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REGULATORY CAPACITY BUILDING PROJECT

**RAPPORTEURS REPORT ON THE TRAINING WORKSHOP ON COSITU, THE
ITU MODEL FOR THE CALCULATION OF COSTS, TARIFFS AND RATES FOR
TELEPHONE SERVICES**

Dakar, Senegal 21 - 25 March 2005

Introduction

The training workshop on COSITU, the ITU model for the calculation of costs, tariffs and rates for telephone services was held in Dakar, Senegal from 21-25 March 2005 at the Multinational Superior School of Telecommunications. The workshop was opened with a welcoming ceremony with remarks by Mrs. Valerie Assoi, Project Coordinator for the ITU/EU ECOWAS Harmonization Project, the Director of the Telecommunications Institute, and Mr. Pape-Gorgui Touré, Head of Policies, Strategies and Financing Department, BDT, ITU. The workshop brought together 48 delegates from both Francophone and Anglophone countries.

Based on the recommendations of the ITU/EU Project Training Task Force Meeting, the delegates were divided into two working groups composed of Francophone (33 participants) and Anglophone (14 participants) countries. While the two groups held deliberations in separate rooms, coffee breaks and meals were held together to facilitate networking and regional harmonization. The workshop for the Francophone countries were conducted by Mr. Pape Gorgui Touré and Mr. Abossé Akué-Kpakpo, while the workshop for the Anglophone countries were led by Mr. Katim Touray and Mrs. Valerie Assoi.

All Francophone and Portuguese-speaking countries of the ECOWAS, except Benin, were represented by 36 participants. Anglophone countries were comprised of 12 participants from Gambia, Ghana, Liberia, Nigeria, and Sierra Leone. Liberia and Ghana volunteered to serve as Rapporteurs for the group.

Workshop Agenda and Presentation

Following the registration of participants and the opening ceremonies, the agenda for the workshop was accepted as follows:

- Review of the expectations of participants
- General introduction to COSITU and other cost models and the definition of services and other theoretical aspects
- Collection and analysis of information relative to service traffic in the COSITU model
- Presentation of the theoretical aspects of COSITU
- Demonstration of the COSITU software set-up
- Development of results from the COSITU model with reference to:
 - Service costs to clients
 - Universal Service Policy
 - Tariff rebalancing
 - Interconnection
 - Termination charges
- Application of COSITU to new services: Internet, SMS, Roaming, and VoIP
- Working groups for Mobile network case
- Interconnection Regulatory trends within the ECOWAS region

As per the workshop agenda, the first item to be dealt with was the identification of the expectations of participants with reference to what they expected to gain from the workshop. The following items were identified as expectations that participants anticipated they would acquire with reference to the COSITU model:

1. The determination of tariff structures
2. The determination of cost allocation and network efficiency
3. Tariff balancing from the consumer's perspective
4. The calculation of the costing of Value Added Services (VAS) and Universal Service Obligations (USO)
5. Obtain a general appreciation of interconnection issues
6. Identify cost issues relative to the interconnection of Mobile-to-Mobile networks and Mobile-to Fixed networks
7. Facilitate decision making and the negotiation process
8. Determine optimal tariffs
9. Determine the implication of new Value Added Services (VAS)

Workshop Methodology

Having identified the expectations of workshop participants, the workshop commenced with the presentation of lectures on the functional operations of the COSITU model by Mr. Katim Touray, in accordance with the agenda presented above. Mr. Touray presented both the theoretical and practical aspects of the relevance of network structure and how to obtain the unit cost of services based on the various network elements used. An important aspect of this

was the differentiation of endogenous and exogenous costs within various network boundaries. Mr. Touray also dealt with the financial aspects of the COSITU model ranging from the cost of network components, amortization rules, and the cost of financial support and drew a correlation of how these various aspects work together to determine the unit cost of services, the determination of which further emphasizes the need for tariff rebalancing.

