Revenue and Utilisation Indicators

World Dialogue on Regulation

Singapore, March 2, 07

Lorraine Carlos Salazar
Lorraine@iseas.edu.sg
Visiting Research Fellow
Institute of Southeast Asian Studies (ISEAS)
Singapore

LIRNEasia
Learning Initiatives on Reforms for Network Economies

www.lirneasia.net

Presentation Outline

- What is currently collected by ITU and their definition?
  - Revenues
  - Utilisation/traffic
- What we propose to collect?
- What are available? Example of 6-country study
- Why collect them?
  - Total Revenue Chart
  - GDP contribution of sector
  - Mobile ARPUS
  - Mobile utilisation
- Issues
- Indicators Wish List and way forward?

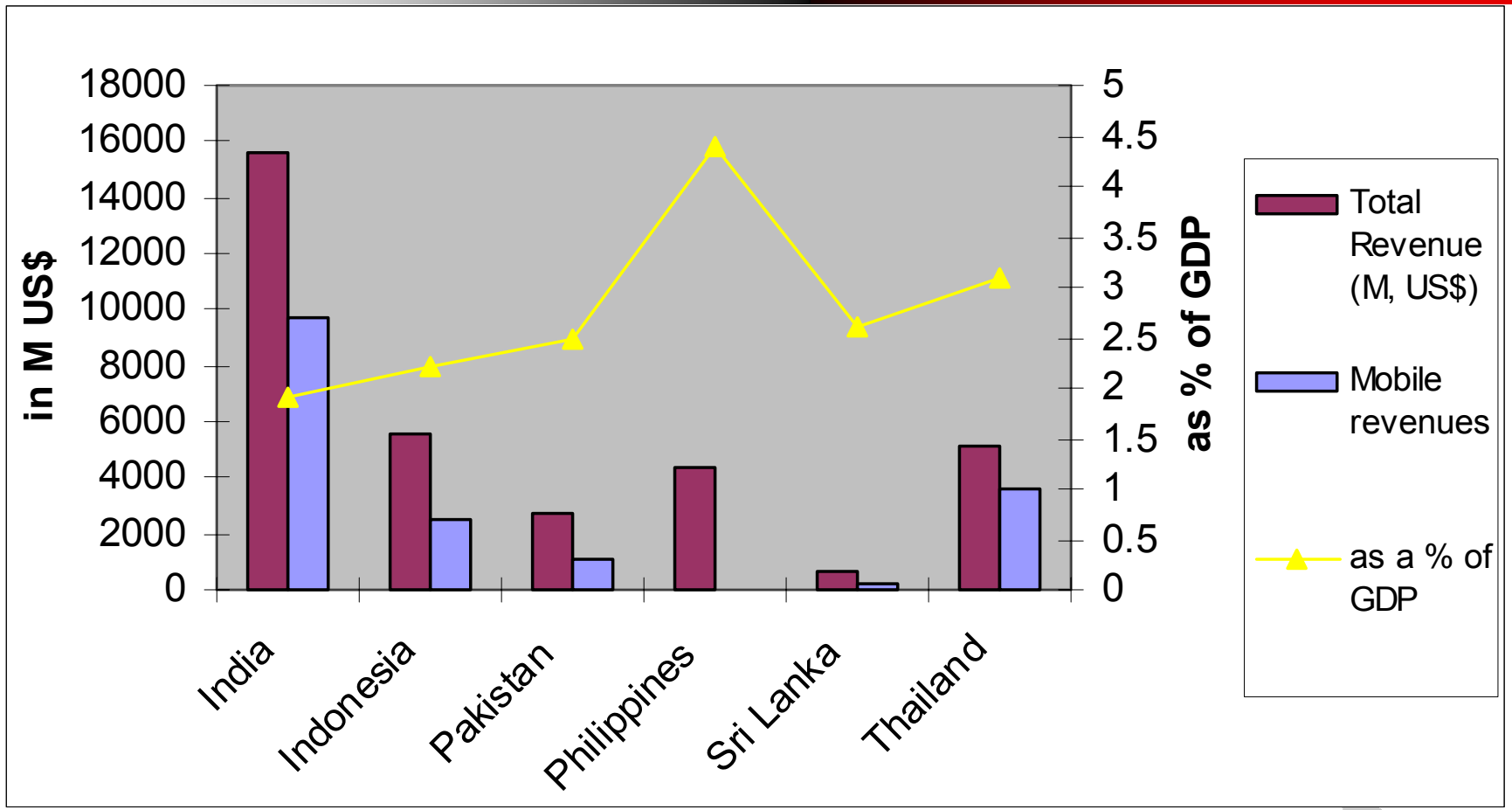
What ITU Collects: Revenues

- **Total telecommunications revenue** - all telecommunications revenues earned during the financial year under review
  - Total or gross telecommunication revenue earned from all -- fixed, mobile and data-- services within the country during the financial year.
  - 9 components: revenues from fixed, mobile, data, internet, leased lines, value-added and other telecoms revenues
- **Total Revenues as a % of GDP** – telecoms revenues divided by national GDP

What ITU Collects: Revenues

- **% mobile revenue** - the share of mobile communication revenue
- **Revenue per inhabitant** – current revenues divided by the number of inhabitants in the country
- **Revenue per telephone subscriber** - obtained by dividing revenues by total telephone subscribers (fixed plus mobile)
- **Revenue per employee** - obtained by dividing revenues by employees

