Working Party on Telecommunication and Information Services Policies

SUMMARY OF EXPERT MEETING ON OECD MOBILE BASKETS AND REQUEST FOR INFORMATION

Meeting with Teligen held in London on 31 October 2001

This document summarises the results of the expert meeting on the OECD mobile baskets and requests information from delegations in order to update the mobile baskets.

Delegates are invited to comment on the findings of the expert meeting and are also requested to circulate the document as appropriate to ensure that the Secretariat obtains the required information from the maximum number of mobile operators. Information should be provided by 7 January 2002.

Contact:
Mr. Dimitri Ypsilanti, tel. +33 1 45 24 94 42, fax +33 1 44 30 62 59, dimitri.ypsilanti@oecd.org
Mr. Sam Paltridge, tel. +33 1 45 24 93 79, fax +33 1 44 30 62 59, sam.paltridge@oecd.org

JT00116807

Document complet disponible sur OLIS dans son format d'origine
Complete document available on OLIS in its original format
# TABLE OF CONTENTS

SUMMARY OF EXPERT MEETING ON OECD MOBILE BASKETS AND REQUEST FOR INFORMATION

Details of information requested
- Voice call volume
- SMS volume
- Distribution of inland calls
- Time of day distribution
- Call duration
- Incoming calls

ANNEX 1: BACKGROUND PAPER FOR EXPERT MEETING ON OECD MOBILE BASKETS

1. Current state of OECD mobile basket
2. Some general points about basket methodologies
   - Basket definitions must be non-geographical
   - Baskets must be manageable
   - Baskets must be transparent
3. Objectives of the meeting on OECD mobile baskets
4. The process
5. Who is invited to the meeting / Who should attend?

ANNEX 2: MEETING PARTICIPANTS
The OECD produces price comparisons based on a basket methodology that has now been in use for over 10 years. The structures of the baskets were revised in 1999, but the mobile basket in particular was recognised as one that would require further revisions in light of the rapidly evolving market for wireless services. The structure of the existing basket is shown in the Annex 1.

An expert meeting on OECD mobile baskets was held on 31 October 2001 in London, in co-operation with Teligen, in order to identify possible improvements to the OECD Mobile Baskets used both in the price benchmarking done by the OECD, and by many regulatory bodies and operators. The participants are listed in Annex 2 (participants’ e-mail addresses are available from the Secretariat upon request). Several delegations also provided written input.

The meeting suggested a number of areas where changes could be made to bring the baskets up-to-date and improve their utility.

The key recommendations were:

1. To increase the number of baskets from two to four. The new baskets proposed were:
   - Pre-paid users (~30 minutes per month).
   - Low usage post-paid users (~30 minutes per month).
   - Medium usage post-paid users (~100 minutes per month).
   - High usage post-paid users (~300 minutes per month).

2. The number of call minutes to other mobile users will be increased and data are needed on the balance of on-net and off-net calls.

3. It was proposed to move away from a time of day structure to a simpler peak/off-peak structure.

4. To include SMS services (person to person) with data being needed in relation to the four proposed baskets.

5. To further research the cost of incoming calls in relation to countries with receiving party pays for domestic calls.

The meeting decided to exclude international calls from the mobile basket as the operators present reported they were, on average, a very small part of average usage patterns. In addition the baskets will continue to exclude roaming services. Non-recurring charges will continue to be spread over a three-year period.
While there was support to include additional operators most participants placed a higher priority on updating the usage patterns in baskets and extending their coverage of different types of users. A final decision on the feasibility of including new operators will be made in respect to the resources required to maintain the four new baskets. The meeting also decided to keep handset subsidies under review and see if more information could be collected during the preparation for the next OECD Communications Outlook before making a decision as to whether subsidies should be taken into account in the methodology.

In order to make the changes mentioned it is necessary to obtain data on the usage of mobile services in OECD countries. Such information will relate to the actual usage seen in the individual networks, and is detailed below. Member governments, in consultation with operators, are requested to respond to the following brief questionnaire.

The information will be processed by Teligen Ltd. on behalf of the OECD Secretariat, and will not be published in its original form, or in any other way that will be able to show the source of the data. In fact, the only purpose of this information is to derive a suitable set of basket structures, and not to report on any national specific issues.

