Updating traffic and tariff trends

Seminar on Tariffs, Regulatory and WTO Issues and their impact on the trade of telecommunication services in Central America

Tegucigalpa (Honduras), July 10-12, 2000

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Central American Traffic

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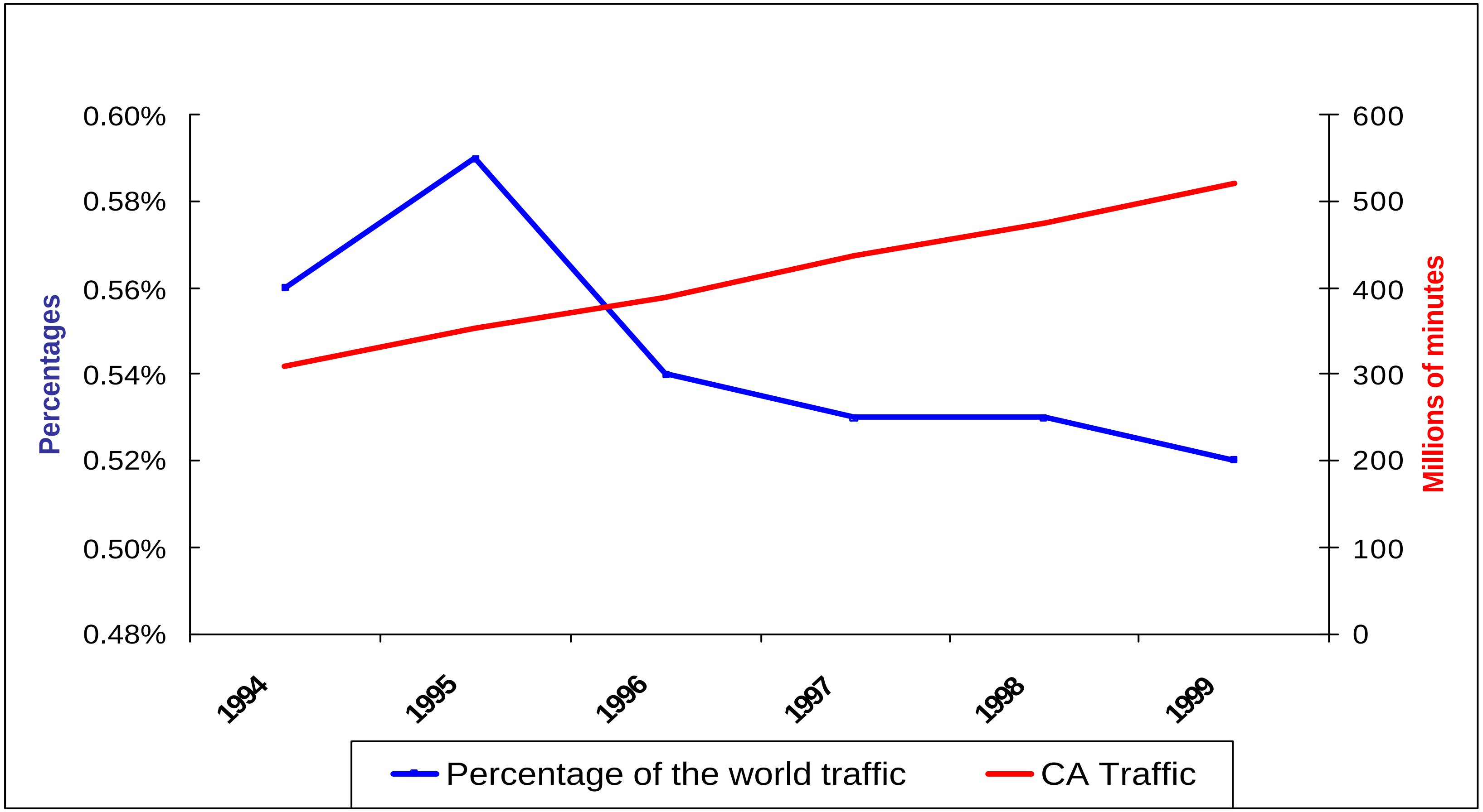

•Share of the USA in the International telephone market

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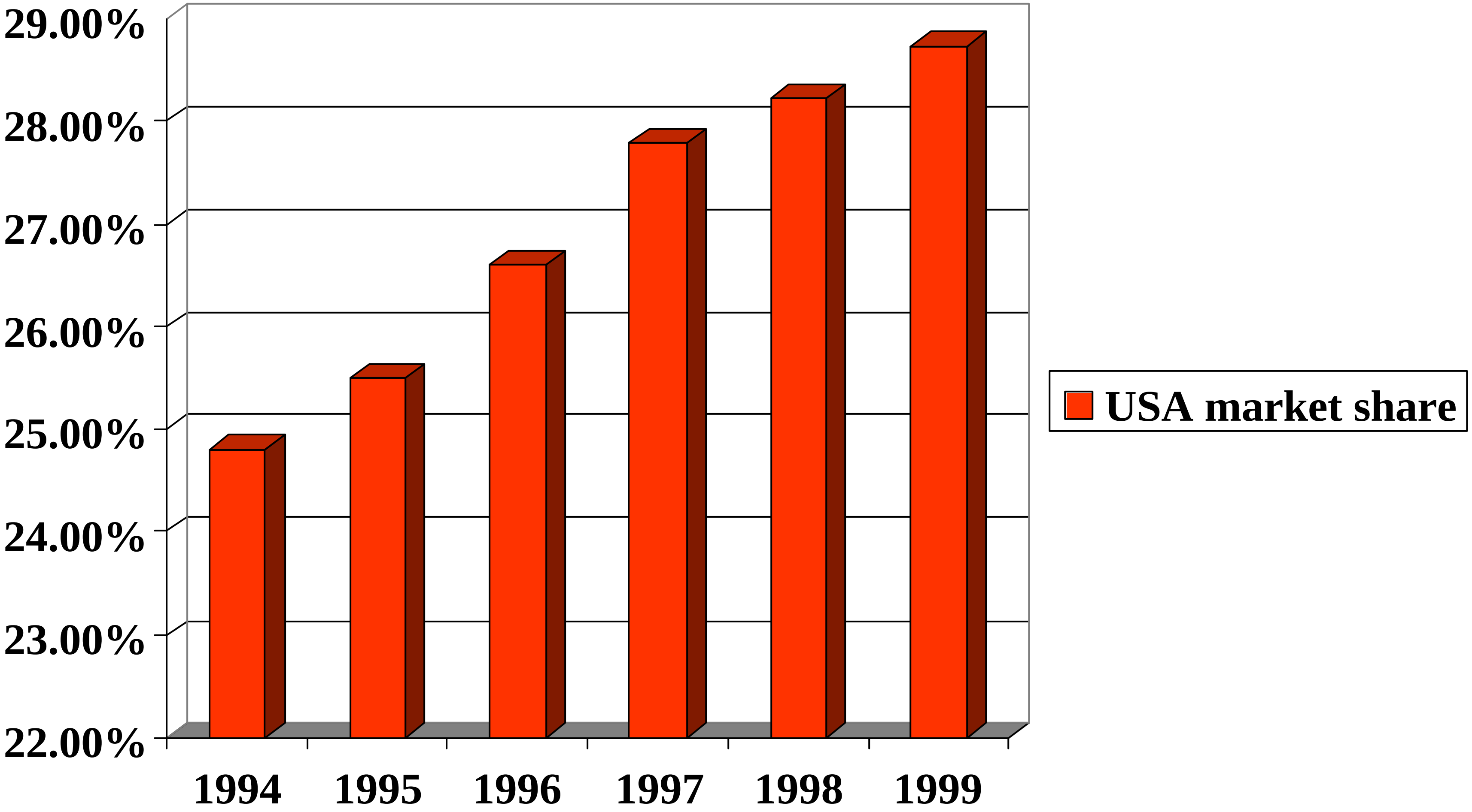

