INTERNATIONAL TELECOMMUNICATION UNION

TELECOMMUNICATION STANDARDIZATION SECTOR

STUDY PERIOD 2022-2024

SG3-C028

STUDY GROUP 3

Original: English

Question(s): PLEN

Geneva, 11 November 2022

CONTRIBUTION

Source: ITU-APT Foundation of India (IAFI)

Title: Creation of Focus Group (FG) on costing models for affordable data services

Contact: Mr. Bharat B Bhatia
President, IAFI, India
Tel: +91 9810173737
E-mail: Bharat.bhatia@itu-apt.org

Contact: Mr. Shailendra Kumar Mishra
Ministry of Communications
INDIA
Tel: +91 8130988868
E-mail: shailendrakm@gmail.com

Abstract: Data has become the new fuel in this Digital world. It is one of the most essential commodities for the humanity in this Telecom/ICT driven world. The pricing of Data assumes acute importance economically, affecting all the digital services which are provided using Internet.

Introduction

Data has become the new fuel in this Digital world. It has become one of the essential commodities for the humanity in this Telecom/ICT driven world. The pricing of Data assumes acute importance economically and socially, affecting all the digital services which are provided using Internet. In 2018, the UN Broadband Commission for Sustainable Development set its updated affordability target: to bring prices for entry-level broadband services below 2 per cent of monthly GNI per capita by 2025.

The building blocks involved in arriving at the costing of internet data are complex, technology-driven and dynamic. A layered analysis of the costing will help in demystifying the complex pricing methodologies involved in the Internet ecosystem.

Rational

The pricing of Data is complex, and market driven. The costs involved in managing the lengthy supply chain to provide Internet are being recovered predominantly by directly charging the customers. There is a need to have a focussed study on the pricing mechanisms and how the cost recovery should be structured. There are various factors which are considering while costing the services such as competition, consumer demand, buying capacity, willingness to pay, etc.

The supply-chain of Telecom/ICT is long, complex and varying. There are multiple cost models such as Fully Allocated Cost Models (FAC), Long Run Incremental Cost Models (LRIC), Total Service Long Run Incremental Cost (TSLRIC+), Bottom-Up (BU), Building Block Model (BBM), Top-Down (TD) Cost Models, Hybrid Cost Models used for pricing of internet services. The cost modelling used for legacy network has to undergo significant changes to incorporate the changed scenarios of the ecosystem such as shared networks, new technologies, etc. There are also various pricing strategies used such as Value-based pricing, Competitive pricing, Cost-plus pricing, Dynamic pricing and many more.

The ITU-T SG3 is the lead study group dealing with costing principles and methodologies. It also deals with fostering collaboration among its participants with a view to the establishment of rates at

levels as low as possible consistent with an efficient service and taking into account the necessity of maintaining independent financial administration of telecommunications on a sound basis.

The relevant extract of the mandate of ITU-T SG3 is shown below

"*ITU-T Study Group 3 is responsible, inter alia, for studying international telecommunication/ICT policy and economic issues and tariff and accounting matters (including costing principles and methodologies), with a view to informing the development of enabling regulatory models and frameworks. To this end, Study Group 3 shall in particular foster collaboration among its participants with a view to the establishment of rates at levels as low as possible consistent with an efficient service and taking into account the necessity of maintaining independent financial administration of telecommunications on a sound basis.* "

Considering the prime importance of affordable internet, it is becoming increasingly imperative to study the various aspects involved in the costing of data which may involve various dimensions such as policy, economic and social. As the Telecom/ICT is expanding and transforming at a rapid pace, the principles adopted for costing methodologies should also travel together. There is also a dire need to balance the commercial interests and public interest. These aspects should be incorporated at the stage of costing itself. The factors such as competition, demand, technology, cost optimisation, pricing strategies, billing models, accounting separation, settlement mechanisms and regulatory compliances play considerable role.

Proposal

It is proposed to create a FOCUS GROUP (FG) on Costing of Data to study and explore the various costing models for providing affordable data solutions. This FG will facilitate effective consultation and collaboration between stakeholders to analyse the various parameters involved in costing of data services and suggest methodologies/frameworks for modelling the costing of data.

_____