As the OECD and Teligen are aware of the sensitivity of some of the data requested, Teligen will agree to sign any non-disclosure agreement required for the operators to provide this data if they prefer to do so directly. Data can be provided either to the OECD Secretariat (att. Mr. Sam Paltridge) or to Teligen Ltd. (att. Mr. Halvor Sannaes). Please see contact details below.

Please return information to:

**Teligen Ltd.**
Att.: Halvor Sannaes
P.O. Box 252
N-4802 Arendal
Norway
Phone: +47 3702 3400
Fax: +47 3702 8455
Email: halvors@teligen.com

**OECD**
Sam Paltridge
OECD
2, rue André-Pascal
75775 Paris Cedex 16
France
e-mail: sam.paltridge@oecd.org
Details of information requested

Ideally the information should be split up into 4 categories:

- Pre-paid users (~30 minutes per month).
- Low usage post-paid users (~30 minutes per month).
- Medium usage post-paid users (~100 minutes per month).
- High usage post-paid users (~300 minutes per month).

However, as the original data held by the operators may be defined in other ways, average figures for all users will also be useful.

Voice call volume

The current mobile baskets define two usage levels: 200 calls (600 minutes) and 1200 calls (3600 minutes) per year.

The meeting suggested that a range of 3 usage levels would be useful, with a low usage basket below the current lowest basket, and a high usage basket about where the current high user basket is. Also, the baskets should be defined by number of minutes rather than calls. Suggested levels will then be:

- Low usage: 360 minutes per year, or 30 minutes per month.
- Medium usage: 1200 minutes per year, or 100 minutes per month.
- High usage: 3600 minutes per year, or 300 minutes per month.
- Pre-paid usage: Corresponding to Low usage Post paid volume (i.e. 30 minutes/month), but with different profile.

Which levels would be relevant for your country / network, considering the descriptions “Low”, “Medium” and “High” usage?

<table>
<thead>
<tr>
<th></th>
<th>Pre-paid</th>
<th>Low usage</th>
<th>Medium usage</th>
<th>High usage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Suggested minutes</td>
<td>30</td>
<td>30</td>
<td>100</td>
<td>300</td>
</tr>
<tr>
<td>Number of minutes/month</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
SMS volume

In order to include the Short Message Service in the basket there is a requirement to determine the number of messages in relation to voice usage. How many messages per month would be sent by each of the four types of users? (please remember that the categories below are those for voice, such as high usage, as SMS will be integrated into the mobile basket as an additional service).

<table>
<thead>
<tr>
<th>Number of SMS/month</th>
<th>Pre-paid</th>
<th>Low usage</th>
<th>Medium usage</th>
<th>High usage</th>
</tr>
</thead>
</table>

Distribution of inland calls

Currently the basket specifies the following distribution of inland calls:

- 70% to fixed lines in local area.
- 20% to fixed lines in the rest of the country (national calls).
- 10% to mobiles in same network.

It was suggested in the meeting that the balance of calls has shifted radically as mobile penetration has increased with at least half of the calls were to mobile phones. Also, calls to other mobile networks (off-net calls) are not considered at all. Information about this distribution is sought, ideally to fill the table below.

<table>
<thead>
<tr>
<th></th>
<th>Pre-paid</th>
<th>Low usage</th>
<th>Medium usage</th>
<th>High usage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixed in local area</td>
<td>%</td>
<td>%</td>
<td>%</td>
<td>%</td>
</tr>
<tr>
<td>Fixed in national area</td>
<td>%</td>
<td>%</td>
<td>%</td>
<td>%</td>
</tr>
<tr>
<td>On-net mobiles (same network)</td>
<td>%</td>
<td>%</td>
<td>%</td>
<td>%</td>
</tr>
<tr>
<td>Off-net mobiles (other networks)</td>
<td>%</td>
<td>%</td>
<td>%</td>
<td>%</td>
</tr>
</tbody>
</table>

Any information on distribution of off-net calls would also be appreciated. Please provide separate sheets of information if possible.
**Time of day distribution**

Currently the distribution is split into 6 specific times: Weekdays at 03:00, 11:00, 15:00 and 20:00, Saturdays 11:00 and Sundays 15:00.

