Expert Group on Telecommunication/ICT Indicators

Sub-group on ICT- Price Baskets 2024

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Overview

At the 14th Meeting of the ITU Expert Group on Telecommunication/ICT Indicators (EGTI) which took place in Geneva, Switzerland from 18 to 21 September 2023, it was agreed that the sub-group on ICT prices will be reinstated to review current data collection rules in light of changing consumption patterns and market dynamics.

The scope of work undertaken by the subgroup is elaborated in section 5. It is important to note that other basic methodological considerations remain the same. For completeness however, they are summarized in section 2.

ITU looks back to decades long collection and compilation of statistics on the retail price of ICT services. For international benchmarking of ICT prices, ITU applies the basket approach, whereby a basket is a comparable unit of services including pre-defined minimum allowance and validity requirements, consisting of plans actually available on the market. Resulting statistics and analysis are published on the ITU data hub[1] and on the dedicated ITU ICT price statistics webpage[2].

It is also imperative to maintain an understanding of the purpose of these ICT Price Baskets (IPB);

- **Affordability**: When expressed as a percentage of Gross National Income (GNI) per capita these indicators provide a sense of relative affordability.
- **Comparability**: By standardizing the components of the price baskets to the extent possible, these indicators allow for consistent comparisons across countries and over time.
- **Policy Implications**: Governments and regulators use these indicators to evaluate the impact of their policies on the affordability of ICT services. They can help identify areas where interventions may be needed to reduce prices and improve access.
- **Tracking Progress**: ICT price basket indicators are used to monitor progress towards global goals.

These indicators provide valuable insights into the cost and affordability of ICT services worldwide, helping policymakers, researchers, and international organizations understand the economic barriers to ICT adoption and devise strategies to improve access and affordability.

[1] https://datahub.itu.int/
[2] https://www.itu.int/en/ITU-D/Statistics/Pages/ICTprices/default.aspx

1. Objectives

Assess relevance and recommend revisions to the current ICT price data collection rules, to facilitate the future collection of the price baskets with considerations on the following:

- the validity and applicability of the rules related to contract modality and commitment period (applicable to all mobile baskets).

- the relevance of the five ICT price baskets for which ITU is currently collecting data annually

- allowance thresholds in light of market evolution and changing communication practices and consumption patterns, especially in the case of the mobile cellular low-usage basket (70 mins and 20 SMS) as well as the mobile data and voice low- and high-consumption baskets. With respect to the fixed broadband basket, it may also address the question of the relevance of speed and allowance thresholds, mindful of the definition of fixed broadband subscriptions.

2. Working methods

Subgroup members were invited to provide evidence from their countries and regions on consumption trends (monthly average per active subscription) for voice, SMS and data. This was imperative for the sub-group to be able to make informed decisions prior to making recommendations to the wider EGTI community.

Country-level statistics provided by subgroup members were complemented by global statistics shared by the ITU secretariat based on administrative data collected through the World Telecom Indicators (WTI) questionnaires.

The subgroup also received inputs from the OECD and the European Commission on their ICT price data collection methodology and experience.

The subgroup held 5 online sessions, during which it reviewed the evidence available and discussed the possible recommendations.

3. Current IPB methodology

The following baskets were proposed and accepted at the EGTI meeting in 2017, with a methodological revision accepted at EGTI in 2020.

Please note the basket compositions refer to the minimum requirement.

Basket	Basket Composition
Voice + SMS only Basket (Low Consumption)	70 mins + 20 SMS
Low Consumption Basket	70 mins + 20 SMS + 500 MB
High Consumption Basket	140 mins + 70 SMS + 2 GB
Mobile Broadband Basket (Data only)	2GB
Fixed Broadband Basket	5 GB

Table 1: Current mobile and fixed price baskets

The above basket compositions are preceded by the following basic methodological considerations, which are:

- Prices are selected for plans within the service provider that holds the largest market share
- Prices are reported in the currency they are advertised in, including taxes
- Prices are selected for regular residential / private user based non-promotional non-restrictive plans
- For mobile baskets, prices should be reported for plans without commitment; however, in the event that all service offers are contract-bound, then a plan with a longer commitment period may be considered, but only if its monthly price is found cheaper after all relevant costs (such as connection fee, breakout charges or penalties) are included on a pro-rated basis in the assessment of total costs for the alternative options.