ITU revenue data

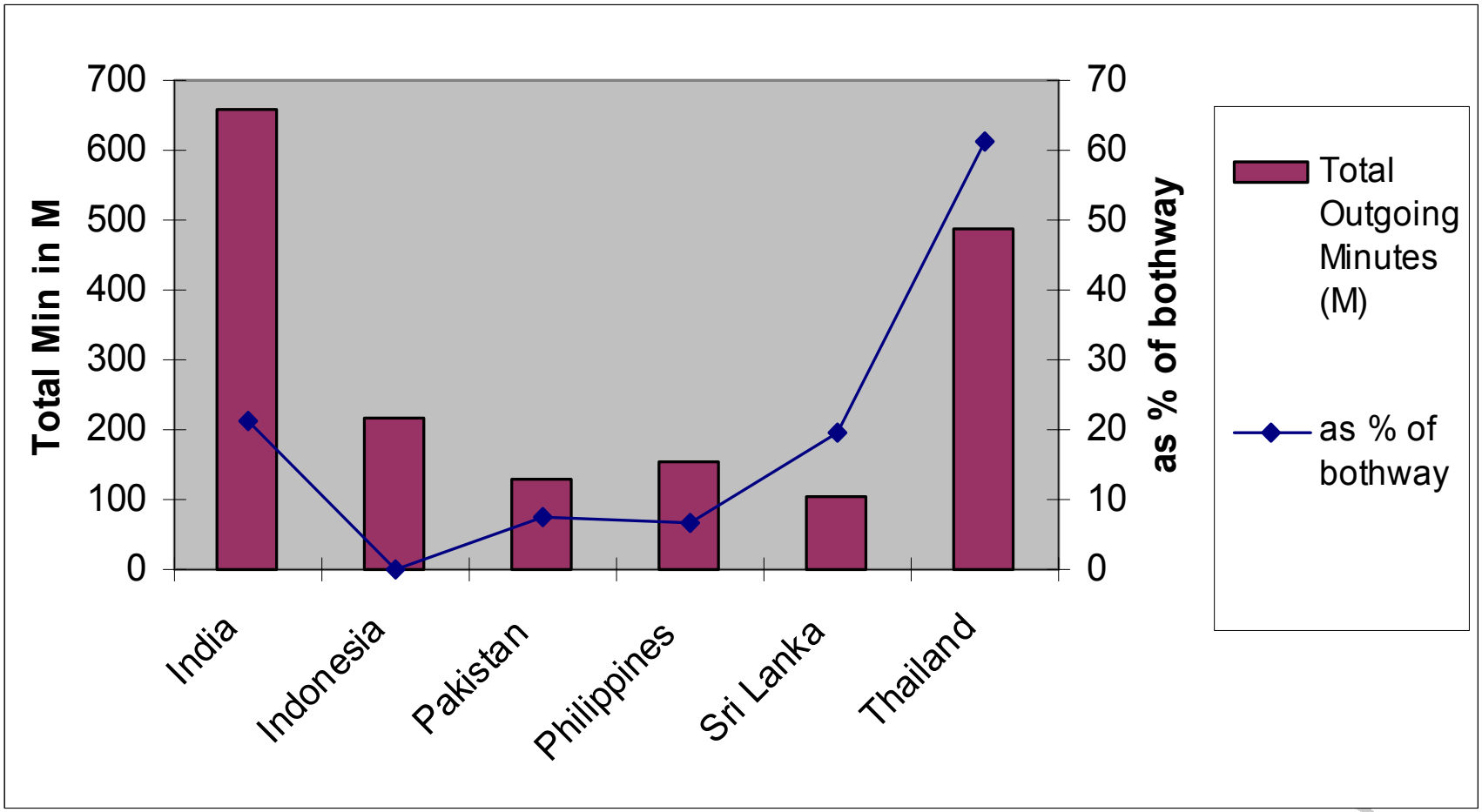


Source: ITU, *Measuring the Information Society*, 2007

What ITU Collects: International Traffic

- **Outgoing international traffic** - total telephone traffic measured in minutes that originated in the specified country with a destination outside the country
- **As % of bothway** – outgoing traffic divided by total traffic (incoming and outgoing)
- **Minutes per inhabitant** - obtained by dividing outgoing international minutes by the number of inhabitants in the country

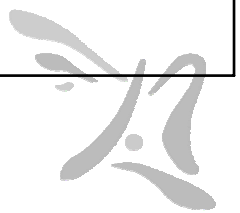
ITU Utilisation Data



Source: ITU, *Measuring the Information Society*, 2007

Lirneasia's Proposed Indicators

Industry Financial data
Fixed (wireline+FW) ARPU per Operator
Fixed (wireline+FW) ARPU for Industry
Mobile pre paid ARPU per Operator
Mobile post paid ARPU per Operator
Mobile pre paid ARPU for Industry
Mobile post paid ARPU for Industry
Industry Revenues
Industry Revenues as % of GDP
EBITDA Margin for industry, weighted by revenue
ARPU voice vs data breakdown



Lirneasia's Proposed Indicators

Mobile Usage/Utilisation
Average minutes of use for mobile subscriber per month
Average minutes of use for mobile postpaid subscriber per month
Average minutes of use for mobile pre-paid subscriber per month
Avg. outgoing SMSs per subscriber per month

What is available? 6-country data

Industry Financial data	IN	ID	PK	PH	SL	TH
Fixed (wireline+FW) ARPU per Operator						
Fixed (wireline+FW) ARPU for Industry						
Mobile pre paid ARPU per Operator						
Mobile post paid ARPU per Operator						
Mobile pre paid ARPU for Industry						
Mobile post paid ARPU for Industry						
Industry Revenues						
Industry Revenues as % of GDP						
EBITDA Margin for industry, weighted by revenue						
ARPU voice vs data breakdown						

Source: Lirneasia's 6-country study

What is available? 6-country data

Mobile Usage	IN	ID	PK	PH	SL	TH
Average minutes of use for mobile subscriber per month						
Average minutes of use for mobile postpaid subscriber per month						
Average minutes of use for mobile pre-paid subscriber per month						
Avg. outgoing SMSs per subscriber per month						