•Evolution of the Average Settlement Rates

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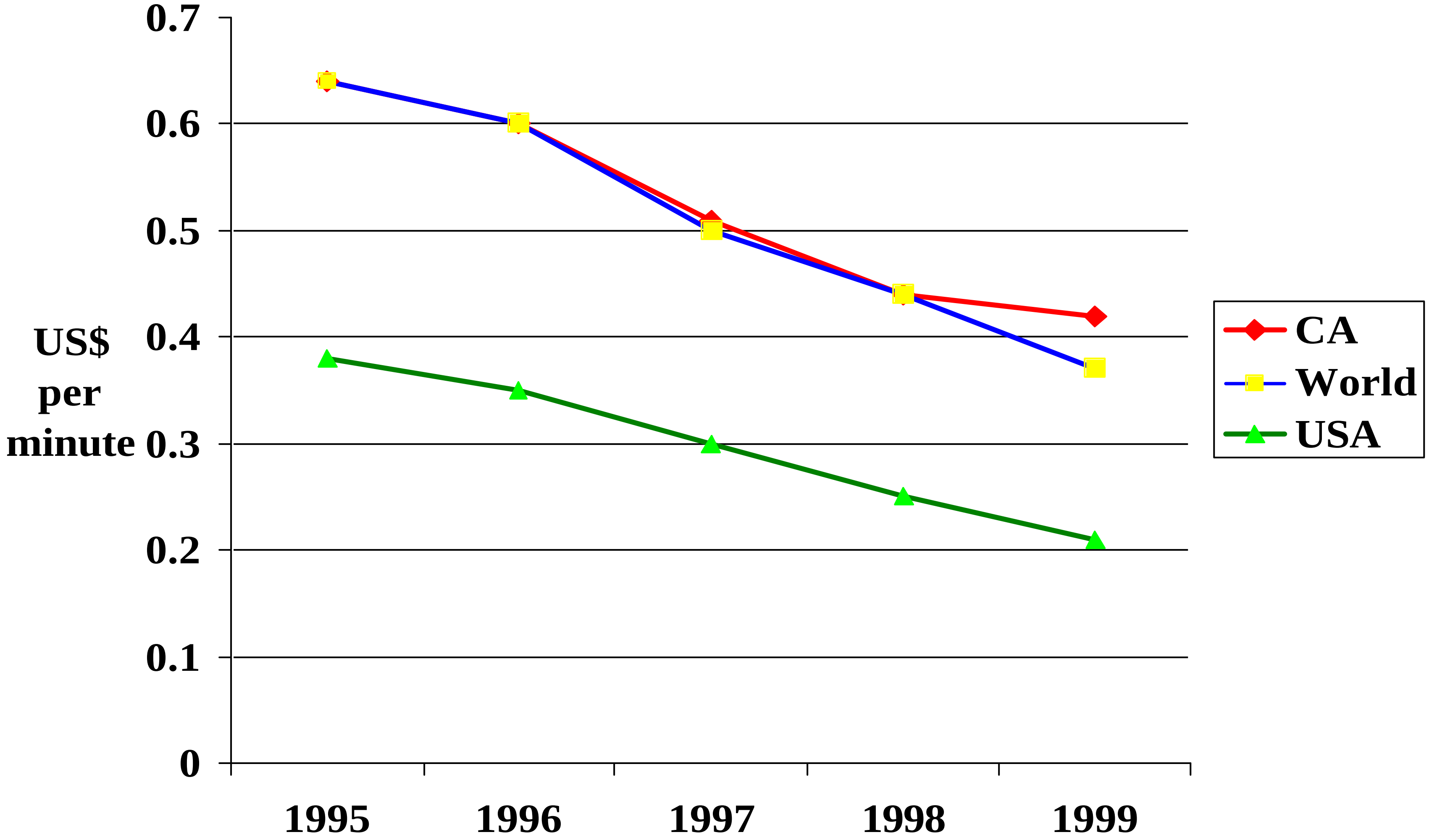

•Settlement rates versus Retail prices in the CA countries

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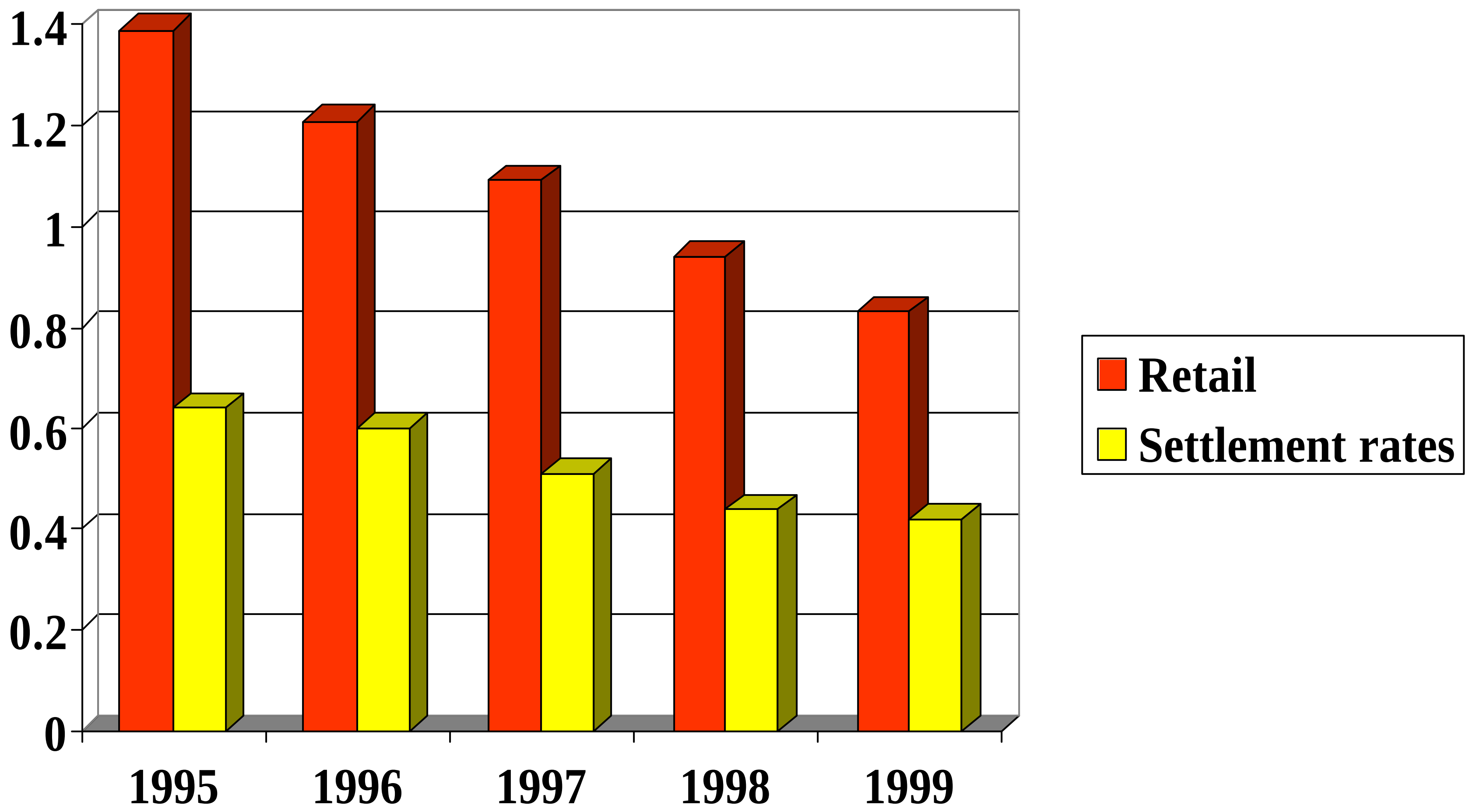

Projection of growth trends,
fixed and cellular subscribers and int'l traffic, 1995-2005

