COSITU

"Costs, tariffs and interconnection rates"

Upgrade strategy

Regional Seminar on Costs and Tariffs for TAL Group member countries

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Agenda

- COSITU in brief
- ITU strategy for upgrading the software
- Other studies to be undertaken by BDT in 2008

International Telecommunication Union

COSITU

An ITU-designed software for calculating telephone service costs, tariffs and interconnection rates, based on principles of enhanced fully distributed costs (FDC), using activity-based costing (ABC) principles, as adopted in ITU-T's D-series Recommendations on general tariff principles.

Telecommunication Development Bureau (BDT)

Main users

- Policy-making bodies
- Regulators and public authorities
- Fixed and/or mobile telephony operators

Costed services

- Basic telephone services
- Local/urban
- Trunk/interurban
- International outgoing
- International incoming
- Subregional outgoing
- Subregional incoming

Costed services

Transit services

- International to international traffic
- International to subregional traffic
- Subregional to international traffic
- Subregional to subregional traffic

Costed services

Interconnection services

- International to national traffic
- National to international traffic
- Outgoing national traffic
- Incoming national, single transit traffic
- Incoming national, double transit traffic
- National to national traffic

Implementation sequence

- Creation of new session for a specific year
- Inputing of reference data
- Selection of methods for traffic evaluation and cost estimation
- Inputing of data required for traffic estimation and calculation
- Inputing of accounting data for cost estimation and calculation
- Inputing of current tariff data
- Calculation of tariffs and use of simulation module

22

Reports generated by COSITU

Traffic estimate reports	
Results of traffic estimation	This report shows the traffic estimates in minutes per full year on the basis of the data entered for each service.
List of tickets	This report applies only to the *ticket analysis* traffic estimation method. For each set of data entered, it provides information on the origin and destination of the call, its duration and type, the location in which the data were collected and the number of days spent on the task.
Traffic measurement in Erlangs	This report applies only to the *affinity matrix* method for estimating traffic. it shows the number of Erlangs for each type of service.

Reports generated by COSITU

Reports on cost estimation	
Cost distribution	This report uses a matrix to show the distribution of the cost elements by service. It shows the total cost of a network segment and the total cost of a service.
Cost evaluation data	This report shows the definitive data needed to calculate costs: amortization by segment, adjustment for asset revaluation, maintenance and running costs, amortization period (actual and desired) and net immobilization.
Average costs	This report shows the data on average costs arranged according to type of service, including network access.
Report on results	
Tariffs	This report shows the tariffs computed according to the costs oriented to them, as well as the losses and gains of each service with respect to the current tariffs, the calculation parameters and the information corresponding to the universal service obligation (USO) policy, monthly subscription, connection charges, etc. It is useful for simulating tariffs, since it enables comparison between the different modifications.

ITU's strategy for upgrading COSITU

- Discussions in ITU-BDT on the upgrading of COSITU
  - Strategy and Resources
  - Synergies
  - Coordination with ITU-D and ITU-T study groups

Working in synergy…

- with current and potential users of the model, to which end a questionnaire on the advantages and drawbacks of the model, and what is expected of it, has been drawn up and will be circulated
- with other international organizations, taking account of other models (e.g. LRIC)
  - optimization of existing models to the extent possible through the design of a hybrid/supplementary model
- within ITU, in close coordination with:
  - the three regional working groups of ITU-T Study Group 3, namely TAF, TAL and TAS
  - the ITU-D study groups working on tariffs and interconnection, including NGN services
- with regional associations, including ASETA, CARICOM, COMTELCA, COMESA, etc.
- with centres of excellence, in the interests of ensuring an adequate training programme