Source: Lirneasia's 6-country study

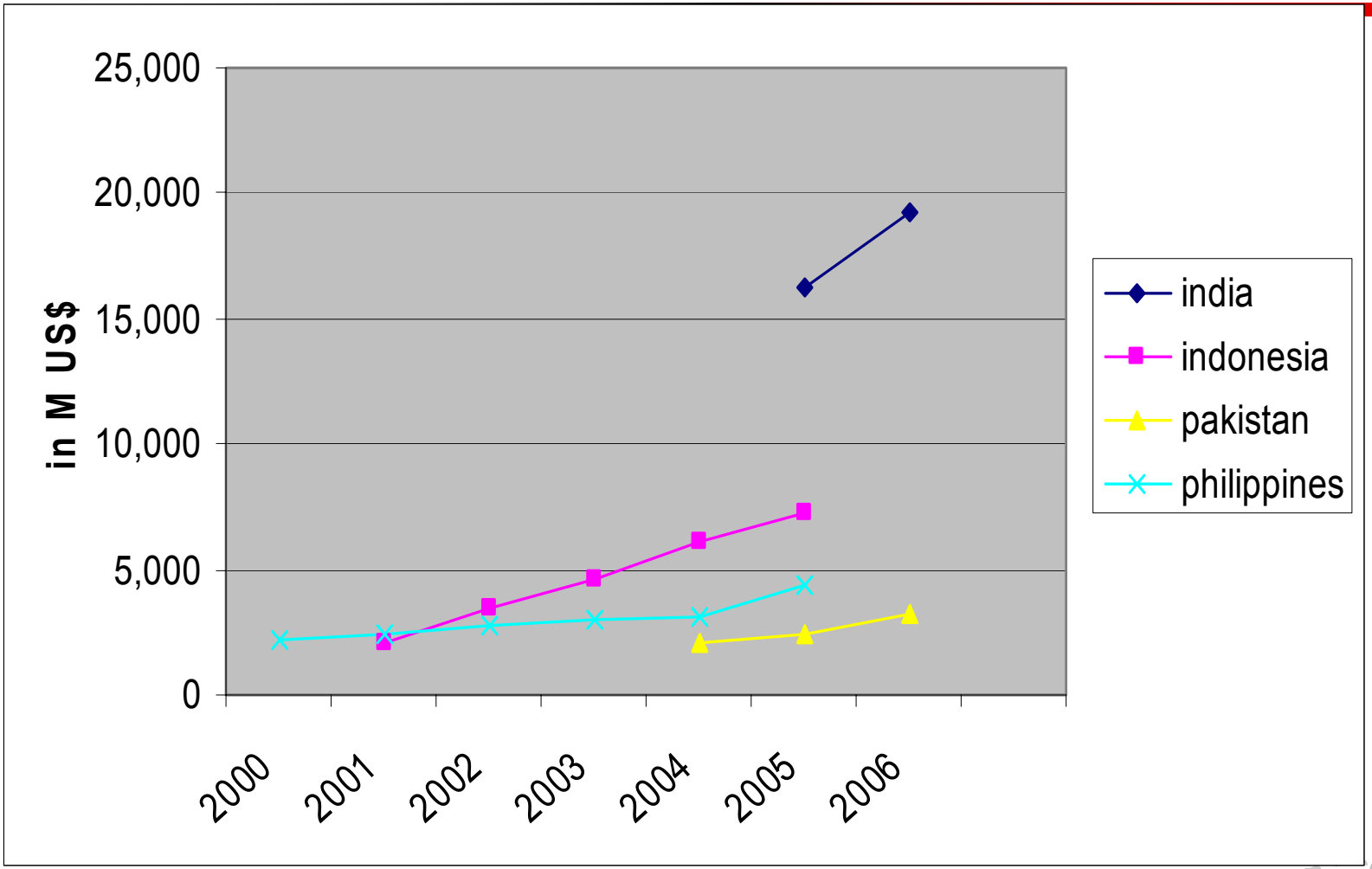
Lirneasia's Data Sources

- India – TRAI
- Indonesia – BPS, BKMP (Investment Board), company data
- Pakistan
- Philippines – WDI online, company annual reports (PLDT, Globe)
- Sri Lanka- TRC, CSBL, company reports
- Thailand

Why Collect Total Revenue?