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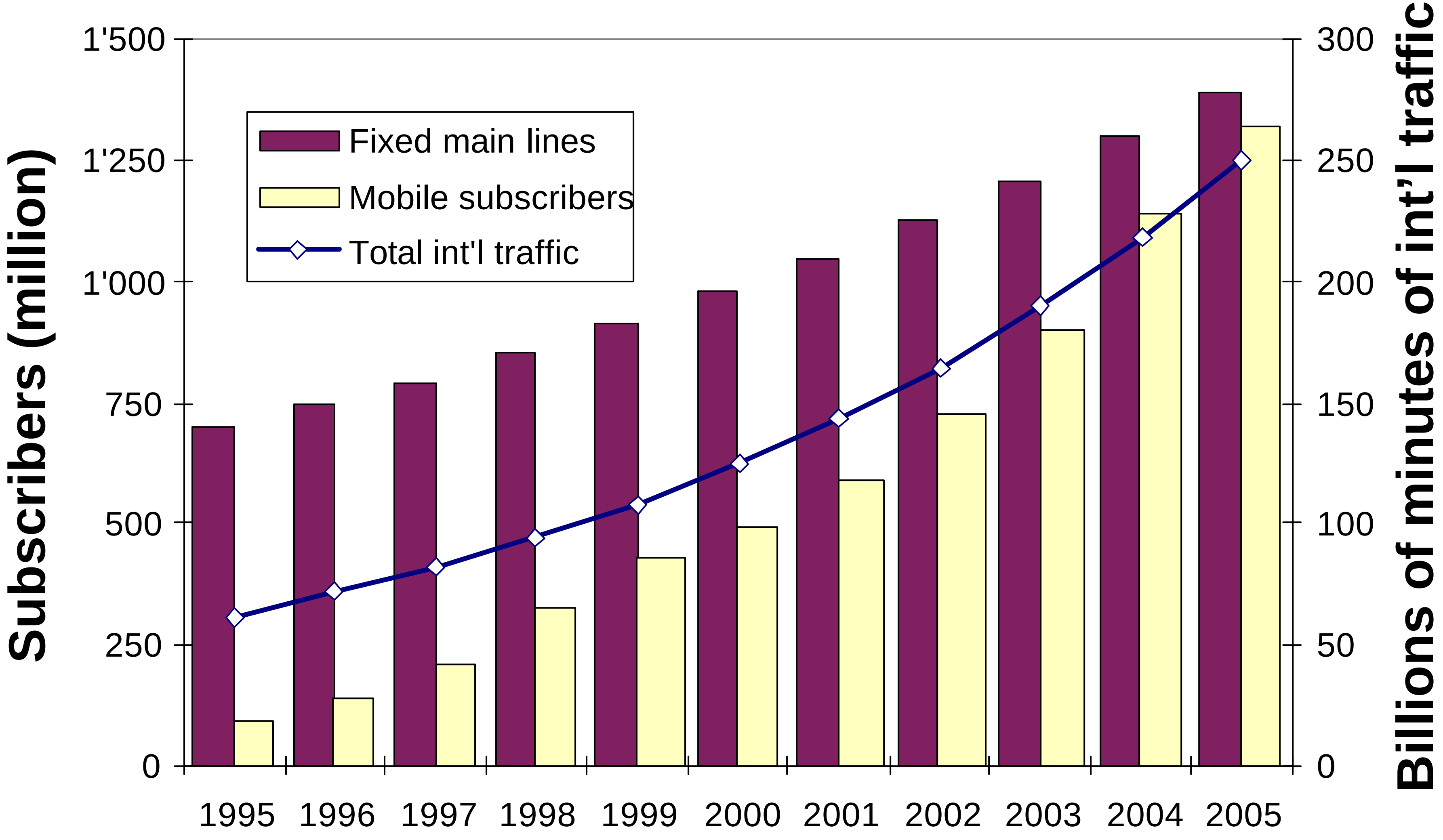

Source: ITU.

The changing pie:
Global telecom service revenue, 1998

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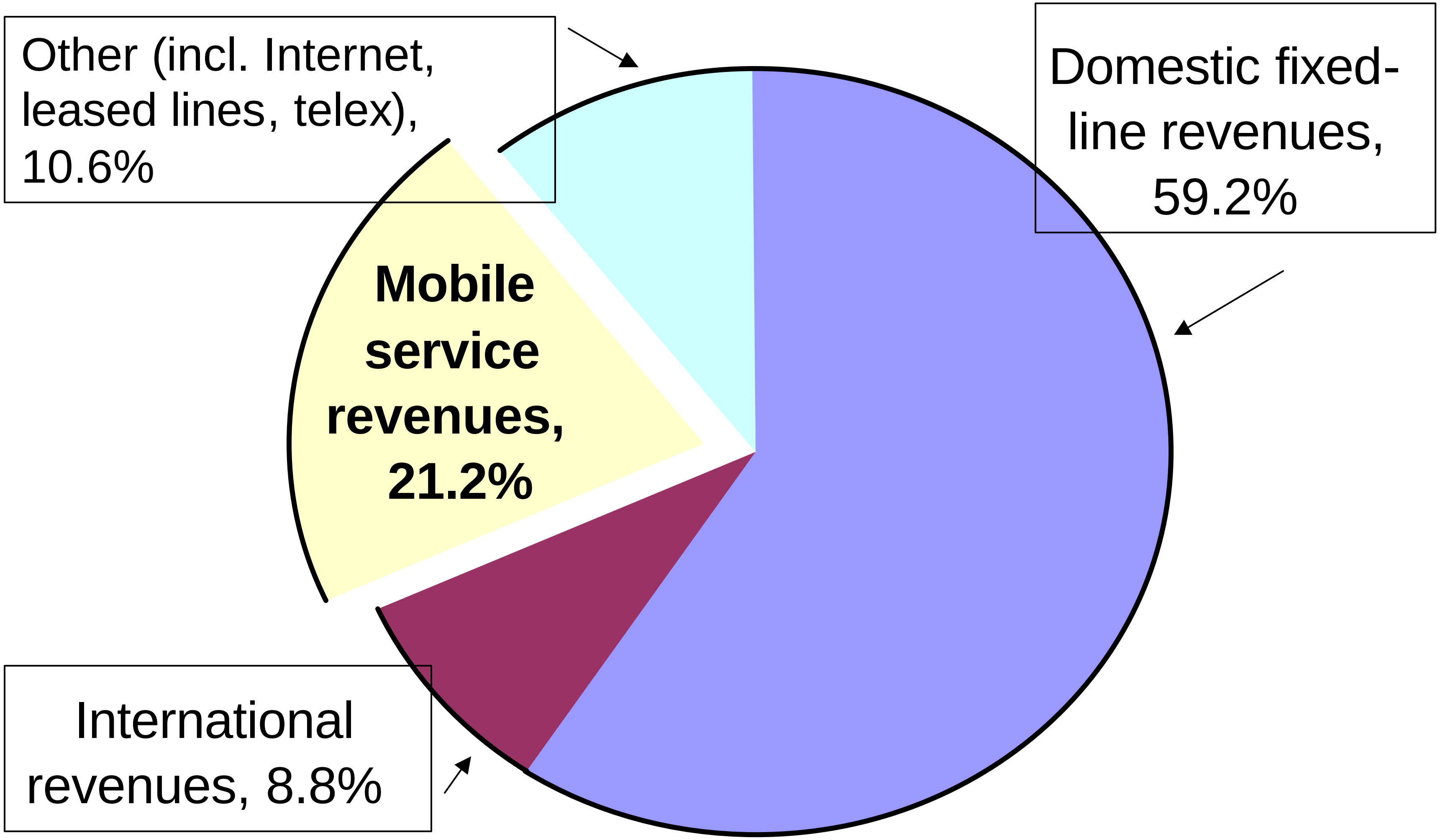
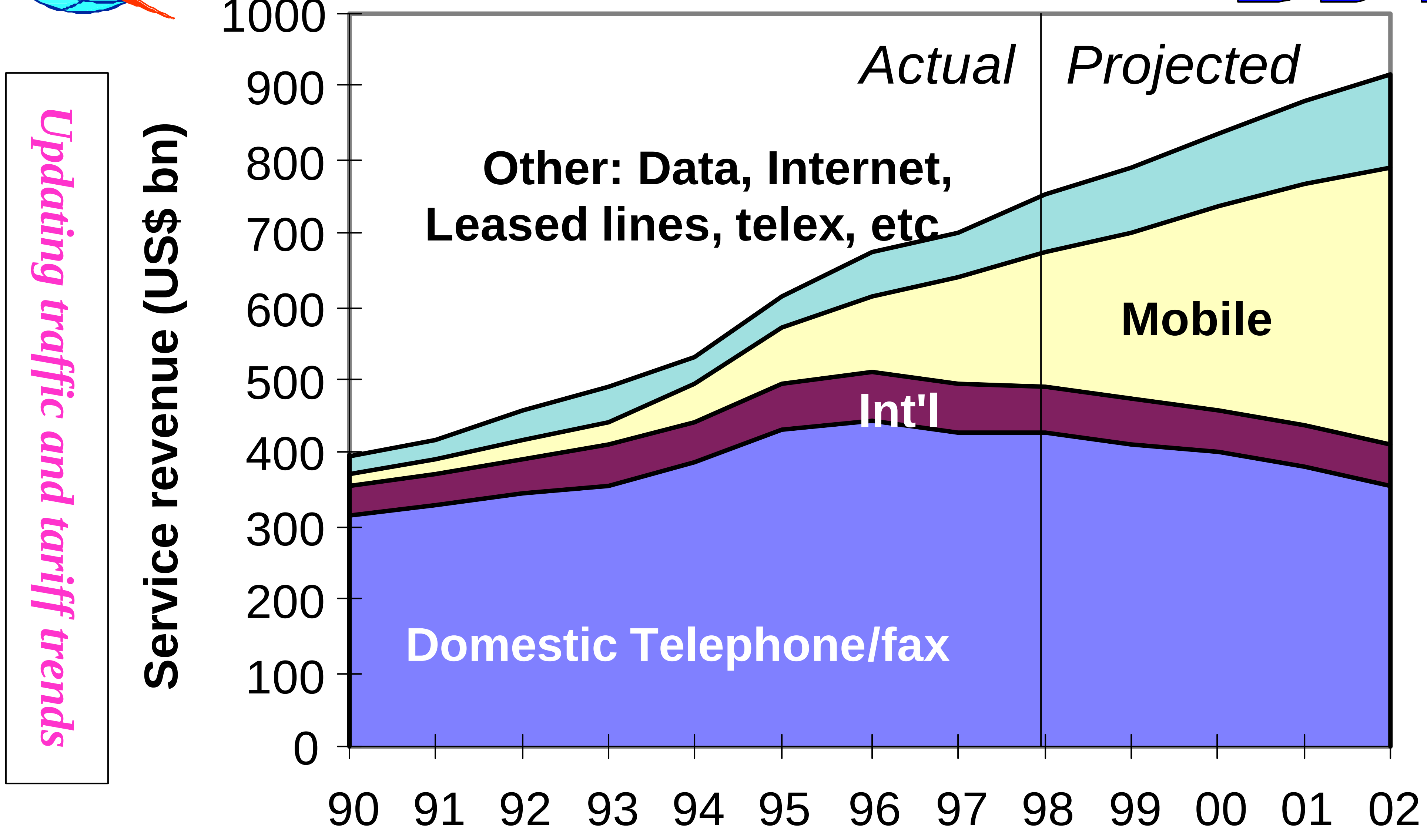


