Activity Report

ITU-D REGIONAL ECONOMIC AND FINANCIAL FORUM OF TELECOMMUNICATIONS/ICTS FOR ARAB STATES

Kuwait, 23 November, 2014

1 Contribution to the Regional Economic and Financial forum of Telecommunications/ICTs for Arab States

Under the request of the ITU Telecommunication Development Bureau, and within the framework of the corresponding Action Plan, a contribution was done on the state of the art in a series of topics related to the best practices in the international mobile roaming and to the influence of the OTT on voice and ICT services.
In particular, expert contribution was provided on the following presentations with the corresponding extensions and interactions with participants. Main questions and comments treated are also summarized in paragraph 2.

- Session 2.- Best practices in International mobile Roaming

    - Current issues that appear in the roaming with high prices and need for an economic evaluation of involved costs. Influence of economies of scale, affinity among countries and role of Regulation for better competition and consumer benefit.
    - Variety of roaming scenarios in a 3 dimensional view: a) as a function of incoming, outgoing or internal calls, b) as a function of the carried traffic for voice, SMS, MMS, video, web browsing, etc and the associated performance requirements, c) as a function of the affinity among countries on proximity, installed capacity and regional agreements.
    - Regulatory role to empower consumers, generation of costing guidelines per type of roaming flow and network resources used both at the originating country and the destination countries. Consideration of CAPEX and OPEX elements and alignment between top down and bottom up techniques.
    - Sample cases for best practices at the EU, Arab Region, ASEAN countries and initiatives of multinational operators like Etisalat and Vodafone.
    - Consumer view on alternative options to reduce costs as compared to the roaming like the local SIM card, Wi-Fi access, OTTs, Global carriers and cost control functions within the terminal applications.

- Session 4.- Impact of Internet and OTT on Voice and new Services

    - Issues on evolution for voice and new services within the current market evolution. Evolution of voice overall traffic growth versus decrease of the fixed circuit mode and revenues: voice transformation.
    - NGN driving services and ICT e-services that should be exploited by the traditional service providers in a proactive strategy with the capabilities of a multiservice network

- New OTT players (or web based service providers) gathering high market share on most frequent services. Customer volumes of OTTs of the order of magnitude of highest populated countries, advantage of economies of scale, strengths and weakness as compared to traditional service providers and services including lack of regulatory obligations and issues to assure quality of service per traffic flow.
- Consumer service migration model between traditional service provisioning and OTT offers. Factors to migrate to OTTs versus factors to stay or return to modern operators offering VoIP, quality of service and bundles.
- Five current attitudes versus OTTs by different service providers and countries. Strategies proposed for service providers to survive and grow on market volume based on their strengths.

Special emphasis was made on the market dynamics and the recommended strategies for the service providers combining a play on the upper value chain and the negotiations of win-win scenarios with selected OTTs and the current discussions in the EU to try to solve the discrimination of regulatory conditions for traditional operators and OTTs as well as the planned merging of operators at European level to increase economy of scale.

2 Questions highlights

Several questions, comments and interactions were held during the forum; the following provide a summary of some questions posed during the presentations and discussions during the breaks that are more related to topics presented:

- How to ensure Quality of Service in the international connections? : By following ITU recommendations and defining SLAs among countries.

- Consideration of all CAPEX and OPEX components today for roaming? : Up to now modelling takes main elements but not all or not including full costs.

- How to ensure an equal fiscal treatment for the different providers with referenced to the OTTs lack of contribution to the Taxes and Universal Funds?: Not solved today although several attempts are being made mainly at the EU to harmonize operators and OTTs by some relaxation of conditions for operators and introducing some obligations for OTTs. Most probable solution being discussed is for the taxation of incomes by the

OTTs at the countries where incurred. Skype and others plan Tax harmonization per EU country at 1st January 2015

- Comment on the important discrimination of operators by the lack of regulation to the OTTs: Agree on the issue and solution pending of a coordinated position by Regulators and Competition entities. Current proposal by the EU to split Google and official requirement by the Telefónica president to the European Commission to ensure equal treatment for Operators and OTTs when providing the same services.

- Positioning with respect to the Network neutrality by the ITU and by the expert. ITU position well defined at the latest report on the subject and expert described on the lack of neutrality by the claimant OTTs on their side with closed operating systems and searching alteration methods. Full neutrality per transmitted bit not feasible operationally but neutrality for equivalent services of different providers as a must.

- Capability of small countries/operators for a negotiation the OTTs for a win-win solution?: Not high and it is recommended a coordination of countries by Regional forums and extension of positioning by quick solutions through the ITU (i.e.: SG3) and potential reinforcement with the OMC. Operators merging and/or consolidation at multi-country level expected soon at the EU.