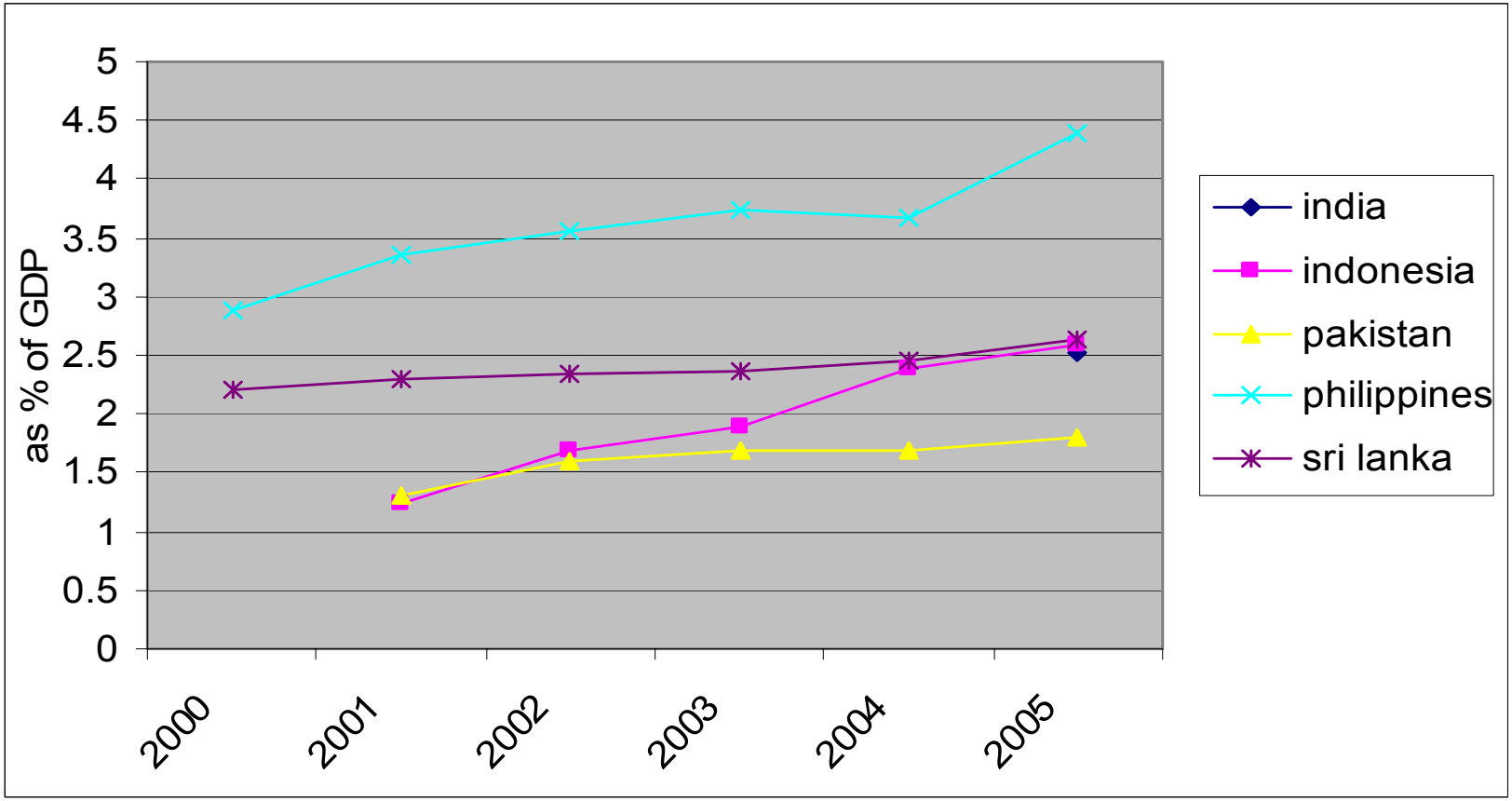
- Total Revenues and Total Revenue as % of GDP- provide a snapshot of sector's performance and economic contribution – which can be the basis of informed policy (how much to tax? which aspects to tax/ to provide incentives to, etc.)