1998 Telecom service revenue. Total = US$724b

Source: ITU "World Telecommunication Development Report 1999: Mobile cellular" (forthcoming)

Projection of revenue growth (US$bn)



Source: ITU.

Internet hosts (million)
July 1993-July 1999

Compound Annual Growth Rate = 61.8%

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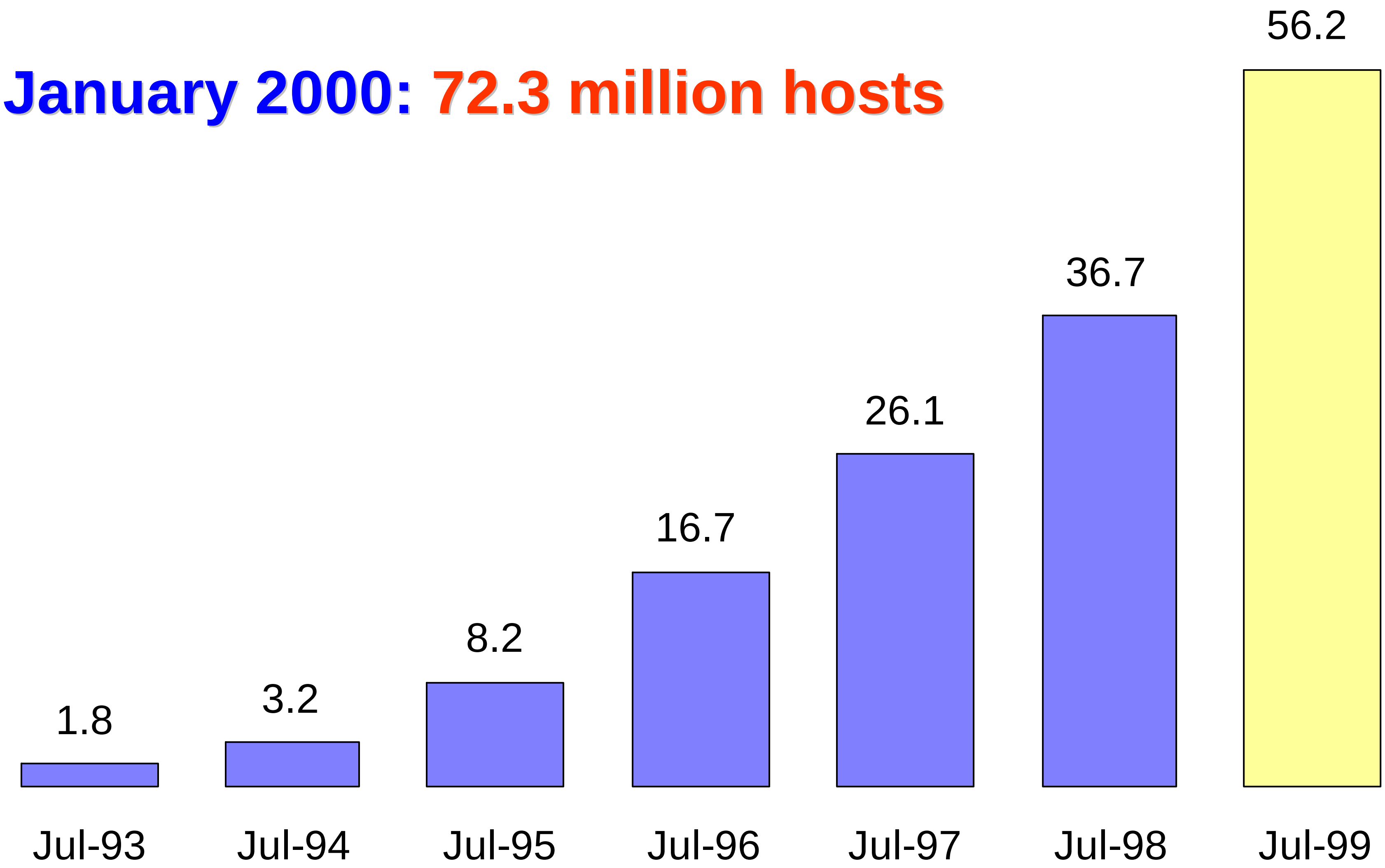
January 2000: 72.3 million hosts



Source: ITU "Challenges to the Network: Internet for Development, 1999", Network Wizards.