Note: The key points made above have been generalized for both fixed and mobile baskets. The specifics are available in the current IPB rules document available here.[3] A visual overview of the rules is available here.[4]

[3] https://www.itu.int/en/ITU-D/Statistics/Documents/datacollection/IPB_Rules_2022.pdf
[4] https://www.itu.int/en/ITU-D/Statistics/Documents/datacollection/IPB_Rules_VisualGuide.pdf

4. Methodological revisions considered by the sub-group

The sub-group based its discussions on the following points that were raised during the virtual presentation on IPBs made at the 14th EGTI meeting.

4.1. Contract Modality

When selecting a plan in order to report prices on, a decision has to be made on whether to choose a prepaid or a postpaid plan from the reference operator, that is, the one accounting for the largest market share in terms of all active mobile cellular subscriptions.[5]

- Option 1: Make the selection based on the majority or most common contract modality; i.e. if a country has > 50% prepaid subscriptions then select prepaid, else select postpaid

- Option 2: Select the cheapest plan within the basket criteria, irrespective of contract modality

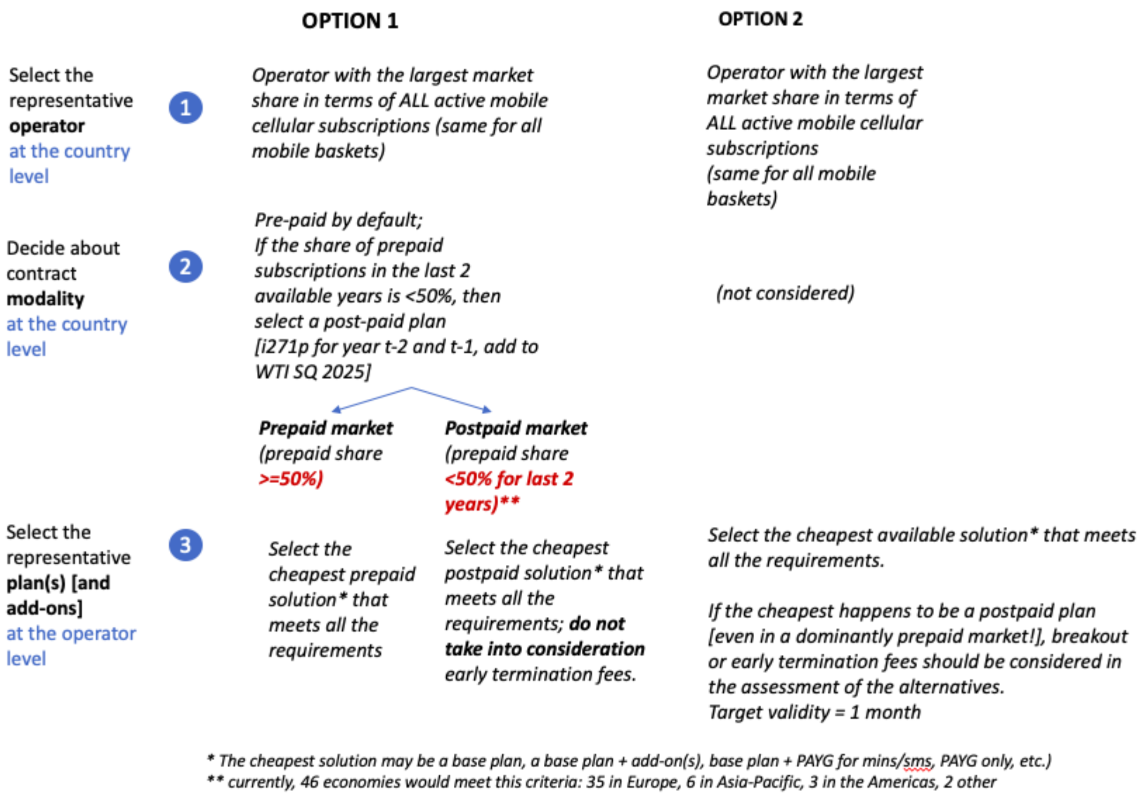

Figure 1: Method of contract modality selection - Option 1(used by the majority in a country) vs. Option 2 (selecting the cheapest plan irrespective on contract modality)

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[5] Changes made to the contract modality selection process:
- Prior to 2017, prices were collected only for prepaid plans (with the exception of Japan and Korea that had <2% and <5% respectively, of prepaid users).
- In 2017, decision was made through EGTI that the contract modality will be selected based on the majority of the subscription base in each country.
- However, in 2021 the EGTI decided that irrespective of contract modality, the least cost plan ought to be selected to represent the entry level / most affordable option to get connected.