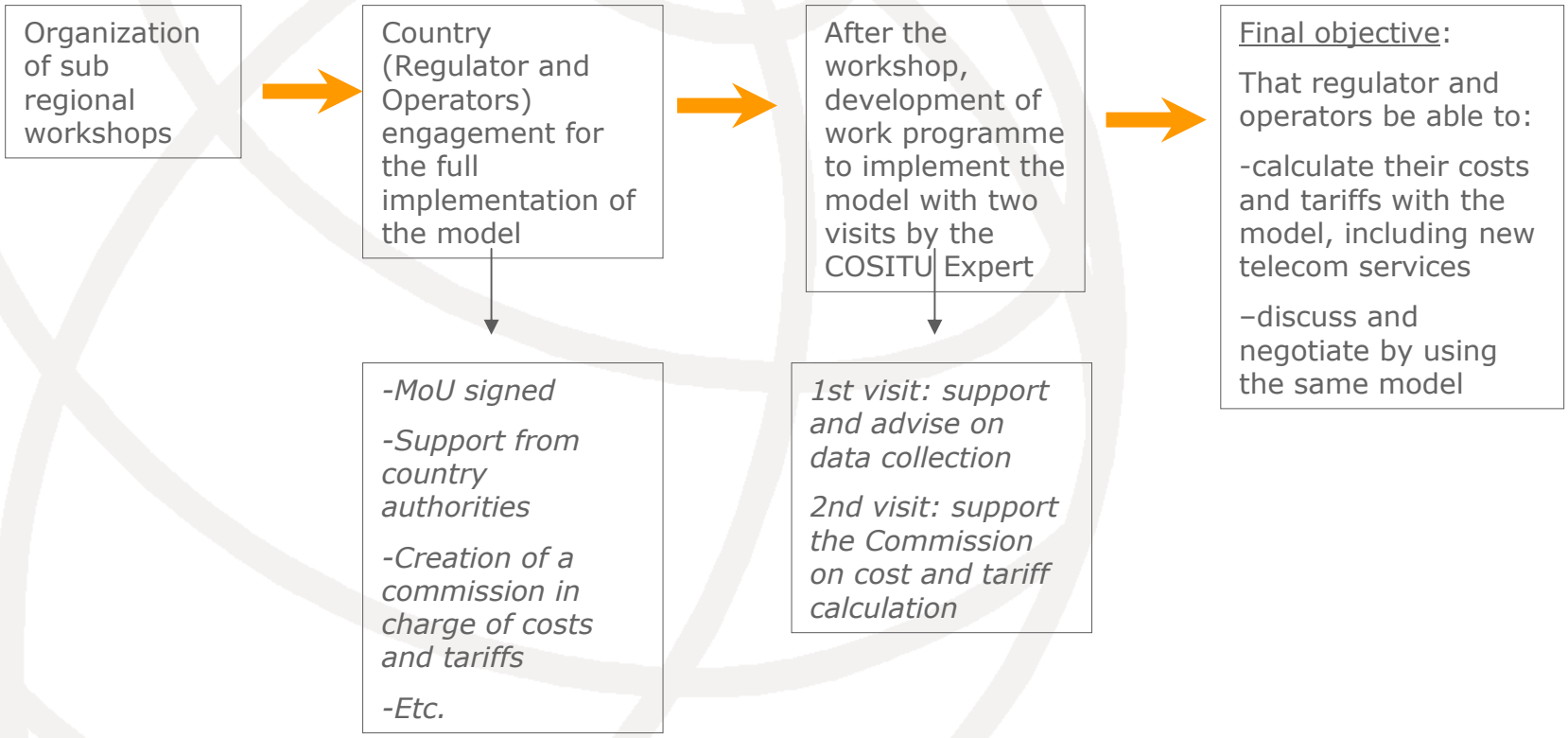
A model that is sustainable in the long term

- To the extent possible, the model should be more flexible and be adaptable
- COSITU experts throughout the world should be constantly involved in the creation of new applications
- Toolkits should be developed for all types of upgrades

Organized training programme

- A professional programme to ensure training and continued application of the model
- Highly qualified and experienced COSITU regional experts in all parts of the world
- Development of toolkits
- A discussion forum with COSITU experts available at all times in at least three languages

