

## ICT Price Basket subgroup – EGTI 2020

### Introduction

The sub-group for reviewing and revising the ICT price basket indicators presented its recommendations at the 8th Meeting of the ITU Expert Group on Telecommunication / ICT Indicators (EGTI) in 2017. After much active participation, the baskets to be adopted with the caveat of revisiting them in two years were as follows:

1. Mobile Cellular
  - 1.1. Non-data Low consumption basket: 70 mins + 20 SMS
  - 1.2. Low consumption basket: 70 mins + 20 SMS + 500 MB data
  - 1.3. High consumption basket: 140 mins + 70 SMS + 1.5 GB data
2. Mobile Broadband: Data plan of 1.5 GB minimum (irrespective of access device)
3. Fixed Broadband: For the operator with the largest market share select the plan with a minimum 5GB data cap (and min. 256 Kbps)
4. Fixed Telephony: 90 mins local calls to fixed (unchanged, collected but not reported)

The methodologies for data collection of the above price baskets were defined and followed from 2018. In keeping with the suggestion of revisiting the methodology to assess its use, the sub-group was reinstated at the 10th Meeting of the ITU Expert Group on Telecommunication / ICT Indicators (EGTI) held in Geneva in September 2019.

### Summary of group work

The subgroup had many discussions (primarily via email) prompted by the comments from the EGTI meeting in 2019, experiences from data collection in 2018-2019 and comments on the methodology raised by the ITU Secretariat.

The following defined the working agenda of the subgroup:

1. A Bundled service approach vs Basket approach
2. Precedence of cost effectiveness over contract modality (prepaid, postpaid)
3. The minimum data allowance for mobile broadband
4. The relevance of SMS in the mobile high and low consumption baskets
5. The relevance of the mobile cellular basket (Voice and SMS only)
  - 5.1. The distribution of minutes of voice in the mobile cellular basket

The following subsections pose brief introductions along with recommendations from the subgroup for comment by the EGTI.

## 1. Bundled approach vs. Basket approach

The term 'bundles' was used to describe the optimal way of obtaining a service and was given precedence in the methodology. However, recognizing the definition of a bundled service, being that of a group of services offered for a single price under a single invoice, the use of 'bundles' in the IPB methodology does not hold true. It is in fact a basket of services that have been defined with the intent of identifying the cheapest price to access, at minimum, voice, SMS and data as defined in the low and high consumption baskets. Further, selecting truly bundled services may inherently exclude a number of countries that do not offer bundled services.

Recommendation: Adapt a basket approach. This may include stand-alone services, bundled services or a combination of the two as long as the cheapest options are selected.

## 2. Selecting the most cost-effective option over contract modality

Prior to 2018, data for all mobile services included in the IPB were collected for prepaid services (with the exception of Japan and South Korea that has less than 2% and 5% prepaid use, respectively). The intent of the revisions in 2017 was to represent the majority. As such, the recommendation was to make the decision on whether to select prepaid or postpaid plans based on the contract modality of the majority (in terms of subscriptions) in each country. For example, if a country has over 50% of postpaid subscriptions, a postpaid plan would be selected, as opposed to prepaid being the default. However, due to the way in which services are structured, often, there is differential pricing for postpaid vs. prepaid, even if it is for the same volume and type of service. As a result, it is likely that a cheaper option is available but is excluded in the data collection.

Recommendation: Select the cheapest option to obtain the predefined basket of services, without a commitment (but with a minimum 30 day validity period). If no option is available, a monthly price of a plan with a 12-month commitment may be used. However, in this case hidden costs such as connection fee, breakout charges / penalties have to be included in the total cost on a pro-rated basis.

Note: The reference contract duration provided (12-month contract) does not aim to suggest the average term of a consumer's contract for mobile services in a given country. It is a viable selection that might offer cheaper tariffs for a basket, than a prepaid option in a given market.

## 3. The minimum data allowance for mobile broadband

The data allowance in the mobile broadband basket was increased at EGTI 2017 from 1GB / month to 1.5GB / month. This was based on consumption data collected from 64 countries in 2017 that resulted in a mean of 1.7GB / month. However, during data collection for the IPB in 2018 and 2019 it was noted that most service providers offer either 1 GB or 2 GB plans and therefore another data package needs to be added on in order to arrive at the minimum required by the basket. Recognizing the upward trajectory of data consumption in general, amplified in recent times due to COVID-19 lockdowns, it was suggested that the minimum data allowance is rounded up.