Another important discussion point was around the **commitment period** that usually surrounds the selection of postpaid plans. In some instances postpaid plans are bound by contracts with lock-in periods that have break-out fees if terminated prematurely.

Decision: There are pros and cons in both approaches. It is noted that many members of the sub-group were in favour of Option 2 that advocates for the cheapest plan. However, based on the majority, the recommendation is Option 1, where the selection would be based on the cheapest plan of the most common contract modality in a country.

Note: In the event of a postpaid plan selection, under option 1, the contract breakout fees / early termination charges will <u>not</u> be considered. The rationale behind this is that it is the user's prerogative and should not be used to presume or determine penalty fees.

4.2. The relevance of SMS

Given the decline in use of SMS as a service for personal communication (as opposed for how it is widely being used at present in the context of marketing), the relevant of SMS in the mobile baskets was deliberated by the sub-group. This effects the following ICT price baskets:

- Mobile-cellular low-usage (Voice and SMS only) basket (70 min + 20 SMS)
- Mobile broadband Low Consumption Basket (70 min Voice + 20 SMS + 500 MB Data)
- Mobile broadband High Consumption Basket (140 min Voice + 70 SMS + 2 GB Data)

Decision: After much discussion it was agreed upon by the sub-group that the **Mobile-cellular low-usage (voice and SMS only) basket (70 min + 20 SMS) will be removed**. However, the SMS component will be retained in the Mobile broadband Low and High Consumption Baskets, due to the fact that SMS is still prevalent in some economies.

4.3. The composition of mobile baskets

The previous recommendations made on the IPB methodology in 2017, was based on consumption patterns (monthly average use per subscription) of voice, SMS and data observed at the time (approximately 90 data points for each sub-service). When analyzing the data, a natural pattern emerged that propelled the idea for high- and low-consumption baskets.

At present however, the decline in personal SMS use and increase in data consumption is apparent. Personal SMS is being replaced by over the top (OTT) services and in fact the growth of SMS is credited to business use (e.g. marketing, notifications, etc.). Further, in the past, the baskets were defined by consumption, such that high consumption meant a higher use of voice, SMS and data and low consumption meant a lower use of the same. This however, is not synonymous with a user profile; i.e., those who use more voice and data tend to use less SMS. Often, there is a correlation with income and digital literacy as well.

Therefore, it was recommended that the voice, SMS and data components are revised; however, a revision would only be recommended if there is sufficient evidence to support it.

- **Voice**: Despite a slight increase in consumption among some economies (namely in upper middle- and low-income economies), there was no compelling evidence to change the voice component of both baskets; therefore, it is recommended for the current allowance of minutes to remain as-is.

- **SMS**: It was agreed the number of SMS in the high consumption basket should in fact be reduced, and increased in the low consumption basket.

  Note: A few countries were of the opinion that number of SMS should be the same in both baskets as it is observed that SMS is predominantly being used in low-income countries as is reflected in the graph given below (Figure 2).

- **Data**: It was agreed that the present minimum data allowances need to be changed. Although current consumption patterns may warrant for a drastic change, the concern is on continuity of time series analysis and maintaining a similar gap between high consumption and low consumption baskets. The subgroup was also mindful of not proposing radical changes as the high consumption basket aligns with the ICT Development Index (IDI).

Mobile Baskets	Present			Proposed		
	Voice	SMS	Data	Voice	SMS	Data
High consumption	140 mins	70	2 GB	140 mins	20	4 GB
Low consumption	70 mins	20	500 MB	70 mins	50	1 GB
Data-only	-	-	2 GB	-	-	4 GB

Table 2: Mobile price baskets - present and proposed voice, SMS and data allowances

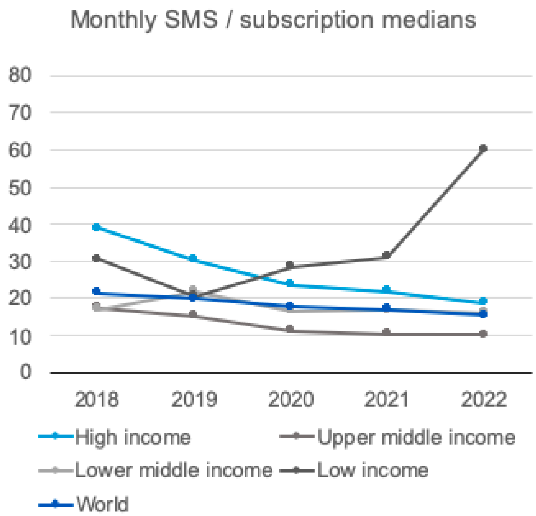

Figure 2: Average Monthly SMS per subscription 2018 – 2024 (Source: WTI database)

