

Economic Impact of OTT in the international voice services in Honduras

Joel David Escoto

Analysis Market Department, CONATEL, Honduras

Introduction

The broad band penetration in the fixed and mobile services allows the improvement of the economic conditions of the population and a more efficient use of the resources, have also changed the way we communicate with others.

The OTT communications applications like Whatsapp, Facebook, Viber, Line, Skype, and others, have allowed the possibility of voice and text communications through the internet using smartphones and other devices.

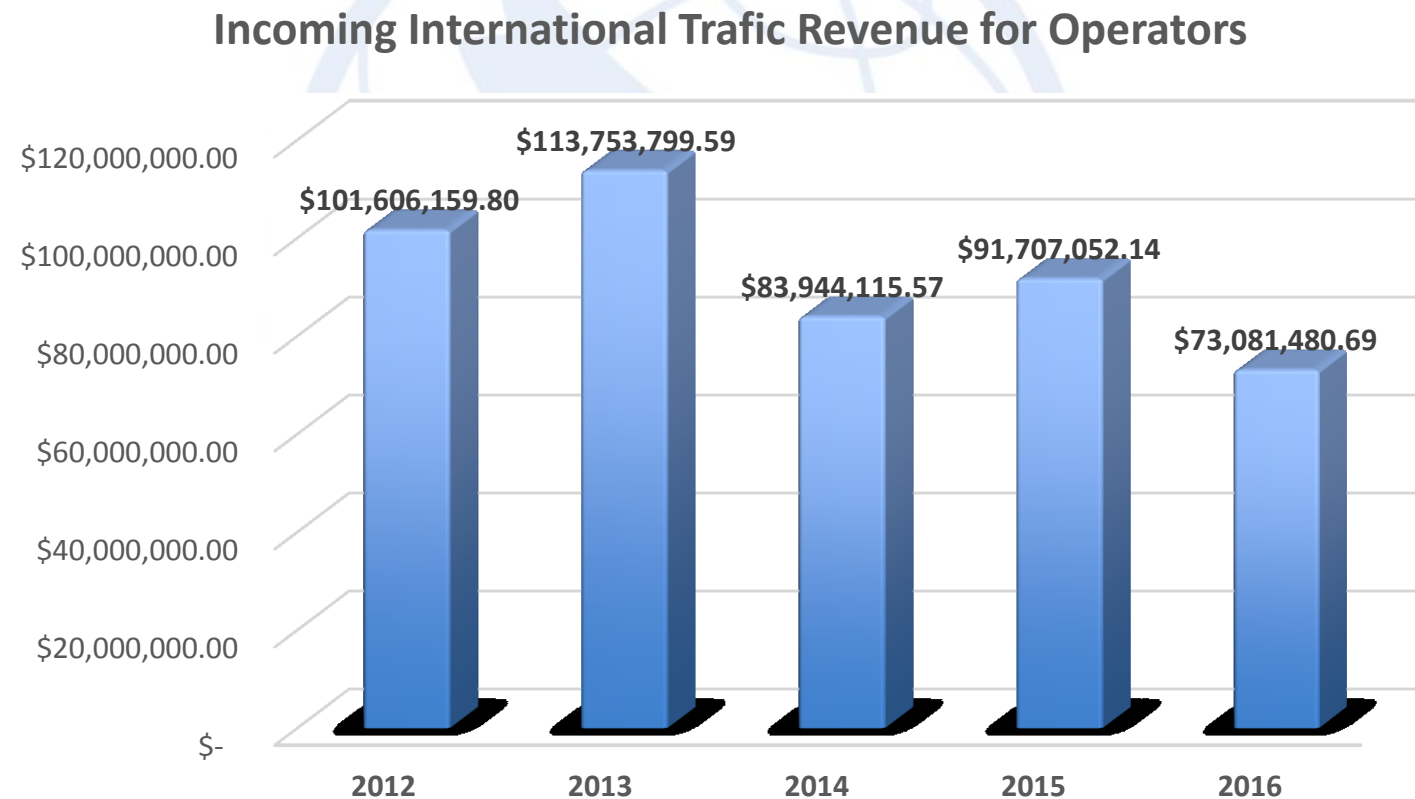
Introduction

The problem is that the fixed and mobile operators for many years, got considerable profits from international voice calls and Roaming services, so that when the substitution of traditional calls occurs by the use of OTT communications services, there has been a negative impact in the income of the operator and also for the government.



Honduras Case

Since 2014, Honduras reached a considerable increase in the use of mobile internet as well the penetration of smartphones, meanwhile for the incoming international voice traffic, the operators have reported a reduction in their revenue that is show in the following figure.



