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| African Telecommunication Union Administrations |
| OTTs |
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| **Abstract:** | ATU proposes a new study Question for consideration of international regulatory, policy and technical aspects of OTTs. |
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 AFCP/35A33/1

GENERAL MATTERS

Proposed new Qustion on OTTs according to APPENDIX I (to Resolution 1 (Rev. Hammamet, 2016))
Information for submission of a Question

# 1 Source

The source of this Proposal is ATU.

# 2 Short title

The short title of the Proposed Question is "OTTs".

# 3 Type of Question or Proposal

This is a task-oriented Question.

# 4 Reasons or experience motivating the proposed Question or proposal

## 4.1 OTT regulation

Africa remains a net user of OTTs like Facebook, Skype, Twitter, Amazon Prime, Hulu, Netflix, etcetera. Presently there is limited regulatory oversight in the delivery and operation of these services. Regulators are hard-pressed to impose local consumer protection, data protection, pricing and antitrust obligations upon cross-border OTTs in their markets.

Challenges

- There is weaknesses and fragmentation in the regulatory system because of the new consumer and competition issues and disruption of market structures.

- Insufficient consumer and data protection regimes with respect to OTT, hence increasing consumer vulnerability to fraud, inappropriate content, & other risks.

- Insufficient and weak antitrust enforcement regimes for OTTs on the Continent, hence perpetuation of unfair and discriminatory conduct in African OTT markets.

## 4.2 OTT revenue share models

At a commercial level, commercial frameworks and OTT revenue flows remain skewed against African MNOs & Infrastructure providers from whose infrastructure OTTs thrive. This is despite continuing effort by MNOs and governments to improve infrastructure gaps in African markets.

A combination of falling handset prices and improved data coverage has meant that revenues from traditional services like voice and SMS continue to be eroded by service migration to OTTs like messaging apps.

Challenges

- OTT business models present a skewed revenue share framework against African infrastructure providers.

- We cannot underscore the contribution of licensed MNOs to the growth of access to ICT services.

- In Africa our MNOs are the backbone to bridging the digital divide because they provide the fundamental accessibility to basic ICT

## 4.3 OTTs and domestic taxation regimes

Africa remains largely left out in the taxation of foreign domiciled OTTs. Besides tax losses for revenues accruing from African nationals, new products like Skype Handover which intercept and convert PSTN calls to OTT calls present even further tax losses for African governments that had put in place surcharges on International Voice traffic.

Traditional telecommunication products and services (both at provider and consumption level) are subject to a range of domestic taxes.

Challenge

- Despite its contribution to global OTT revenues, Africa receives nil tax revenues from foreign domiciled OTT revenues.

# 5 Draft text of Question or proposal

International consideration of regulatory, policy and technical aspects of OTTs.

# 6 Specific task objective(s) with expected time-frames for completion

OTT regulation:

- Appraisal of OTT compliance to domestic data protection and privacy legislation.

- Develop proposals on OTT compliance to regional/domestic antitrust standards (this is not happening in Africa despite compliance in other markets like Europe and Arab states).

OTT revenue share models:

- An appraisal of the current OTT-Cellular Operator partnerships.

- Assessment of net-neutrality obligations and commercial implications in light of subscription & freemium revenue models by OTTs.

- Develop proposals for OTT infrastructure support (especially in light of skewed universal infrastructure obligations by domestic infrastructure providers).

OTTs and domestic taxation regimes.

# 7 Relationship of this study activity to other Recommendations, Questions, study groups and relevant standardization organizations

Recommendations: ITU-T D.262, "Collaborative framework for OTTs"

Questions: Question 9/3;

Study Groups: ITU-T Study Group 3

Relevant Standardization Organisations: OECD.