Rationale: Data from the WTI database[6] (2018 – 2022) illustrates the inverse trend observed in SMS use, where use in low income countries had almost doubled (please refer Figure 3*: Average monthly data consumption (GB) per subscription 2018 – 2024*). Similarly, there has been a decrease in SMS use among the high income, upper- and lower- middle income countries. This was in-line with the country experiences shared within the group as well.

In contrast, mobile data has seen steady and sometimes exponential growth across all regions. While there were viable suggestions for much higher increases to the data allowances of the baskets recommended above (Table 2), being cognizant of the vast regional differences in terms of consumption patterns, potential complications in time series analyses and implications on the IDI, the sub-group chose to maintain a similar gap observed in the current low- and high- consumption baskets.

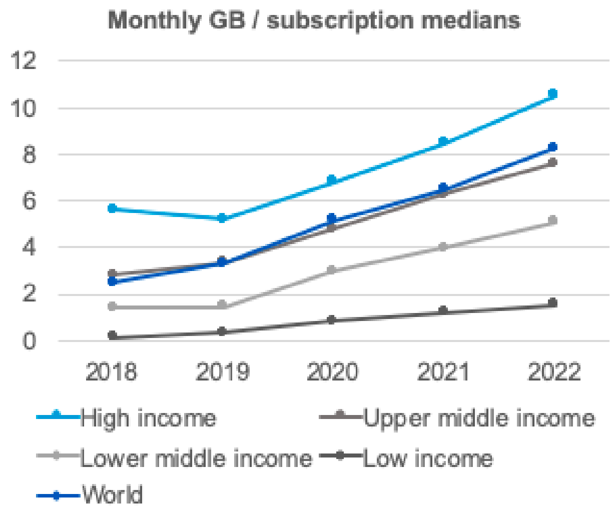

Figure 3: Average monthly data consumption (GB) per subscription 2018 – 2024 (Source: WTI database)

[6] Due to the lack of evidence on current average consumption of voice, SMS and data, the subgroup had to look through accessible sources. Therefore, data till 2022 from the WTI database was referred to compare trends from more recent years.

4.4. Fixed Broadband speed and minimum data allowance threshold

The 256 Kbps definition of broadband and minimum 5GB monthly allowance was deemed extremely low by the sub-group and therefore the need for a revision was discussed.

Decision:

- Speed: Since definitions are not under the purview of the sub-group, it is recommended to follow the current definition of broadband as outlined by ITU-T.

- Monthly data allowance: Based on the data collection that is currently underway and the data collected for this basket in 2023, it is evident that in the majority of instances the cheapest plans on offer have unlimited data. In many other cases the minimum data allowance per month is far higher than the basket's current 5GB / month value. Therefore, leaving this as a minimum threshold *does not affect the data collection or basket values in any way.*

As such the recommendation is to leave the methodology pertaining to the fixed broadband basket without any change.

5. Conclusion

This report outlined in brief the key discussion points undertaken by the subgroup for the purpose of revisiting the methodology for the ICT Price baskets and proposing methodological revisions for the same.

The key recommendations are that the baskets are revised as per the table below. In the event of mobile baskets, prices will be reported for the plan that best fits the following minimum criteria and that is bound by the contract modality used by the majority in a given country (Option 1, as described in
Figure 1).

The rest of the data collection methodology will remain unchanged.

Current Baskets	Revisions
Mobile-cellular low-usage (Voice + SMS only) Basket (70 mins + 20 SMS)	REMOVE
Mobile data and voice Low Consumption Basket (70 mins + 20 SMS + 500 MB)	70 mins + 50 SMS + 1 GB
Mobile data and voice High Consumption Basket (140 mins + 70 SMS + 2 GB)	140 mins + 20 SMS + 4 GB
Data-only Mobile Broadband Basket (2GB)	4 GB
Fixed Broadband Basket	No Change

Table 3: Proposed revisions to the ICT Price Baskets, 2024