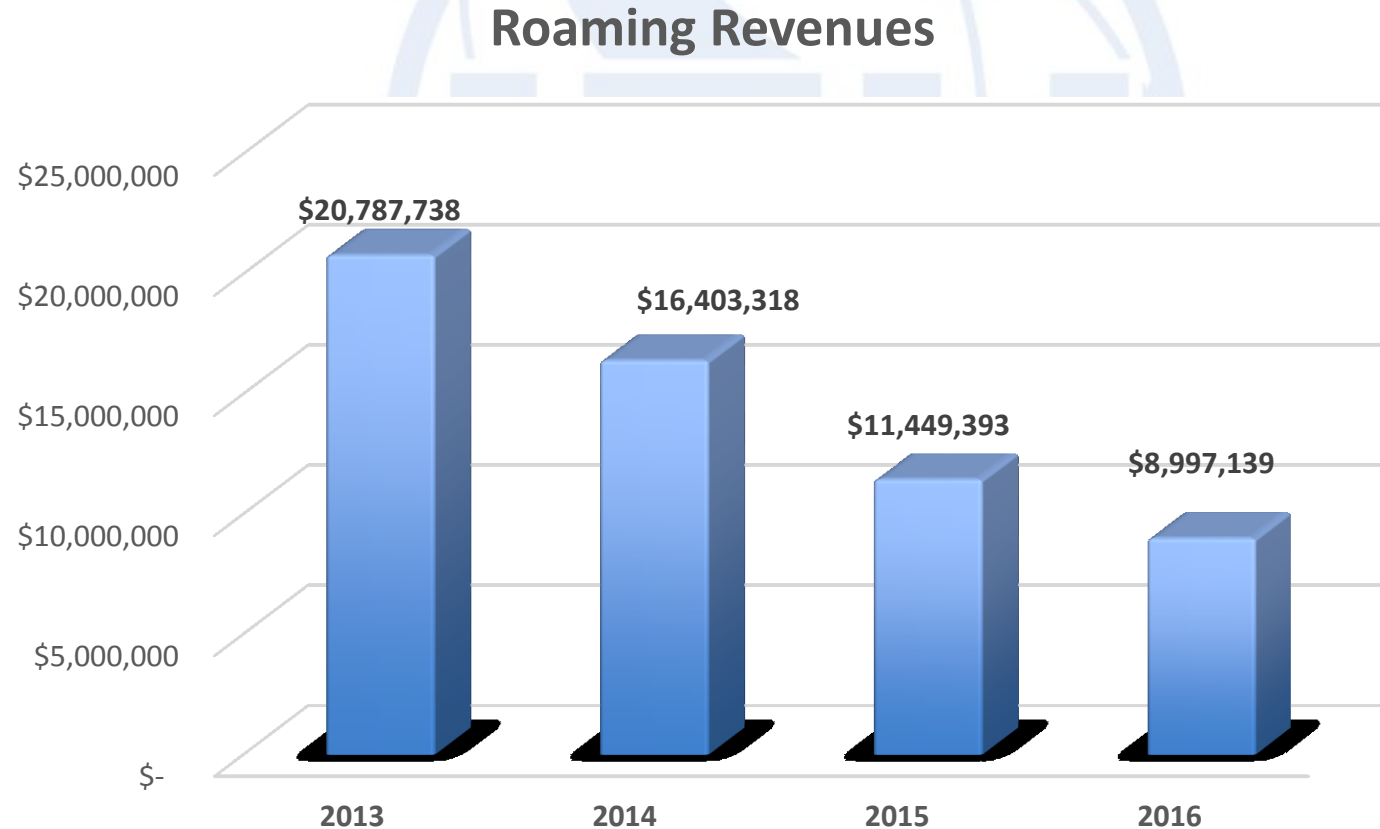
For the operators, the reduction in their revenue for 2016 was more than \$ 18 million dollars.

Honduras Case

For the Government of Honduras, this drop in incoming voice traffic, meant the reduction in the taxes collected. The actual regulation establishes a \$ 0.03 tax per minute of incoming international voice traffic, additionally the Government receives revenues from exploitation fees and others charges that apply to the revenue of operators, so by reducing these revenue the assurance of these other fees has been reduced as well.