Distribution of Internet hosts, January 1998

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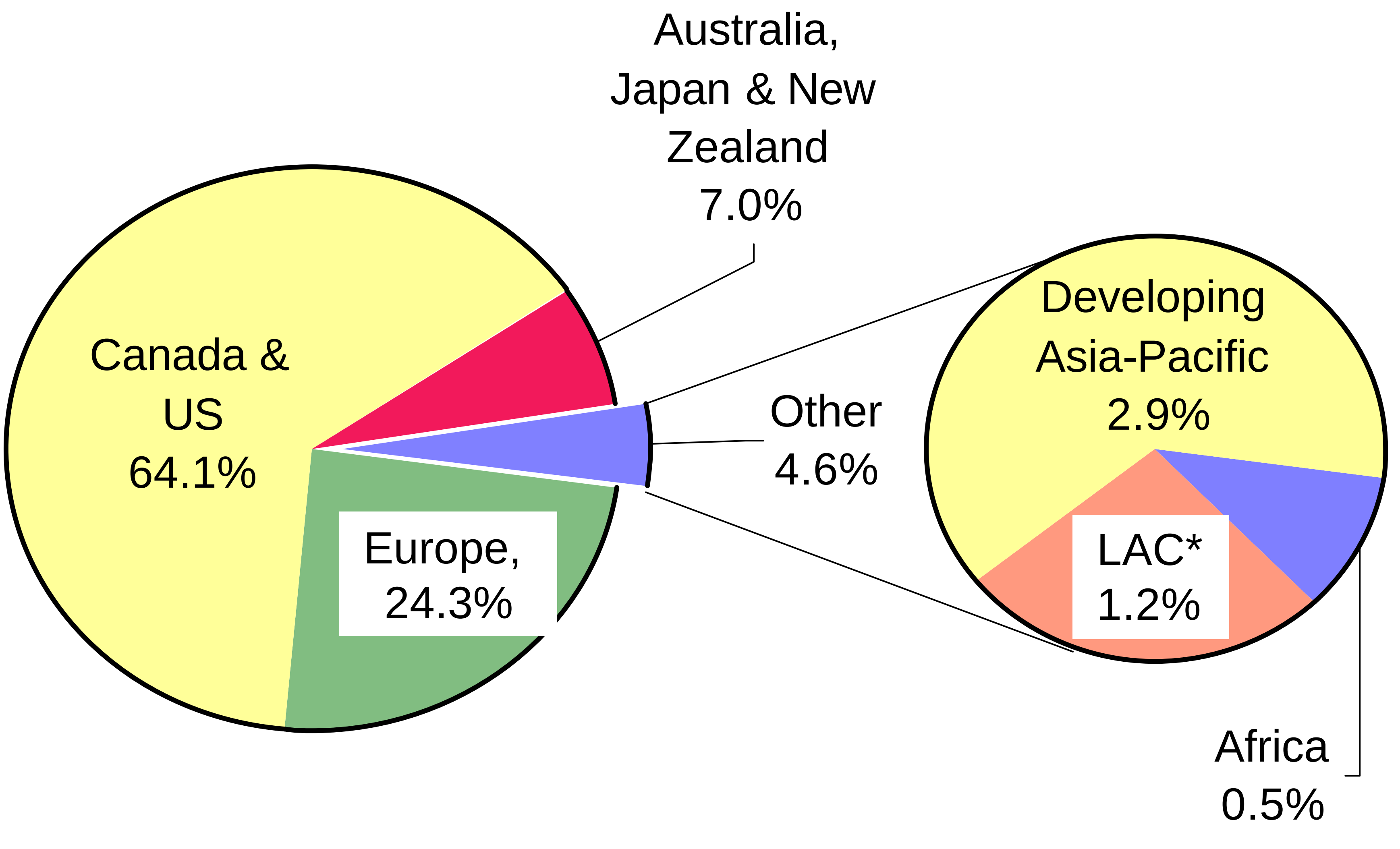

Source: ITU "Challenges to the Network: Internet for development, 1999".

The state of the market

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- **Increasing competition**
  - *Around two-thirds of telecom subscribers now have a choice of operator*
  - *More than 99 per cent of mobile and Internet subscribers now have a choice of operator*
- **Dominantly private-ownership**
  - *19 out of top 20 top public telecom operators are partially or fully private-owned*
  - *Of the top 20 mobile operators, 16 are fully-private, 3 are partially private, 1 is state-owned*
- **Independent regulators**
  - *There are currently 89 independent regulators (only 12 in 1990)*

Degree of competition by service, 1999 (ITU Member States)

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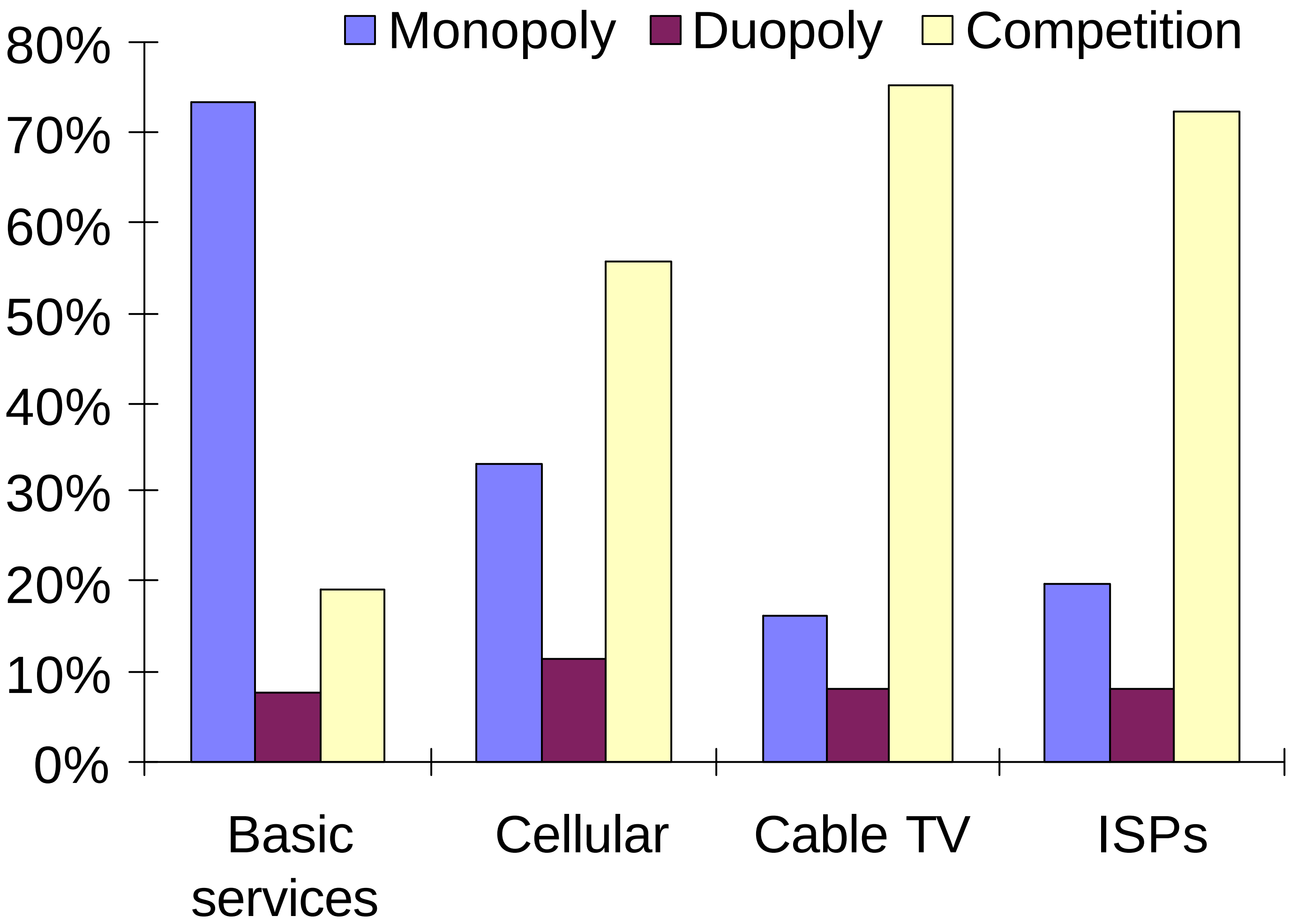

Source: ITU Telecommunication Regulatory Database.