To further support the theoretical and practical presentations, workshop participants were divided into three working groups and given a case study on the interconnection and interaction of two mobile networks and one fixed line operator and requested to determine the various costs associated with the provision of services by one of the mobile operators. The required input data was provided in the case study and inputted directly to the COSITU software by participants, thereby providing participants with hands-on experience with the software. This aspect was extremely important in giving participants additional insights on the operational function of the COSITU model.

During the lectures, Mr Pape Gorgui Touré provided a technical presentation of VoIP and at the end of presentations on the COSITU model, Mrs. Valerie Assoi gave a presentation on the regulatory trends of interconnection obtained within the ECOWAS region.

Assessment of the fulfilment of participants' expectations

At the conclusion of the workshop, discussions were held amongst the participants to determine the extent to which their expectations were fulfilled by the workshop. Following these discussions, the following assessments were made and agreed to:

1. **The determination of tariff structures:** The participants agreed that good efforts were made with respect to this expectation. This was due to the fact that the model was effective in determining the costs of the various network elements, which then formed the basis for determining an appropriate tariff structure. As such, it was agreed that expectations were met in this regard.
2. **The determination of cost allocation and network efficiency:** Workshop participants were of the view that the model was very good at identifying and managing the various network elements that formed the basis of cost from the technical perspective. They accordingly felt that this aspect of their expectations was adequately dealt with, however, they did raise concerns that the operational and maintenance costs associated with telecommunication networks were not adequately dealt with by the workshop.
3. **Tariff balancing from the consumer's perspective:** Participants agreed that the model strongly supported policy formulation with reference to tariff rebalancing by providing the costs for the provision of the various services and identifying the costs associated with Access Deficits. It was agreed that this provides a strong justification for tariff rebalancing and provides the basis for the education of consumers on the need for tariff restructuring.
4. **The calculation of the costing of Value Added Services (VAS) and Universal Service Obligations (USO):** Delegates agreed that this aspect was not adequately handled as the impact of VAS on the COSITU model are issues that are currently under debate at the ITU. It was further agreed that this would be addressed in

subsequent workshops. However, with reference to USO, it was agreed by participants that from a technical and costing point of view, USO was adequately addressed however, more needed to be done from an administrative and regulatory standpoint.

5. **Obtain a general appreciation of interconnection issues:** Workshop participants agreed that this aspect was handled excellently from a technical and costing perspective, however, some concerns were raised that refresher presentations on USO and interconnection issues may be required during subsequent workshops. Other views expressed were that future participants should be required to have basic knowledge about the regulatory and policy issues surrounding USO and interconnection as prerequisites for participation. Additionally, with reference to workshop inputs, it was suggested that in future, questionnaires with reference to required workshop data should be sent to participants at least two weeks before the workshop for completion and submission before the workshop.
6. **Identify cost issues relative to the interconnection of Mobile-to-Mobile networks and Mobile-to-Fixed networks:** It was agreed by participants that this expectation was adequately met.
7. **Facilitate decision-making and the negotiation process:** Participants agreed that the workshop and the COSITU model adequately met this expectation.
8. **Determine optimal tariffs:** Workshop participants agreed that while much work had been done by the model to address this expectation, much additional work was required. This was due to the fact that the model presented only costing information while policy formulators often required additional information to intelligently make the transition from a cost-orientation tariff system to a cost-based tariff system.
9. **Determine the implication of new Value Added Services (VAS):** Participants again agreed that this aspect was not adequately dealt with due to the fact that the issues of VAS on COSITU were still under consideration by the ITU.

Conclusion

Following the assessment of the fulfilment of the expectations of the workshop participants, it was agreed that while there were some logistical deficiencies and shortcomings that must be noted, from a holistic viewpoint the workshop was adequately and professionally handled and the presentation properly conducted. It was, however, noted that the one-week period was not sufficient to enable participants to return home to train other individuals on the COSITU model. It was therefore suggested that the ITU either fund in-country workshops where a wider range of participants could be trained, or that it fund additional regional workshops for the participants. **Countries have expressed the wish that the ITU begins a new cycle of ‘training the trainers’ in order to have more trainers and improve know-how transfer in the Region.**