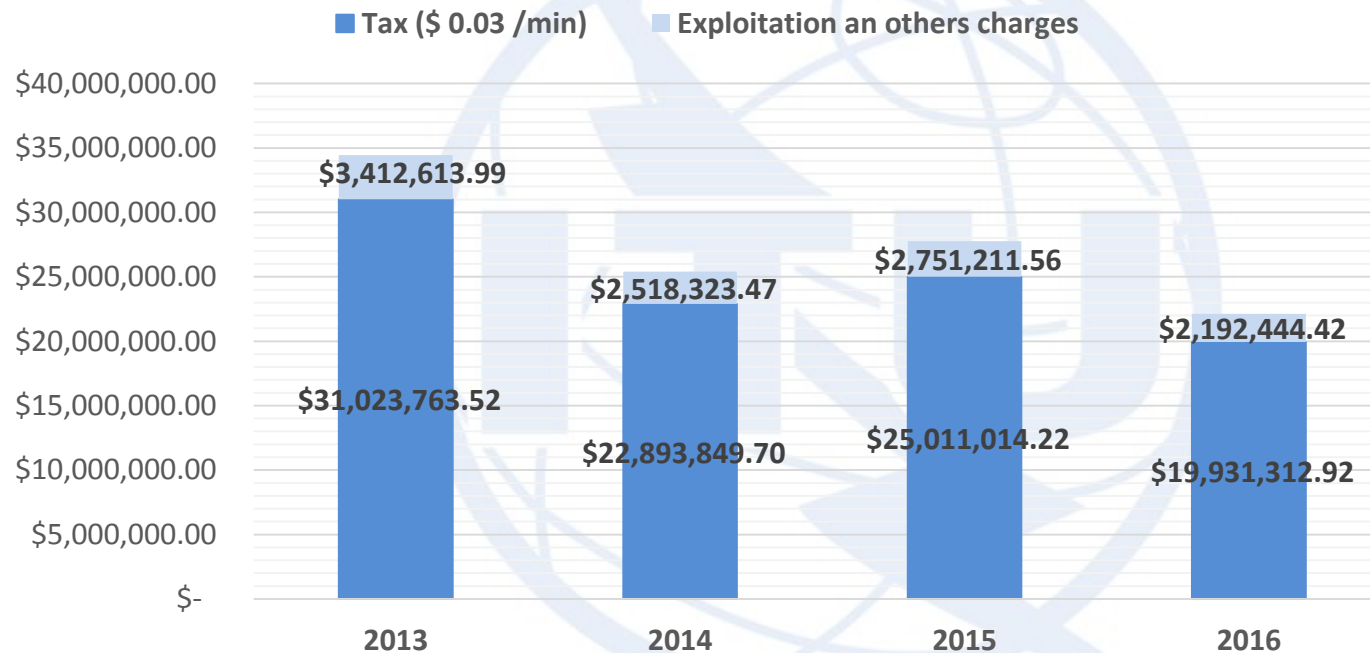
Roaming Revenues

Operator revenue for roaming services, have also being decreased in the lasts years, due to more competitive offers and prices, but possibly as well the impact of the OTT communications services; as shown in the following figure.



Government Revenues

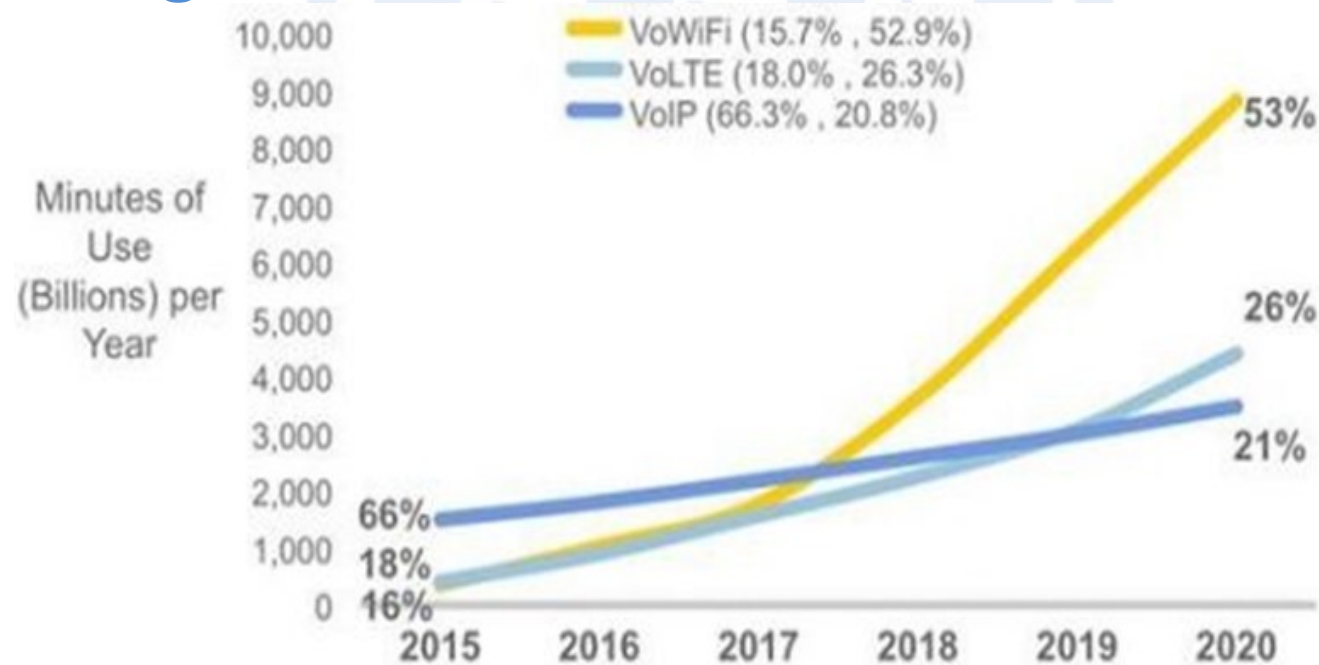
Government Revenues for Incoming International Voice Calls