Degree of competition in basic services, 1999, by region

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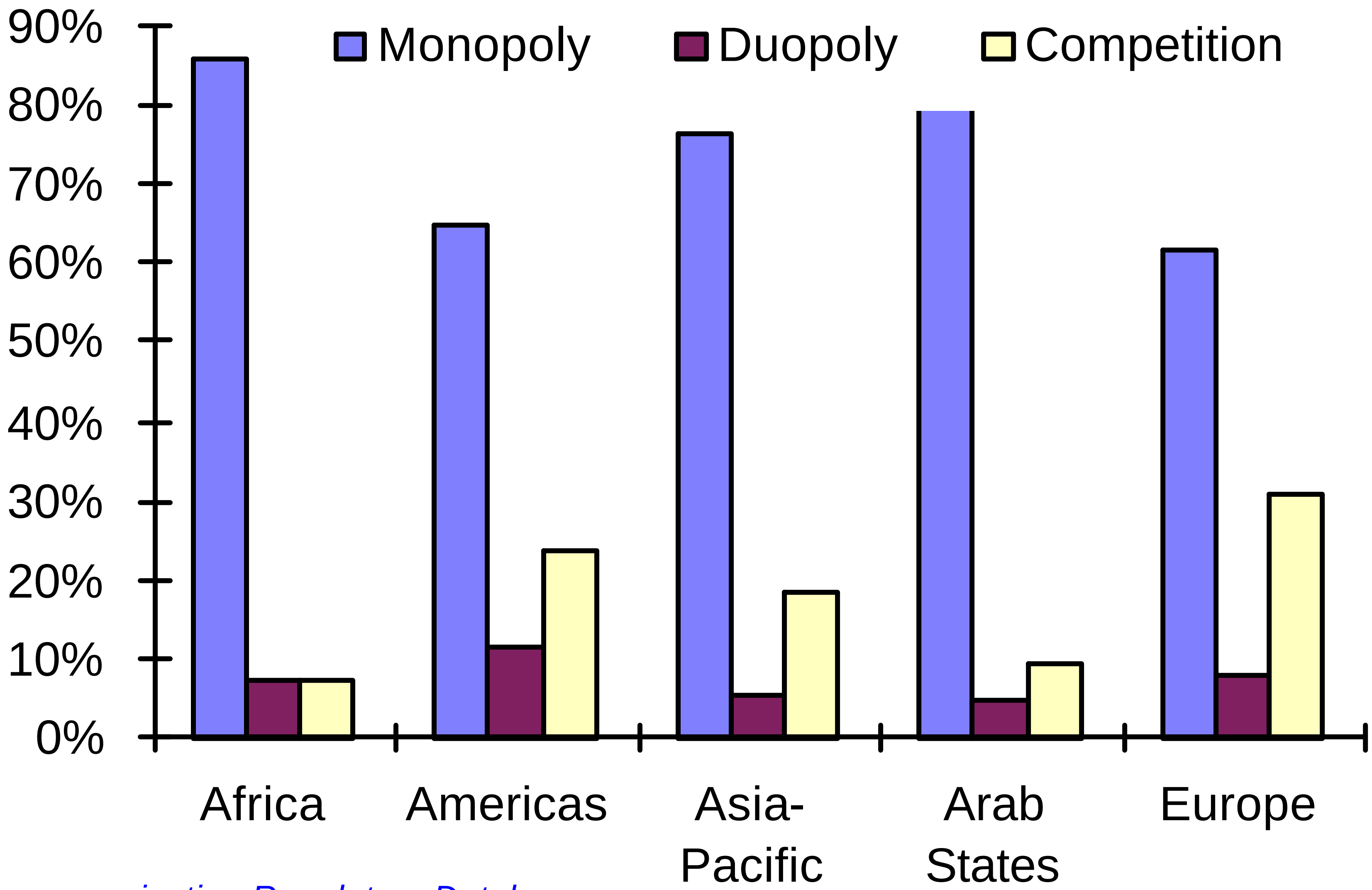

Source: ITU Telecommunication Regulatory Database.

Increasing competition:

By no. of countries, by service, 1995-2005

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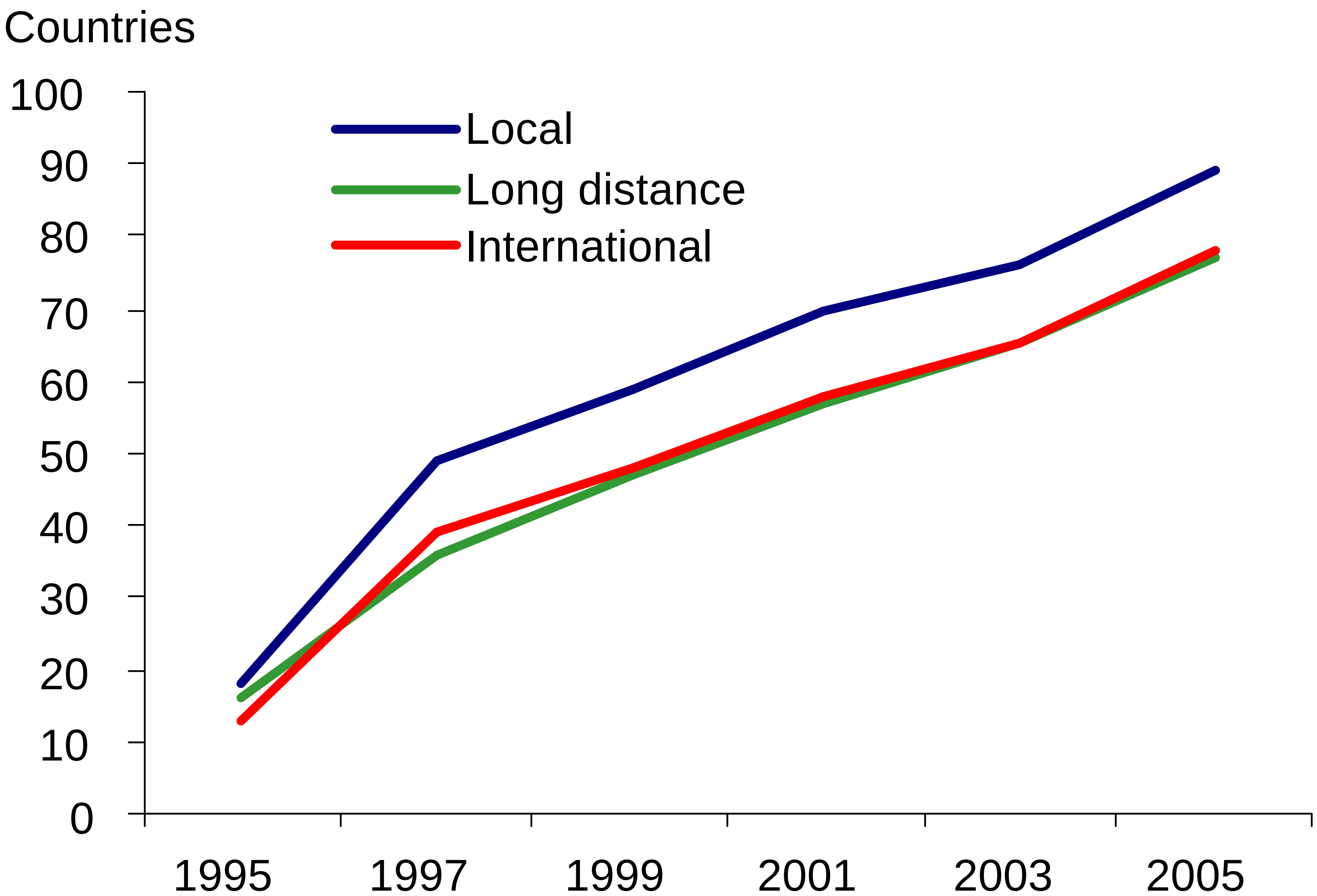

Source: ITU Telecommunication Regulatory Database.