6-country total revenue chart



Source: Lirneasia's 6-country study: India- TRAI, Indonesia- calculated, Philippines: WDI online

6-country revenue as % of GDP



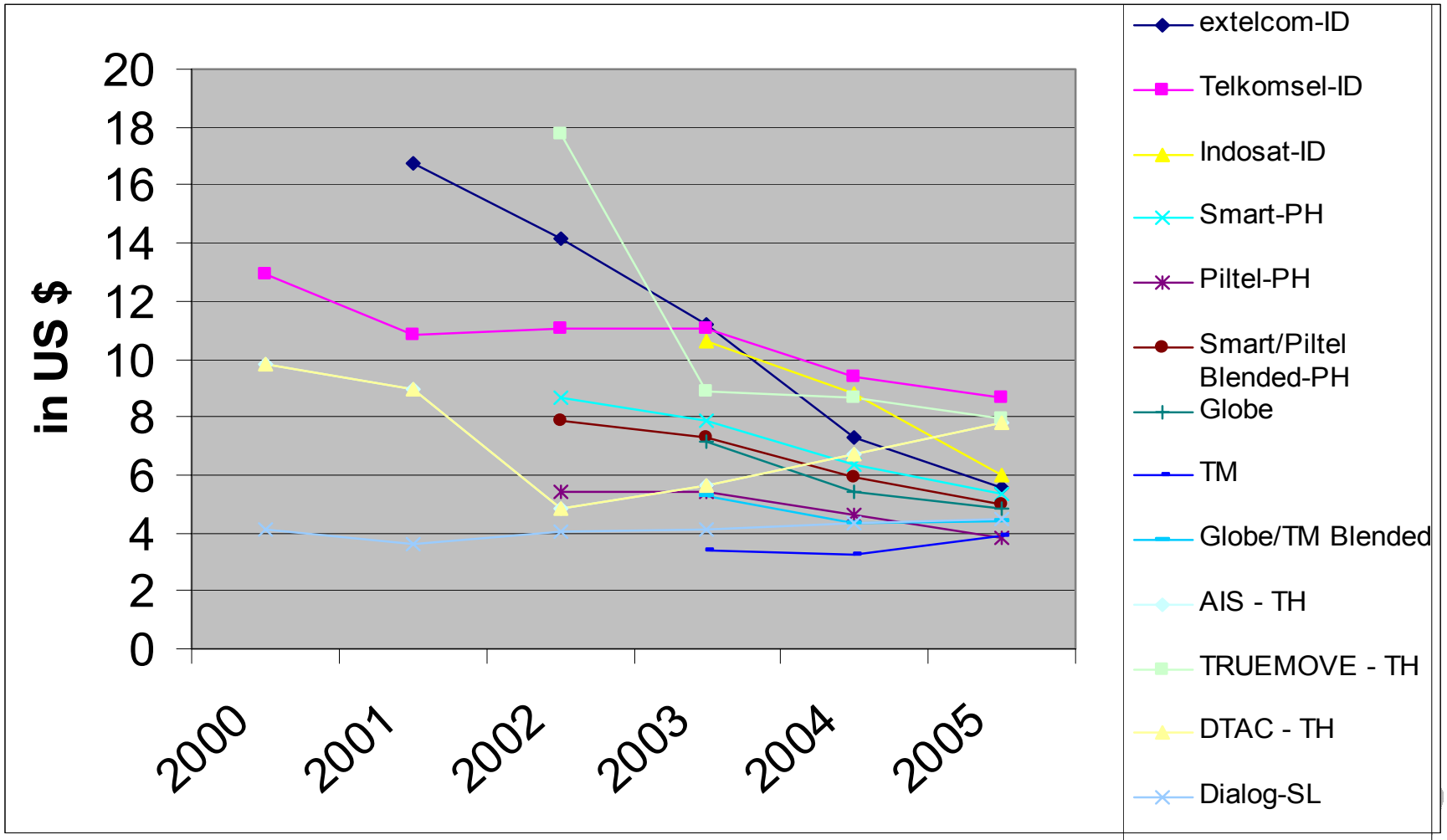
Source: India- TRAI, Indonesia- calculated, Philippines: WDI online; Sri Lanka: TRC and CBSL AR

Why collect ARPUs?

