WCIT 2012
Dubai, UAE
3-14 DECEMBER

Accounting Rates

WHEN TELEPHONE TRAFFIC is exchanged between carriers in different countries, a phone operator that sends more traffic than it receives has to make "settlement payments" to the receiving company. These payments are calculated bilaterally with a formula called an "accounting rate," which is established according to principles set out in the International Telecommunication Regulations (ITRs), complemented by ITU standards ("Recommendations") .

Accounting rates are only important when there is a significant imbalance in traffic flows. This is the case, for example, in many developing countries that usually receive more traffic (and thus settlement payments) than they send. For instance, ITU estimates that, in 1993-1998, net payments from developed countries to developing ones amounted to some USD 40 billion.[1]

The level of accounting rates can affect carriers' revenues, and thus their ability to offer new services and expand infrastructure — or their incentive to do so, if they have a surplus of traffic in their favour. These latter carriers might to want to stick with the current rules; but carriers that have a net traffic deficit tend to be dissatisfied with the accounting rate system.

LIBERALIZATION AND NEW TECHNOLOGY

Although accounting rates are supposed to be based on actual costs, in practice high prices charged for international calls have often been used to subsidize national services. Meanwhile, liberalization and privatization have caused sharp falls in the cost of international connections. This has boosted demand for cheaper services.

At the same time, advances in technology have led more and more traffic to bypass the traditional system by using the Internet (through VoIP services), or by taking the cheapest route for an international call — not necessarily the most direct one. In 1988, the ITRs themselves opened the door to this development by allowing, for the first time, private operators to lease lines from state-owned operators and to provide data services, among others.

How to reform the accounting system to reflect these changes has been studied at ITU since 1991, involving industry players alongside representatives of more than 80 countries.[2] For the World Conference on International Telecommunications 2012 (WCIT-12) that will review the ITRs, various proposals on accounting matters have been gathered for consideration:

- The current provisions in the ITRs are still valid and useful, so leave them unchanged.
- Adapt the provisions to today's telecommunication environment: in particular, consider giving greater weight to ITU Recommendations.
- Replace the current, detailed provisions with general principles related to those agreed at the World Trade Organization, especially on transparency and cost-orientation.
- Delete the current provisions: they are no longer appropriate or applicable in a world of privatized and liberalized telecommunications.

In examining the ITRs within the today's liberalized telecommunications environment, WCIT-12 will need to respond to the varied, but growing, expectations of the international community.

---

[1] See, for instance, analysis in ITU/TeleGeography Inc. "Direction of Traffic: Trading Telecom Minutes", ITU, Geneva, October 1999, 347 pp, available at www.itu.int/ti/publications/

[2] Recommendation D.140 from ITU's Telecommunication Standardization Sector (ITU-T) deals with these matters.