Percentage of outgoing international traffic open to competition

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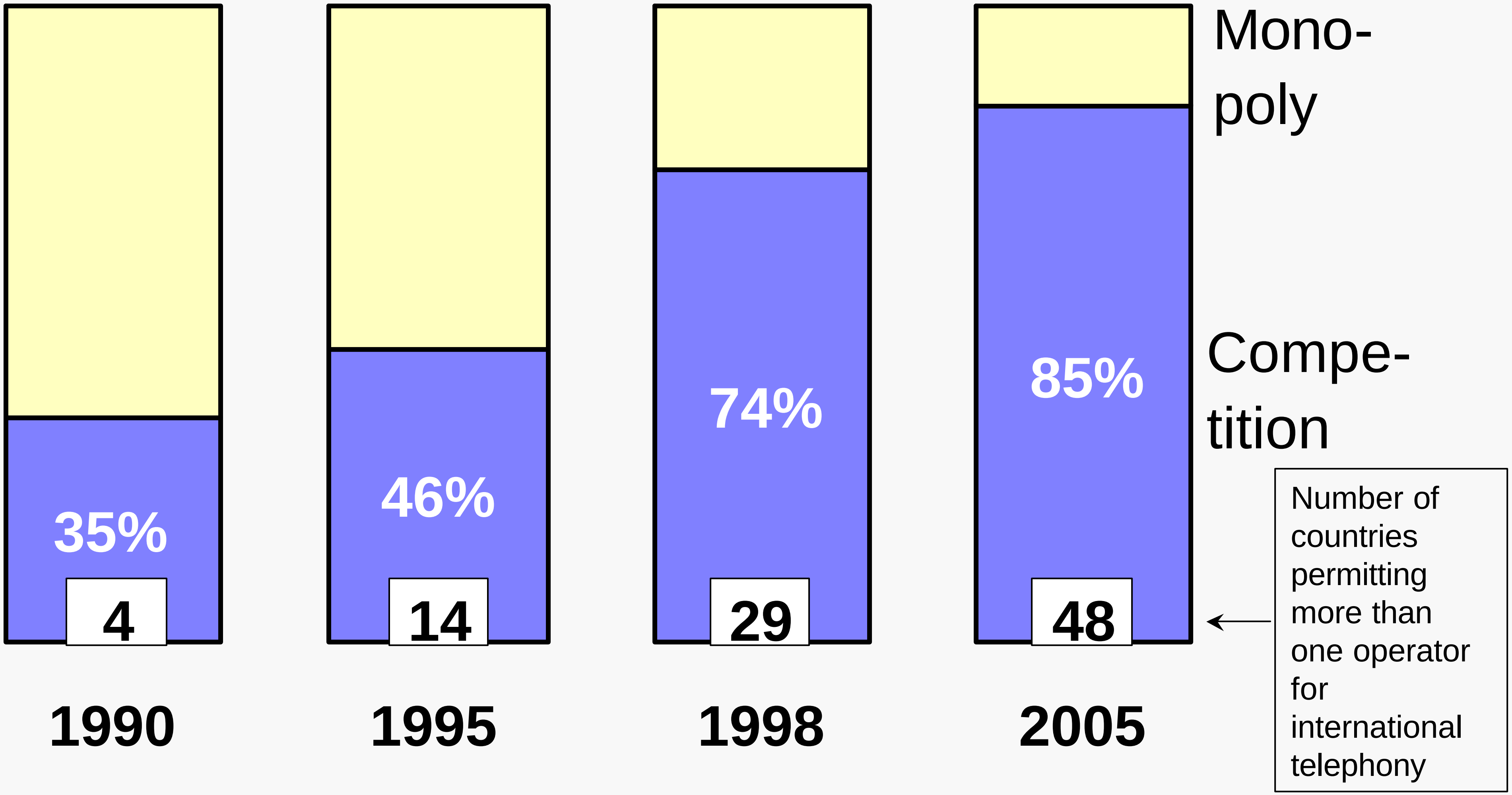

Note: Analysis is based on WTO Basic Telecommunications Commitments and thus presents a minimum level of traffic likely to be open to competitive service provision. *Source:* ITU, WTO.

Ownership status of the incumbent

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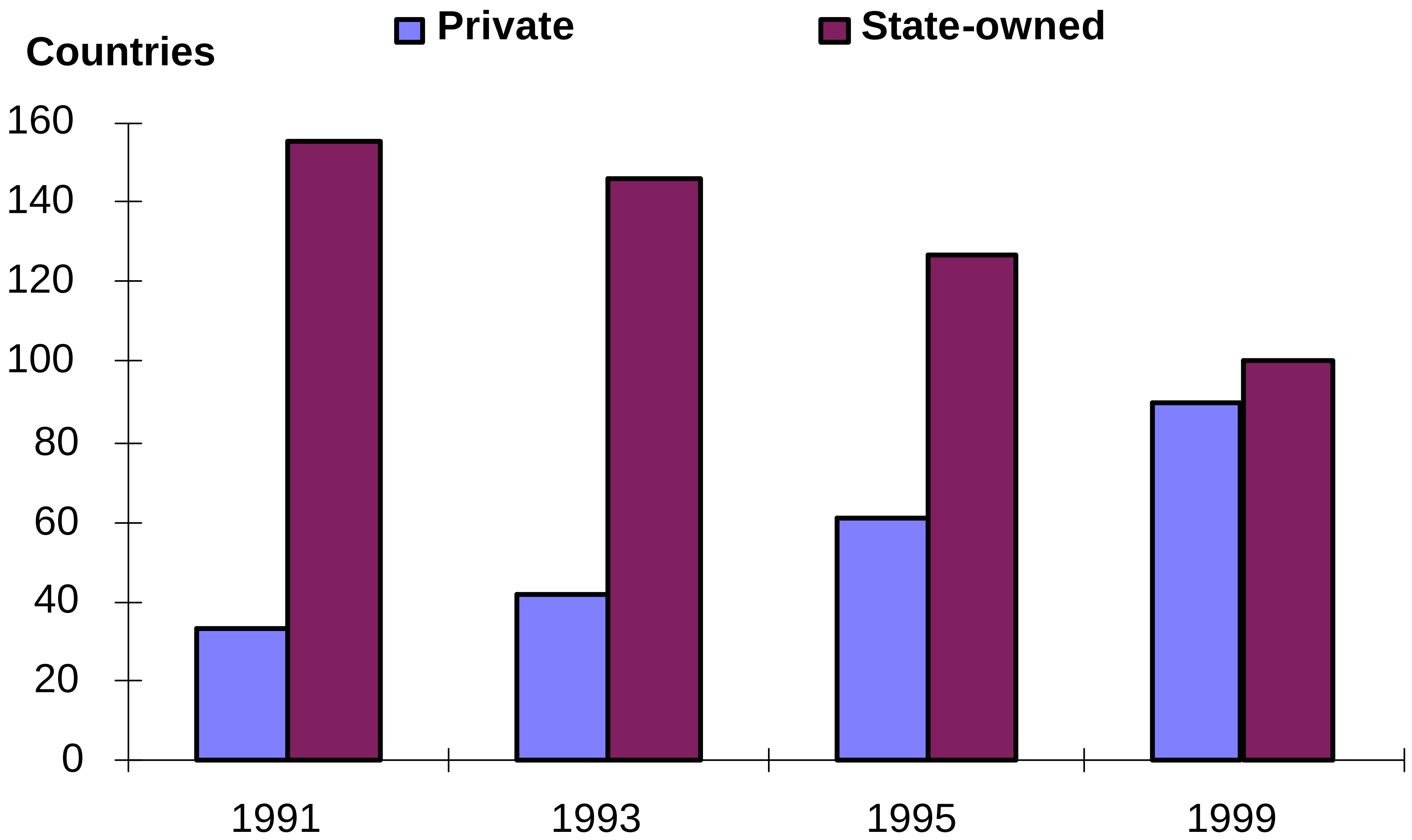

Source: ITU Telecommunication Regulatory Database.