For the 2016, government revenues for incoming international voice calls taxes decreased more than \$5.6 million dollars.

Technological substitution

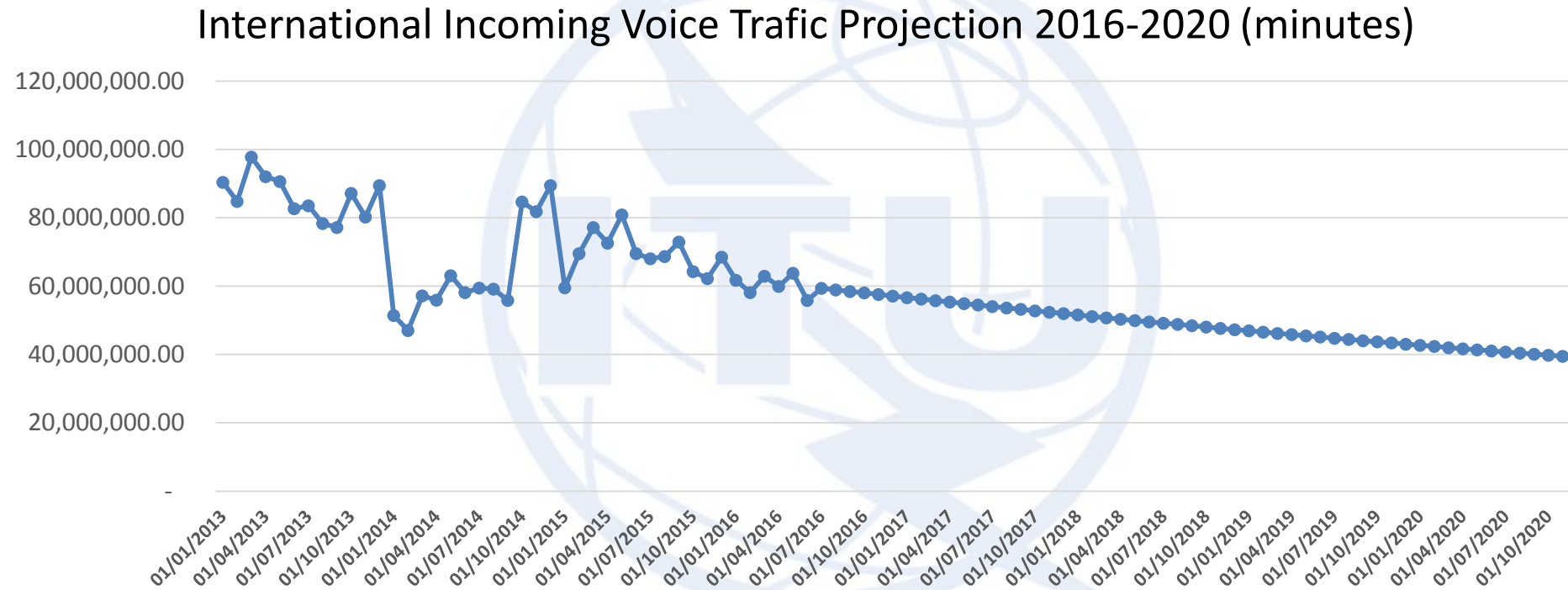
The tendency of this behaviour possibly will continue for the next years, Due to technological substitution, so that the impact in the revenue for the operators and government taxes will be higher.