- ARPU for operator and industry, for fixed and mobile segment– another way of looking at market share and profitability beyond number of subscriber

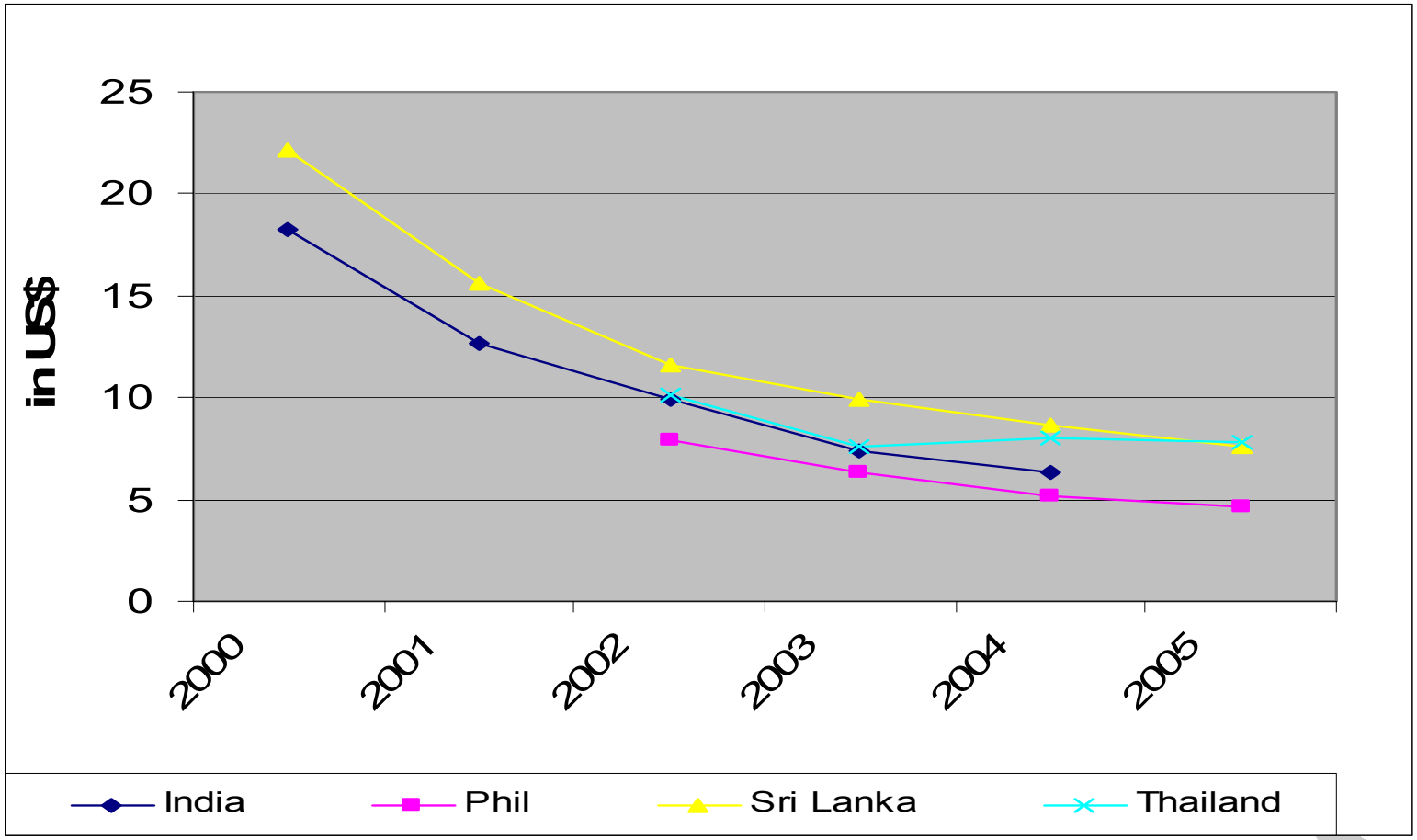
- Important to disaggregate prepaid and postpaid
  - prepaid is fueling growth in the sector
  - Though prepaid ARPUS lower than postpaid, but composed over 90% of subscriber base in 6 countries