The meeting suggested that a more appropriate split would be Weekdays Peak, Weekdays Off-peak and Weekend. Information about the distribution of calls into these three categories should ideally fit into the tables below:

<table>
<thead>
<tr>
<th></th>
<th>Pre-paid</th>
<th>Low usage</th>
<th>Medium usage</th>
<th>High usage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Weekdays peak time</td>
<td>%</td>
<td>%</td>
<td>%</td>
<td>%</td>
</tr>
<tr>
<td>Weekdays off-peak time</td>
<td>%</td>
<td>%</td>
<td>%</td>
<td>%</td>
</tr>
<tr>
<td>Weekends</td>
<td>%</td>
<td>%</td>
<td>%</td>
<td>%</td>
</tr>
</tbody>
</table>

**Call duration**

The current mobile baskets use a fixed duration of three minutes, regardless of type of call. The meeting suggested that the average duration should be shorter, in the range of 1.5 to 2 minutes. Does this comply with your experience, and can you suggest an average call duration for domestic calls? If duration varies considerably with usage and type of call, please indicate in the table below.

<table>
<thead>
<tr>
<th>Minutes/call</th>
<th>Pre-paid</th>
<th>Low usage</th>
<th>Medium usage</th>
<th>High usage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixed in local area</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fixed in national area</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>On-net mobiles (same network)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Off-net mobiles (other networks)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Incoming calls**

In order to make a true comparison with the cost of using a mobile service in Canada and the United States, the amount of incoming traffic should also be considered. Is there any information available from your organisation regarding the number of incoming calls or minutes to a mobile phone? How does the amount of incoming traffic compare relative to outgoing traffic? Please comment on these questions.
Teligen is inviting interested parties to a meeting in order to discuss how the OECD mobile basket methodology can be enhanced to better reflect the current state of the mobile market. This paper offers some background and discussion points for the meeting.

1. Current state of OECD mobile basket

Following the OECD basket workshop in June 1999 the mobile basket definition was set to include the following:

1. The Mobile basket will cover GSM / DCS systems.
2. All results available in US$ and Purchasing Power.
3. Results include VAT.
4. The price of the handset, and handset subsidies, are not taken into account in the basket.
5. Two usage profiles are defined: Business and Personal. Both shall reflect post-paid tariffs available from the incumbent fixed network operator’s mobile subsidiary.
6. The number of calls is defined as:

<table>
<thead>
<tr>
<th>Number of national calls</th>
<th>National</th>
<th>International</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business basket</td>
<td>1200</td>
<td>60</td>
</tr>
<tr>
<td>Personal basket</td>
<td>200</td>
<td>2</td>
</tr>
</tbody>
</table>

7. The distribution of calls is defined as:

<table>
<thead>
<tr>
<th>Number of national calls</th>
<th>Local area</th>
<th>National</th>
<th>To Mobiles</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business basket</td>
<td>70.0 %</td>
<td>20.0 %</td>
<td>10.0 %</td>
</tr>
<tr>
<td>Personal basket</td>
<td>70.0 %</td>
<td>20.0 %</td>
<td>10.0 %</td>
</tr>
</tbody>
</table>
8. The national usage will have a weighted distribution over six time and day points. Call charges relevant at each of these time and day points shall be used.

<table>
<thead>
<tr>
<th>Day/Time</th>
<th>We 11:00</th>
<th>We 15:00</th>
<th>We 20:00</th>
<th>We 03:00</th>
<th>Sa 11:00</th>
<th>Su 15:00</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business</td>
<td>45.4</td>
<td>40.6</td>
<td>7.0</td>
<td>0.8</td>
<td>5.7</td>
<td>0.5</td>
</tr>
<tr>
<td>Personal</td>
<td>14.3</td>
<td>22.1</td>
<td>31.6</td>
<td>3.0</td>
<td>13.0</td>
<td>16.0</td>
</tr>
</tbody>
</table>

All weights in percent of total number of calls. We = Weekdays, Sa = Saturdays, Su = Sundays.

9. Call duration will be 3 minutes for all types of calls. The charge for each call reflects the actual charge for the duration in question, as defined by the tariff. Call setup and minimum charges are included.