Separate regulatory bodies, worldwide, 1998

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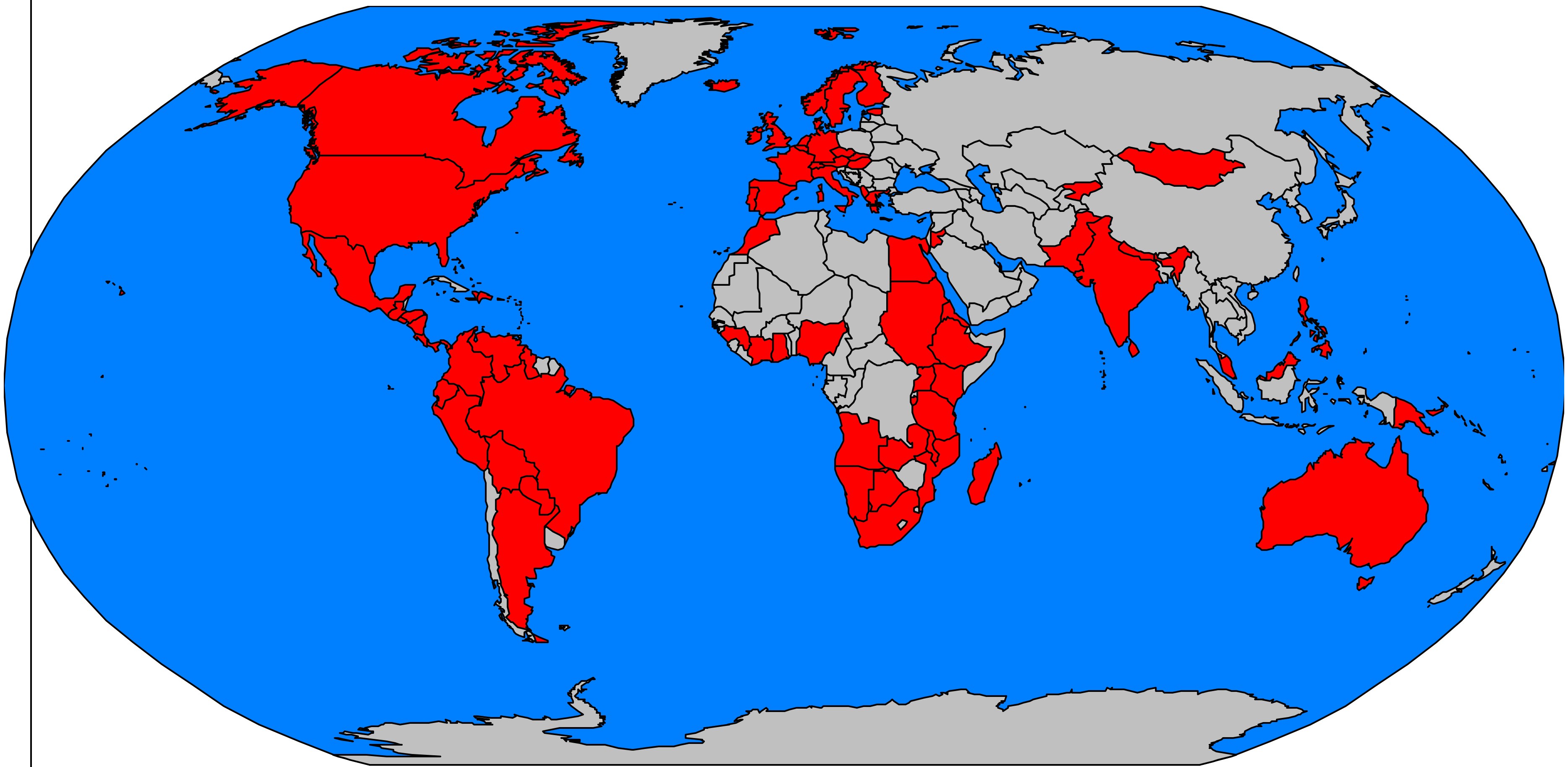
Separate



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Source: ITU Telecom Regulatory Database.

The development gap is shrinking, but also shifting

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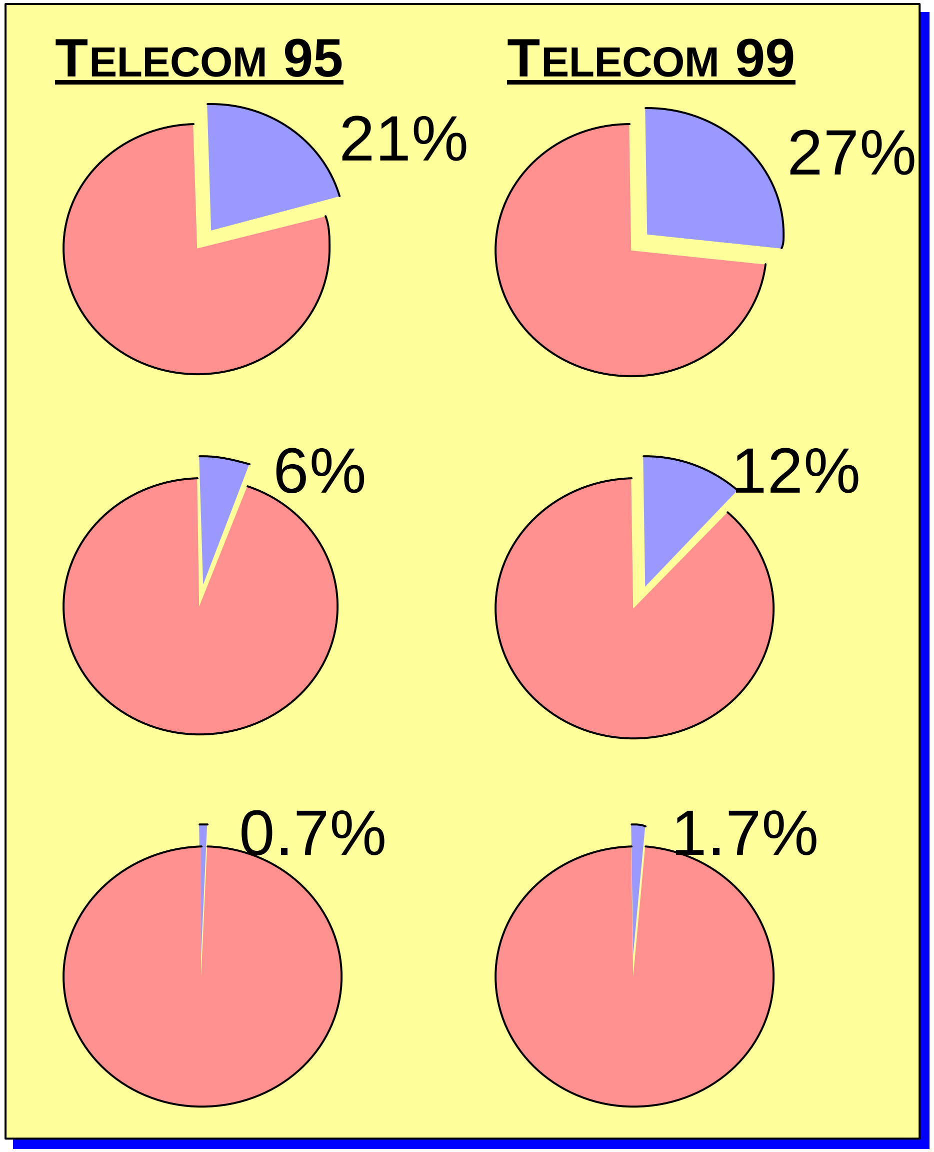
Share of low and lower-middle income countries in:

Telephone main lines

Mobile subscribers

Internet host computers



Source: ITU World Telecommunication Indicators Database.

Forecasting
Projecting forward current trends

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- **By 2005, there could be:**
  - *1.4 billion telephone lines*
  - *1.3 billion cellular telephone subscribers*
  - *500-750 million Internet users*
- **These could account for:**
  - *250 billion minutes of int'l voice/fax traffic*
  - *2.5 trillion minutes of total voice/fax traffic*
  - *1'000'000 Gigabits (1 Petabit) per second of Internet traffic*
  - *Services market of around US$1.1 trillion*
  - *Equipment market of around US$400 billion*

Forecasting
Identifying discontinuities

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- By 2001, less than 10% of int'l traffic will use accounting rate system
  - *Domestic interconnect fees will be dominant mode*
- Major price cuts in international calls early in decade
  - *Availability of new infrastructures*
  - *Impact of Internet pricing model (distance and duration independent)*
- Mobiles exceed fixed-line phones worldwide by 2006/07
  - *Introduction of "third generation" mobiles after 2001*
  - *Generational shift, as new users reject fixed-lines*

The int'l telecoms market in 2005: Some educated guesses

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- The premium of an international call over a domestic call (currently >300%) will be <20%
  - *Internet-like pricing structure*
- Traffic flows will be dictated by a small number of hubs connected to multiple fat pipes
  - *Major hubs in New York, London and Hong Kong?*
- Major alliances will own a smaller share of the market as infrastructure owners resell capacity
  - *Market significantly bigger by volume, but only slightly bigger by revenue*
- Telecom development gap will shift
  - *Gap between middle income countries and LDCs*

Key policy issues to be tackled

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- Interconnection
  - *How to manage the transition to a multi-player environment?*
- Internet
  - *Who really sets the rules? Who really gets benefits?*
- International settlements
  - *How to transition to a cost-oriented system while providing a "soft-landing" for developing countries?*
- International infrastructures
  - *How to ensure equal access at competitive rates?*
- Investment
  - *How to increase investment, esp in LDCs?*