



INTERNATIONAL TELECOMMUNICATION UNION

ITU-T

TELECOMMUNICATION
STANDARDIZATION SECTOR
OF ITU

D.5

GENERAL TARIFF PRINCIPLES

**COSTS AND VALUE OF SERVICES
RENDERED AS FACTORS IN THE
FIXING OF RATES**

ITU-T Recommendation D.5

(Extract from the *Blue Book*)

NOTES

1 ITU-T Recommendation D.5 was published in Fascicle II.1 of the *Blue Book*. This file is an extract from the *Blue Book*. While the presentation and layout of the text might be slightly different from the *Blue Book* version, the contents of the file are identical to the *Blue Book* version and copyright conditions remain unchanged (see below).

2 In this Recommendation, the expression “Administration” is used for conciseness to indicate both a telecommunication administration and a recognized operating agency.

Recommendation D.5

COSTS AND VALUE OF SERVICES RENDERED AS FACTORS IN THE FIXING OF RATES

- 1** The income from the totality of services provided by a telecommunication organization should cover all the costs incurred by that organization, namely:
- a) operating expenses;
 - b) interest on capital involved;
 - c) fiscal charges;
 - d) depreciation of equipment;
 - e) cost of research and development;
 - f) capital investment (as required).

For political or social reasons the rates for certain services may be so arranged that they do not cover all the costs involved. In addition, the rates applied should not create harmful competition among the various telecommunication services.

- 2** The CCITT therefore considers that the rates for the various telecommunication services should be such that they cover the items of expenditure listed above.

However, in view of the difficulty of applying rates based on these criteria, in certain cases, for the political or social reasons mentioned above, the CCITT considers that the overall balance in the telecommunication services required should be achieved by applying an increase factor to the rates of other telecommunication services in the same telecommunication organization which will compensate for the deficit incurred by services run at a loss.

In determining this increase factor, the value of the service rendered to the user should be taken into consideration.

In any case the rates adopted should be such as to avoid harmful competition among the different types of service provided by the organization concerned.

Recognizing that a telecommunication service is of the greatest importance for the economic and social life of every country, the CCITT recommends that the surplus income from the telecommunication services considered as a whole should not be greater than the amount required for the efficient running of these services.