Recommendation: Increase the minimum data allowance to 2GB / month in the high consumption and [data only] mobile broadband baskets.

Note: It would be ideal to use a weighted average to base this recommendation on the data consumption in relation to the number of subscriptions per country. However, such data is not publicly available and would be resource intensive, beyond the capabilities of the sub-group.

#### **4. The relevance of SMS in the mobile low and high consumption baskets**

The number of SMS included in the mobile low and high consumption baskets was based on the mean values of average monthly use. It was included as it is still seen as a necessary service in some markets despite the OTT messaging services gaining in popularity. There have, however, been comments to remove the SMS component all together from the basket composition, as there have been comments to retain it. Consensus was not reached and therefore the inclusion of SMS in the baskets will remain.

#### **5. Relevance of mobile cellular basket (voice and SMS only)**

The original set of recommendations by the sub-group that was presented at the 8<sup>th</sup> EGTI meeting, in 2017 had excluded the voice and SMS only basket (termed mobile cellular basket). However, due to requests by member countries the basket was reinstated and included in the revised methodology in-line with the minutes of use and number of SMS as defined in the low consumption basket (70 mins + 20 SMS). However, the utility of this basket is being questioned since voice and SMS is already captured in the mobile low consumption basket and the use of data is prevalent across the board.

Note: It is duly noted that the OECD price indicators include two baskets for voice and SMS only, despite the higher income classification of the OECD countries. Nevertheless, the sub-group questions its use and relevance.

#### Recommendations:

Option 1: Remove the mobile cellular basket

Option 2: Similar to fixed telephony, collect prices for the mobile cellular basket but do not publish them. In the meantime, analyse its utility and relevance (within a predefined period of time), before making a decision to remove or retain it.

#### **5.1. Distribution of minutes in the mobile cellular basket**

Rules on the distribution of minutes currently apply only to the mobile cellular (voice and SMS only) basket. As a result, there are discrepancies in the basket values where the mobile cellular basket yields a higher basket price than the low consumption basket that constitutes of voice, SMS and data. If option 1 above is selected, this will no longer require consideration. However, if the basket is retained then the distribution may need revision.

Note: Current distribution of minutes are: on-net 67%; off-net 26%; to fixed 7%

**Table 1: mobile cellular basket > mobile data and voice basket (USD)**

Economy	Mobile cellular basket (70 min, 20 SMS) [distribution rules apply]		Low usage data and voice basket (70 min, 20 SMS, 500 MB) [no distribution rules]	
	2018	2019	2018	2019
Barbados*	26.6	26.6	20.0	20.0
Belarus	3.9	4.2	3.5	3.5
Benin	8.1	7.7	18.0	7.5
Bulgaria	13.9	15.1	14.5	14.5
Burkina Faso	11.6	11.6	11.5	11.5
Cameroon	5.4	10.4	9.0	9.0
Chile	15.3	15.3	13.1	13.1
Côte d'Ivoire	14.7	14.7	10.1	10.1
Germany	41.3	41.3	22.2	22.2
Ghana	5.9	5.9	5.6	5.6
India	0.5	1.8	2.2	1.4
Indonesia	6.0	6.0	4.7	4.7
Israel	26.4	11.1	13.9	11.1
Italy	16.3	23.5	17.7	21.3
Korea (Rep. of)	29.9	29.9	28.9	19.9
Mauritania	15.9	15.9	5.6	6.2
Moldova	7.0	7.0	4.5	4.5
Montenegro	11.6	13.0	12.9	12.9
New Zealand	15.9	15.9	10.4	10.4
Nicaragua	30.1	30.1	15.3	15.3
Paraguay	14.4	13.7	21.5	13.6
Peru	11.0	11.0	8.5	9.1
Philippines	9.5	9.5	7.5	7.5
Sao Tome and Principe	9.5	9.5	14.3	7.2
Sierra Leone	6.2	6.2	11.8	2.6
Suriname	13.4	13.4	12.5	12.5
Sweden	26.8	26.8	22.9	22.9
Switzerland	39.1	34.0	29.7	25.6
Timor-Leste	11.1	10.4	18.1	9.6
Uruguay	17.7	17.7	12.7	13.8
Viet Nam	5.3	5.3	4.0	4.0

Source: ITU