Source: Cisco forecast voice over IP

International Traffic Projection

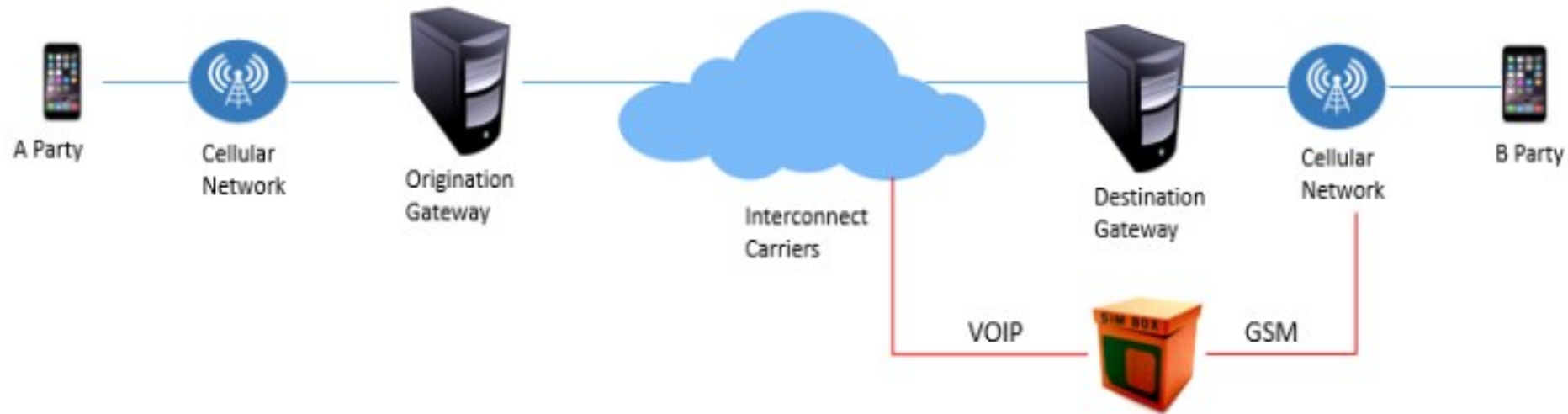
The projection of the traffic using an adapted logistic model and consideration of increase in broadband and data traffic, is show in the following figure.



This behavior will mean a reduction an average yearly reduction of 20% of revenue for this services for both the operators and the government. The operators are innovating their commercial supply to include potential revenues for the utilizations of the OTT communications services, taking advantage of the sale of packed services due to technological convergence and the growing demand for data.

Bypass Problem

The bypass or illegal traffic of international voice calls over internet, is other problem which affects the revenue of operators and the government, but a new regulation framework and the elimination of the charge of \$0.03 per minute, could improve this situation, because the market will be more competitive and open, bringing down the incentives to carry out the bypass.



Need for Regulatory Update

- The current regulatory framework related to international voice communications was established in 2005, and still maintain the exclusivity for the state-owned operator to terminate international calls in other networks. For these reasons CONATEL, the telecommunication regulator of Honduras, is performing the analysis of how the regulatory framework can be modified to open the market, removing the current restrictions and eliminating the charge of \$ 0.03 per minute.
- The final objective is not to restrict in any way the use of the OTT applications, rather than improve the regulatory framework, to create an environment that allows the development and use of broadband.

Proposal

- CONATEL would like to invite SG3-LAC to continue to study the development of OTT communication services and the economic impact in the international voice calls services.
- Encourage the discussions to the possible regulatory approaches that should be adopted for the National Regulations Authorities (NRA) in order to establish guidelines for the benefit of the development of the telecommunications markets in view of new technologies.

Work of SG3 on OTT

- The economic impact of over-the-top (OTT) services is an area of study covered by **Question 9/3** of ITU-T Study Group 3.
- The Group agreed at its March 2016 meeting on a base text for a new **Draft Recommendation on OTTs**. This base text was discussed at the Rapporteur Group meeting held in Geneva 23-24 February 2017. Study Group 3 will be also working on new work items at its upcoming meetings related to OTT bypass and partnerships between OTT players and mobile network operators. In addition SG3 is in the process of finalizing a **Technical Paper** on the Economic impact of OTTs.

Thanks for your Attention



GOBIERNO DE LA
REPÚBLICA DE HONDURAS



COMISION NACIONAL DE
TELECOMUNICACIONES
CONATEL