10. The fixed charge portion of the basket is made up of the annual rental charge, plus the nonrecurring charge which is depreciated over 3 years.

11. Calls to mobile phones are represented by call charges for calls within the same network.

12. International portion of the basket will follow the basic structure of the International PSTN basket, for business and residential usage. The only difference will be that all calls have a duration of 3 minutes.

13. Where the service (or tariff plan) includes a number of “free” calls or minutes, or any other call-related allowance, the value of this allowance is deducted from the usage. The value of the deducted allowance cannot be higher than the usage. Where the tariff clearly specifies that the allowance is related to specific types of calls (e.g. international), the usage in question shall only cover the defined type(s) of calls.

14. The Personal basket may also be used for comparison of pre-paid tariff packages.

There were a number of changes from the previous basket definition, and the (then) new definition was regarded as adequate for the time being. There were however long discussions on the topics of handset subsidy and calling profiles, but due to the lack of available information it was decided to settle on the definition above.

Another conclusion was also that this definition would need revisiting in a few years time to check on the validity of these assumptions in the rapidly changing mobile market.

2. Some general points about basket methodologies

While it is always important to create basket definitions that are as close to “real life” as possible, there are also a number of issues that cause any basket definition to become compromise between the ideal and the possible. Some main issues are:

2.1 Basket definitions must be non-geographical

When a basket is created to provide the basis for international comparisons it is important that it is neutral to geographical and national variations. A basket that is created with a particular country or service in mind will most likely favour that locale or tariff structure. This will invalidate the basket results, and degrade the
quality of the basket. This has always been an important issue with the OECD baskets, and they have indeed been regarded as one of the most neutral set of baskets around.

But this has also been an area of criticism from parties who would want to use the basket results to prove national points, as the basket obviously will not reflect the national usage patterns. Making them do so will however create exactly the type of problems described above.

The OECD basket definitions aim to reflect a cross-section of the markets in the OECD countries, without going into national intricacies, but at the same time provide enough detail to represent the tariff structures in any of these markets.

### 2.2 Baskets must be manageable

When aiming to enhance the quality of a basket it is easy to add so many basket elements that the basket becomes very difficult to use. In some cases one may find that certain information going into the basket may not be available, at least on a longer term basis. Such situations must be avoided, and the basket should only contain information that is publicly available.

The amount of information going into the calculation of the basket results should be limited to manageable volumes, so that production of the results are feasible on a regular basis. Although it may be desirable for example to include many more tariffs in the OECD baskets, this will make the production of the results unmanageable (or the end result too expensive).

Also, when the calculation methods become too complicated the implementation of the baskets become complicated as well, and a regular production of basket results become unsustainable.

### 2.3 Baskets must be transparent

It should always be possible to trace the results of a basket back to the tariffs going into it, so that changes in tariffs have a predicted effect on the results. The calculation methodology must be clear and transparent enough to allow proper auditing of the results. All assumptions and formulae used must be clear and straightforward.

### 3. Objectives of the meeting on OECD mobile baskets

As the current basket definition, as shown above, does have its shortcomings, it has been decided that it is time to revisit the basket definitions and see if a better approach can be found. Several users in different markets have reported difficulties in applying the methodology to their own situation, and have been pushing for a new, revised structure that can take account of the developments in the mobile markets over the last couple of years.

The meeting is called in close co-operation with the OECD secretariat in Paris, and the outcome from this meeting will be used to start a formal process to adopt a hopefully new and enhanced set of baskets. This process may take some time, but the aim is to be able to arrive at a recommendation for the new basket definitions within the end of this year. Such recommendations can then be implemented and tested while waiting for the formal adoption to take place.
Several important questions will need to be raised at the meeting, such as:

- How should non-recurring charges be handled? Is writing off over 3 years good enough?
- How should recurring charges be handled? What should be included in the basket?
- Is the distribution over local, national, mobile and international right?
- How do we handle calls to other networks (not included today)?
- Is the time of day distribution right?
- Are there fundamental usage pattern differences that will require separate baskets? E.g. prepaid vs. post-paid, roaming users etc.
- Will roaming have to be included in for example a business basket?
- What do we do about handset subsidies? Is there a way to properly include this element in the basket?
- How many tariff packages and providers should be included, while still keep the baskets manageable?