Training Programme and follow-up in the application of the model



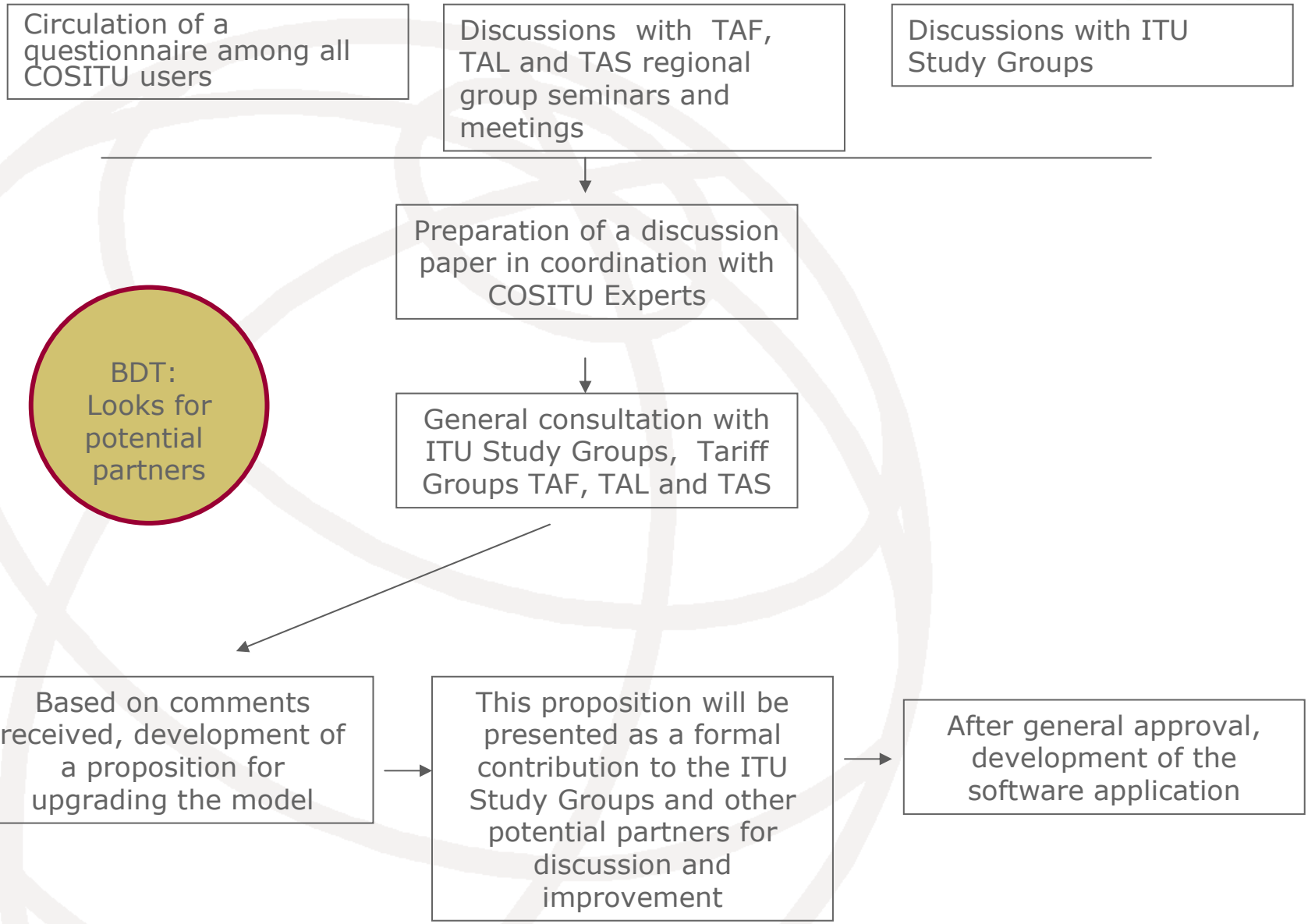
To sum up, our objective is…

- to develop an effective, user-friendly, flexible and high-quality model
- to have a model which satisfies the needs and objectives of our members in regard to the calculation of tariffs and charges
- to have a solid structure supporting the model, namely, ITU and, possibly, other international organizations

But what applications would an upgrading add to COSITU…?

- What will be the focus of the FDC or LRIC model?
- Is it possible to add calculations for other services, such as SMS, roaming, Internet, broadband, NGN, etc.?

To answer these questions ITU foresees the following


Circulation of a questionnaire among all COSITU users
Discussions with TAF, TAL and TAS regional group seminars and meetings
Discussions with ITU Study Groups
Preparation of a discussion paper in coordination with COSITU Experts
BDT: Looks for potential partners
General consultation with ITU Study Groups, Tariff Groups TAF, TAL and TAS
Based on comments received, development of a proposition for upgrading the model
This proposition will be presented as a formal contribution to the ITU Study Groups and other potential partners for discussion and improvement
After general approval, development of the software application

- COSITU experts will give their point of view and maintain an active participation in the development
- A BDT task force will coordinate and follow up all the development (RME)
- A contribution will be presented to the ITU-D and
  ITU-T study groups for comments and improvement
- We hope to finalize the concept and plan this year
- Commencement of work as early as possible with a view to launching the new version of COSITU in 2009

Some input already collected

- Central America (Workshop on COSITU, Panama, Nov. 2007)
  - Transparency regarding formulas and postulates
  - More flexibility (ex. routing table)
  - Facilitate the use of the software by using windows simultaneously
  - Direct access to external calculations in Excel
  - Include cost calculation for broadband, VoIP, convergence, NGN?
  - Include cost calculation for new services in different windows, example: SMS, MMS, Roaming
  - Create standard routing tables for services.

However, this does not resolve the problem of data asymmetry between regulators and operators

- In order to use any cost calculation model, one has to have the necessary data
- Possible solutions could include:
  - harmonizing the relevant laws to require operators to submit the necessary data to the regulatory body
  - regulators and operators working together to calculate tariffs on the basis of costs and tariff negotiation
  - using alternative models (e.g. benchmarking, efficient enterprise)

Guide - Efficient enterprise/efficient network model

- How this model can be used by regulatory authorities
- Advantages and drawbacks
- Development of a basic guide on this model, specifying the procedures to be applied and taken into account
- Compilation of data
- Costing methods, including application of the COSITU model

There is also the ICT Regulation Toolkit

- The electronic toolkit which assists regulators with regulatory aspects and the determination of best practices
- http://www.ictregulationtoolkit.org
- The tool comprises seven modules:
  1. Regulating the telecommunication sector
  2. Competition and price regulation
  3. Authorization of telecommunication services
  4. Universal access *New – available soon!*
  5. Radio spectrum management
  6. Legal and institutional framework
  7. New technologies and impact on regulation

Some of the projects for 2008

- Guide on regulatory accounting and illustrative case studies
- Regulation of roaming in mobile telecommunication services
- ICT Regulation Toolkit: a new section on costing and charging
- The impact of international gateway liberalization
- Upgrading of the software for cost and tariff calculation

Further information on the upgrade project will shortly be available at:

www.itu.int/ITU-D/finance/cositu

The new guide on data collection is also available on this web site.

COSITU
The ITU model for the calculation of costs, tariffs and rates

Thank you!

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www.itu.int/ITU-D/finance