



Regional Seminar on Costs and Tariffs for Latin America and the Caribbean (TAL)

Havana, Cuba, 20-21 February 2007

FINAL REPORT ON THE SEMINAR

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1. Introduction

Within the framework for the implementation of the BDT's Doha Action Plan (DAP) specifically Programme 4, "Economics and Finance, including costs and tariffs", and in coordination with ITU-T Study Group 3, the regional seminar on costs and tariffs and regional meeting of the Tariff Group for Latin America and the Caribbean (TAL) were held in Havana, Cuba from 20 to 23 February 2007. The seminar and meeting were organized in conjunction with the Empresa de Telecomunicaciones de Cuba (ETECSA) and the Ministry of Informatics and Telecommunications of Cuba (MIC) for the member countries of the TAL Group. Fifty-two (52) delegates from fifteen (15) countries from Latin America and the Caribbean participated in this event. National authorities in charge of regulation as well as network and telecommunication service operators who are Members of ITU also took part. The event took place as follows:

Session 1: Cost models used in the LAC Region

Session 2: Application of economic modelling in the telecommunication field

TAL Group Meeting

Mr Maimir Mesa Ramos, President of ETECSA, opened the seminar and welcomed the delegates. He emphasized the importance of increasing access to information technologies, and the work strategies required to carry out this important mission. He also urged delegates to coordinate and cooperate in the assessment and application of the ITU model for the calculation of costs, tariffs and interconnection rates, within the context of the TAL Group. He said that this region has more than 523 million inhabitants, of which 200 million do not yet have direct access to ICT. He said that this was an indication of the work still to be done. Mr Ramón Linares Torres, the First Vice-Minister of Informatics and Communications (MIC), Mr Juan Zavattiero, head of ITU Regional Office for the Americas, and Mr Facundo Fernández, President of the TAL Group, were also present. Mr. Fernández thanked the organizers of these two important events and encouraged participants to work together to develop common guidelines for the region and to convey them to ITU. Mr Pedro Oliva, Vice President of the TAL Group and representative of MIC, was appointed Chairman of the seminar.

2. Results

Session 1: Cost models used in the LAC Region

As discussed during the TAL group meeting in Rio de Janeiro in 2006, the results of the study on cost models used in the LAC region undertaken by the BDT and the TAL Group management team, were presented.

The objectives of this session were:

- To submit the results of the study on cost models used in the region as well as the common elements and scope of the different models applied.

- To provide a forum for the exchange of opinions and views on the policies, strategies and financial aspects of telecommunication services, especially within the context of new challenges for the TAL Group.
- To identify common practices applied within the region, taking into account the initiatives of international institutions such as ITU, and the private sector.

The most relevant outputs were:

- Technological and network convergence highlights the limitations of static models that do not take account of the continuous evolution either of technologies or their applications, and consequently of changes in the type and quality of services.
- These changes call for harmonization of regulatory tariff policies in countries in the region which would provide the opportunity to try to bring these regulatory tariff policies into line.
- The BDT is working in these areas through the DAP, as well as within the study groups, specifically in respect of Questions 6 2/1 'Regulatory impact of next generation networks on interconnection', 10 2/1 'Regulation for licensing and authorization of converging services', and 12 2/1 'Tariff policies, tariff models and methods of determining the costs of services on national telecommunication networks, including next-generation networks'.
- To determine the challenges for the TAL Group within the context of cost models, in particular:
 - Evolution of networks/bias of migration (NGN);
 - Impact of network and service convergence;
 - Revision of the TAL and COSITU models, as well as their adjustment to this new context;
 - Follow-up of tariff and price evolution in the region for regional benchmarking.
- During discussions on the impact of tariff and regulation policies for new technologies it was agreed that the economic consequences and concerns of the regulatory authorities should be taken into account.

ECONOMIC CONSEQUENCES OF NGNs

For operators:

- Lower CAPEX and OPEX.
- Model of centralized (PSTN) vs decentralized (ISP) intelligence and management.
- Full replacement (BT) vs overlay on existing network (transition).
- Different service providers connected at different functional levels of the network (VoIP, data, multimedia, Internet, IPTV, video-on-demand, virtual private networks, IP-Centrex, multimedia conferencing, messaging, etc.).

For consumers:

- Availability of choice between all-inclusive providers and providers specializing in specific services.
- Choice based on price and/or QoS.

For the regulator:

- What is an efficient network? Does one adopt the LRIC of the most efficient network?
- How do the cost structures differ between PSTN and NGN?
- What effect does the migration bias have on stranded costs and sunk costs?
- Transitional tariff policy? Tariffs based on demand for services and consumption of resources (backward cost assignment)?
- Which are the relevant cost drivers: volume, service characteristics, topology of the new network?
- Regulation of VoIP, quality of service, interconnection, opening-up of networks?
- Just-in-time response?

Source: Mr. G. Klein, Presentation at the Regional Seminar on Costs and Tariffs for Latin America and the Caribbean (TAL).

- The current cost models used in Cuba, Brazil, Peru and Belize were presented. The implementation of the COSITU model in Central America and Costa Rica and the results of the survey on tariff policies and those of the studies carried out in the region were also presented.

- The fact that one of the intentions of the TAL Group is to adapt the TAL model to new technologies could favour the evolution of COSITU. It would be helpful if COSITU took into account the cost of telecommunication services, i.e. next generation networks, convergence, multi-service packages.
- The importance of having multidisciplinary groups in cost and tariff calculation activities, at the level of regulatory authorities and service operators.
- As a result of the exchange of information during these sessions, the possibility of using the models of countries advanced in certain tariff areas was suggested, so as to encourage countries to work together with the management team of the TAL Group, to find similarities that could be used as the basis for drawing up guidelines for better practices taking the countries of Peru and Brazil as examples. It was considered that this would be useful to TAL Group members.
- The TAL Chairman proposed that the regulatory accounting issue presented by Argentina be included in the discussions of the TAL Group for the purpose of improving the flow of information between regulators and operators, taking into account the separation of accounting services, cost accounting, and separation of account activities related to interconnection.

Session 2: Application of economic modelling in the telecommunication sector

- The changing role of economic modelling and forecasting in the telecommunication industry was discussed. Technological and institutional changes were also discussed as were changes in regulations.
- Risk management in commercial strategies in the telecommunication industry and its application were demonstrated in a case study.
- The theoretical aspects of productivity analysis in the telecommunication sector, and the X factor determination and its application in Peru, were presented.

3. Follow-up of regional activities for ITU and closing

At the end of the seminar all countries were requested to present their viewpoints on the content of the seminar. The responses were all positive. Participants said that the seminar was productive and that it provided an opportunity for a very interesting exchange of views, with emphasis on economic analysis. The request was made to consider the following issues in 2008:

Tariffs under a convergence scheme;
Regulatory accounting;
Group of services;
Price cap regulations.

All the presentations made at this seminar as well as results, and list of participants are available at the following website address: www.itu.int/ITU-D/finance.

The President of the TAL Group voiced his appreciation to the BDT for its contribution and requested that this event be held every year. He also emphasized that the results from the study on cost models used in the region, undertaken by the BDT, is very important for the TAL Group and requested BDT to continue with this collaboration.