The meeting is intended to be interactive and “hands-on”. It is expected that everyone participating will be able to offer solid advice on the situation in their own markets, and how this can best be dealt with. It is also expected that any available statistics that can support the development of the mobile baskets can be made available to Teligen and the OECD, if necessary under a non-disclosure agreement. The purpose of such information will be to determine the right weights and distributions for the baskets.

4. The process

This meeting is the first step into the process that eventually will provide a new set of OECD baskets. The main objective is to collect views, ideas and information for the development of the new baskets, and be able to discuss these with market experts in an open forum.

After this meeting Teligen / OECD will aim to take the main conclusions from the meeting and turn these into a workable proposal for a new set of baskets. To aid this process the help of outside, neutral expertise may be drawn upon.

The participants of the initial meeting will be able to comment on the proposals before the next step. Hearing deadlines will have to be short.

The proposed new baskets will then be presented to all OECD country representatives for comment and acceptance. Any valid reservations will then be worked into the proposal, which will then be turned into a new set of OECD basket definitions.
5. Who is invited to the meeting / Who should attend?

In order to keep the discussion flowing, and to arrive at some firm conclusions, the meeting is intended to be relatively small. Invitations will go out to:

- OECD country representatives or national regulators.
- Selected mobile operators.
- European Commission.
- Selected experts.

The people attending the meeting should all have a very detailed knowledge of mobile markets, and an insight into how these markets behave and develop.
**ANNEX 2: MEETING PARTICIPANTS**

<table>
<thead>
<tr>
<th>Name</th>
<th>Organisation</th>
<th>Country</th>
</tr>
</thead>
<tbody>
<tr>
<td>Luc Donners</td>
<td>OPTA</td>
<td>Netherlands</td>
</tr>
<tr>
<td>Steven Davidson</td>
<td>OPTA</td>
<td>Netherlands</td>
</tr>
<tr>
<td>Gary Healy</td>
<td>OTDR</td>
<td>Ireland</td>
</tr>
<tr>
<td>Patrick Teahan</td>
<td>Digifone</td>
<td>Ireland</td>
</tr>
<tr>
<td>Laurence McAuley</td>
<td>Eircell</td>
<td>Ireland</td>
</tr>
<tr>
<td>Sarah Evans</td>
<td>OfTEL</td>
<td>UK</td>
</tr>
<tr>
<td>Kenny Osborne</td>
<td>OfTEL</td>
<td>UK</td>
</tr>
<tr>
<td>David Rodman</td>
<td>Vodafone</td>
<td>International Operations</td>
</tr>
<tr>
<td>Ilkka Harjula</td>
<td>Sonera</td>
<td>Finland</td>
</tr>
<tr>
<td>Rainer Salonen</td>
<td>Min of Transport &amp; Comunications</td>
<td>Finland</td>
</tr>
<tr>
<td>Beatriz Martinez Fortuny</td>
<td>Telefonica Moviles</td>
<td>Spain</td>
</tr>
<tr>
<td>Inmaculada Galan de la Fuente</td>
<td>CMT</td>
<td>Spain</td>
</tr>
<tr>
<td>Rosário Matos</td>
<td>ICP</td>
<td>Portugal</td>
</tr>
<tr>
<td>Alessia Amico</td>
<td>TIM</td>
<td>Italy</td>
</tr>
<tr>
<td>Anders Sparre</td>
<td>NTS</td>
<td>Denmark</td>
</tr>
<tr>
<td>Irene Lavrediadou</td>
<td>EETT</td>
<td>Greece</td>
</tr>
<tr>
<td>Raúl Vallejo</td>
<td>Cofetel</td>
<td>Mexico</td>
</tr>
<tr>
<td>Dora Mozes</td>
<td>Industry Canada</td>
<td>Canada</td>
</tr>
<tr>
<td>Heidi Kroll</td>
<td>FCC</td>
<td>USA</td>
</tr>
</tbody>
</table>

**OECD**

- Sam Paltridge
- Dimitri Ypsilanti
- Frederic Bourassa

**Teligen**

- Halvor Sannæs
- Alex Lambert
- Susan Thairs