

EXPERT LEVEL TRAINING ON TELECOM NETWORK COST MODELLING FOR THE HIPSSA REGIONS

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Session 8: Costing approaches – a practical exercise



Agenda

Aims and objectives for this session



Remember Normalia

- All the practical exercises in this workshop concern the fictitious African country of Normalia.
- The details are contained in the Case Study document that has been handed out.
- Normalia is a typical (“normal”) country with regulatory challenges similar to those in your country.



Telecoms in Normalia

Telecom Sector Regulator (TRAN)

Fixed Telecoms

- 15% teledensity
- Telecom (100%)

Mobile Telecoms

- 40% teledensity
- Telecom (70%)
- Normcell (30%)
- Mobilco (new)



Interconnection negotiation

- Telecom and Mobilco are now negotiating an interconnection agreement.
- Mobilco has not yet started operations but urgently needs an interconnect agreement so as not to delay launch
- Telecom is aware of Mobilco's reputation from other markets as the “scourge of incumbents” so does not want to give away any advantage through an early or favourable interconnect agreement.
- Negotiations have broken down and the case has been referred to TRAN.



Latest offers on the table

Mobilco offers

To pay: 6cpm (fixed)
15 cpm (mobile)

To receive:
20cpm (year 1)
18cpm (year 2)
15cpm (year 3)

Telecom offers

A single reciprocal charge for all termination (fixed and mobile) on both Telecom and Mobilco:
10cpm



The regulator gets involved

- TRAN is concerned that negotiations are dragging on and now threaten the development of a competitive market
- It requests that each party prepare a fully-argued case in response to 5 questions (see next slide) and present their views at a 3-party hearing.

Your task (Team A is Telecom and Team B is Mobilco) is to build your arguments and prepare for group discussion.

Each team will need to appoint a team leader and present their case to the TRAN Board



The 5 questions

1. Whether benchmarking will solve the matter satisfactorily and if so, for how long?
2. Whether a network cost model should be developed and, if so, what kind?
3. Whether each of the operators should build its own model, and if so, what should it be a model of in each case?
4. Whether the regulator should build a model, either as well as or instead of operator models?
5. Whether the industry (regulator and operators) should band together to develop a single industry model or models?



Group presentations and discussion

