Contribution to WTIM-12 session

SOURCE: ITU

TITLE: EGTI Topic: Revenue and Investment indicators
10th World Telecommunication / ICT Indicators Meeting (WTIM)
Bangkok, 25-27 September 2012

EGTI Topic: Revenue and Investment indicators

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Background:
– In 2011, the 2nd EGTI meeting and 9th WTIM agreed to open the discussion on investment and revenue indicators, particularly on the entire ICT sector
– One of the topics for discussion in the EGTI online forum

Objective:
– To advance the development of comparable definitions, scope, classifications and improved data collection methods of revenue and investment indicators
– Covering telecommunication and the entire ICT sector
ICT sector:

Based on ISIC Rev. 4

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<tr>
<th>ICT manufacturing industries</th>
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<tbody>
<tr>
<td>- 2610 Manufacture of electronic components and boards</td>
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<tr>
<td>- 2620 Manufacture of computers and peripheral equipment</td>
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<tr>
<td>- 2630 Manufacture of communication equipment</td>
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<tr>
<td>- 2640 Manufacture of consumer electronics</td>
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<td>- 2680 Manufacture of magnetic and optical media</td>
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<tr>
<th>ICT trade industries</th>
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<tbody>
<tr>
<td>- 4651 Wholesale of computers, computer peripheral equipment and software</td>
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<tr>
<td>- 4652 Wholesale of electronic and telecommunications equipment and parts</td>
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<th>ICT services industries</th>
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<tr>
<td>- 5820 Software publishing</td>
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<tr>
<td>- 61 Telecommunications</td>
</tr>
<tr>
<td>- 62 Computer programming, consultancy and related activities</td>
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<tr>
<td>- 631 Data processing, hosting and related activities; web portals</td>
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<tr>
<td>- 951 Repair of computers and communication equipment</td>
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ICT sector:

• ICT sector is made of diverse economic activities
• Harmonization of international classifications is crucial:
  ✓ to obtain comparable ICT figure
  ✓ to allow complete analysis of the sector’s impact to economic development
• However, data are not available or comparable
The EGTI discussed three indicators:

1. Revenue
2. Investment
3. Foreign Direct Investment

ITU Handbook (1):

Indicator 59: Revenue from all telecommunication services (i75)

Definition:
• Revenue earned from retail fixed-telephone, mobile-cellular, Internet and data services offered by telecommunication operators (both network and virtual) within the country.
• Revenue (turnover) consists of retail telecommunication service earnings (therefore excluding revenue from wholesaling activities) during the financial year under review.
### ITU Handbook (2):

**Indicator 71: Annual investment in telecommunication services (i81)**

**Definition:**
- Also referred to as annual capital expenditure
- Refers to the investment during the financial year in telecommunication services (including **fixed**, **mobile** and **Internet** services) for acquiring or upgrading property and networks.
- Property includes **tangible** assets such as plant, intellectual and **non-tangible** assets such as computer software.

### ITU Handbook (2):

**Indicator 71: Annual investment in telecommunication services (i81)**

**Cont:**
- Measure of investment in telecommunication infrastructure in the country
- Includes expenditure on initial installations and additions to existing installations where the usage is expected to be over an extended period of time.
- Excludes expenditure on research and development (R&D), annual fees for operating licensees and the use of radio spectrum, and investment in telecommunication software or equipment for internal use.
Data collection:

- Regulators - from operators and service providers
- National statistics offices - through national account systems or industry surveys

**ITU Handbook(3):**

**Indicator 73: Annual foreign investment in telecommunications (i841f)**
- Telecommunication services: fixed, mobile and Internet services
- Investment made by a foreign-owned entity, acquiring significant degree of influence and control (shareholding of at least 10%) in a domestic telecomm service provider
- Include both initial transaction and subsequent investments, refers to inward flows (inflows)
- Not directly comparable to the other investment indicators
- Collected from the national authority responsible for compiling balance-of-payments statistics
Challenges:

1. Detail of the data:
   - Only aggregated data are available (inclusion of wholesale revenue, sales and rental of handsets, license fees)
2. Lack of harmonization rather than lack of data
   - Not clear what is reported
   - Definitions vary significantly
3. Coordination problem between national data compilers

EGTI conclusions:

1. Countries should exclude revenue from:
   - Wholesale revenue (OECD should consider harmonizing their definition)
   - Rental and sales of end-user devices
   - Traditional broadcasting

2. Countries should exclude from investment:
   - License fees and spectrum fees
EGTI conclusions:

Scope of ICT sector

- It is important to collect data for the entire ICT sector following the international definition (ISIC Rev 4)
- This requires cooperation among different stakeholders at the national level including NRAs, NSO, ministries and other agencies

EGTI conclusions:

Way forward

- Close the discussion on definitions on revenue and investment
- Continue discussion on definition of FDI in telecom
- Continue the discussion on data collection/compilation for the entire ICT sector
many thanks!

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