Commercial Interests and Regulatory Requirements?

The Free Market should prevail to allow prices to be set by market demand and supply



Markets may not always function efficiently and certain acts trigger tariff regulation on the part of Regulators

Such triggers include below-cost pricing, cross-subsidizing, anticompetitive pricing

Most often such tariff regulation is applicable to SMP operators

- ✓ A costing methodology and cost model can inform some form of tariff regulation in particular wholesale services such as interconnection services.
- ✓ Costing processes can also be leveraged to address issues in retail markets

# The Cost Model and Policy Frameworks

- A cost model is a tool used to facilitate economic regulation, in the broader context of the Policy Framework for Competition.
- Trinidad and Tobago is proposing a new element of its Policy Framework to address Promotions.
- The **Draft Procedures for Retail Promotions** addresses:
  - tariff notification requirements
  - unauthorized cross-subsidisation
  - discrimination amongst similarly situated customers

# Promotion Timeline

## Observations in Local Market:

- Stability of prices: Wholesale vs Retail
- Promotions: Perpetual or Temporary?
- Consumer Behavior: Information and Usage Patterns
- Regulatory Obligations: Tariff Notification

## Considerations:

- Below-cost pricing: Pro-competitive (SR) vs Anticompetitive (LR)
- Sustained price reductions: Effect on competitive landscape
- Information Asymmetries: Impact on Consumer Welfare

# Draft Measures Proposed by TATT

## Policy on Introduction and Discontinuation of **New** and **Existing** Services And Promotions

### 3 Comparison Criteria::

content, target audience,  
duration, market segment,  
eligibility and extent of discount.

1. The operator shall  
not repackage an  
existing service and/or  
a combination of  
services as a new  
service.

2. No reintroduction of a  
promotion for a period of 120  
days from the date of  
termination of said promotion.

### 4. Notification of Dates:

- Service launch for permanent service
- Discontinuation of Existing service

### Statement on Promotions

The Authority proposes that a reasonable threshold for a promotional offer is ninety (90) consecutive calendar days.

Draft Policy  
Positions

# What other jurisdictions are saying?

## **May 2011 - Rwanda**

Regulator imposed regulations which restricted the time frame for conducting a promotion - not allowed to conduct a promotion for the same product or service for more than three times within a year or twelve calendar months.

## **2011 – Uganda - Draft Retail Tariff Guidelines for Voice Telephony Services**

A promotional tariff plan shall not be in market for more than ninety (90) consecutive calendar days and a promotional campaign may only be re-introduced at least ninety (90) consecutive calendar days after the end of the initial campaign

## **2011- Pricing Promotions by Mobile providers worldwide by Tariff Consultancy Limited**

In an independent survey of approximately 227 promotions offered by some 122 mobile operators across 74 countries in the world in December 2010, it was found that the majority of operators run promotions for 30 days (or 1 month), with some periods lasting up to 90 days.

## **April 2010 Bahamas – Retail Tariff Regulations**

These regulations specify that a full length promotion may not exceed 90 calendar days.

**2010 Bahrain** – Specific regulations for retail tariff notifications for the SMP operator with the aim of protecting the interests of consumers

## **2005 ECTEL - “Retail Tariff Regulations”**

The duration of a market trial or short term promotion is 90 days.

## Conclusion

Costing Processes may be used to address pricing issues. However, the ability to address such may need a delineation between legitimate competitive practices and anticompetitive behavior. Guidelines for promotions can assist in drawing these lines, when necessary.

*The Draft Policy can be found:*

<https://tatt.org.tt/Portals/0/documents/Promotion%20New%20Services%20Bundles%20Procedures%20-%20FINAL%20Mar%2019%202013.pdf>



**Thank you**