Mobile prepaid ARPU per operator in ID, PH, SL and TH



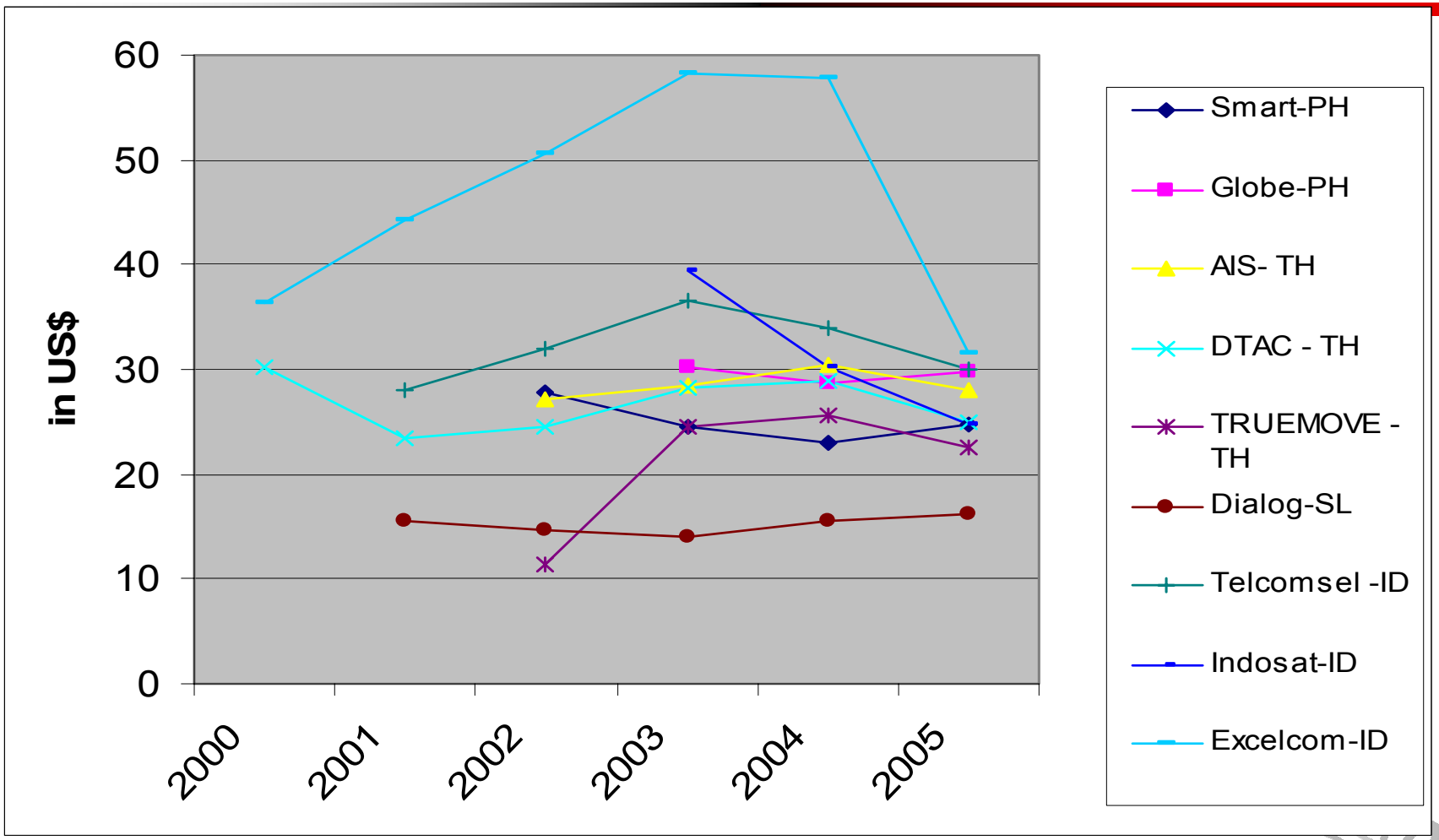
Source: Company ARs

Mobile Prepaid ARPU for industry in 4 countries



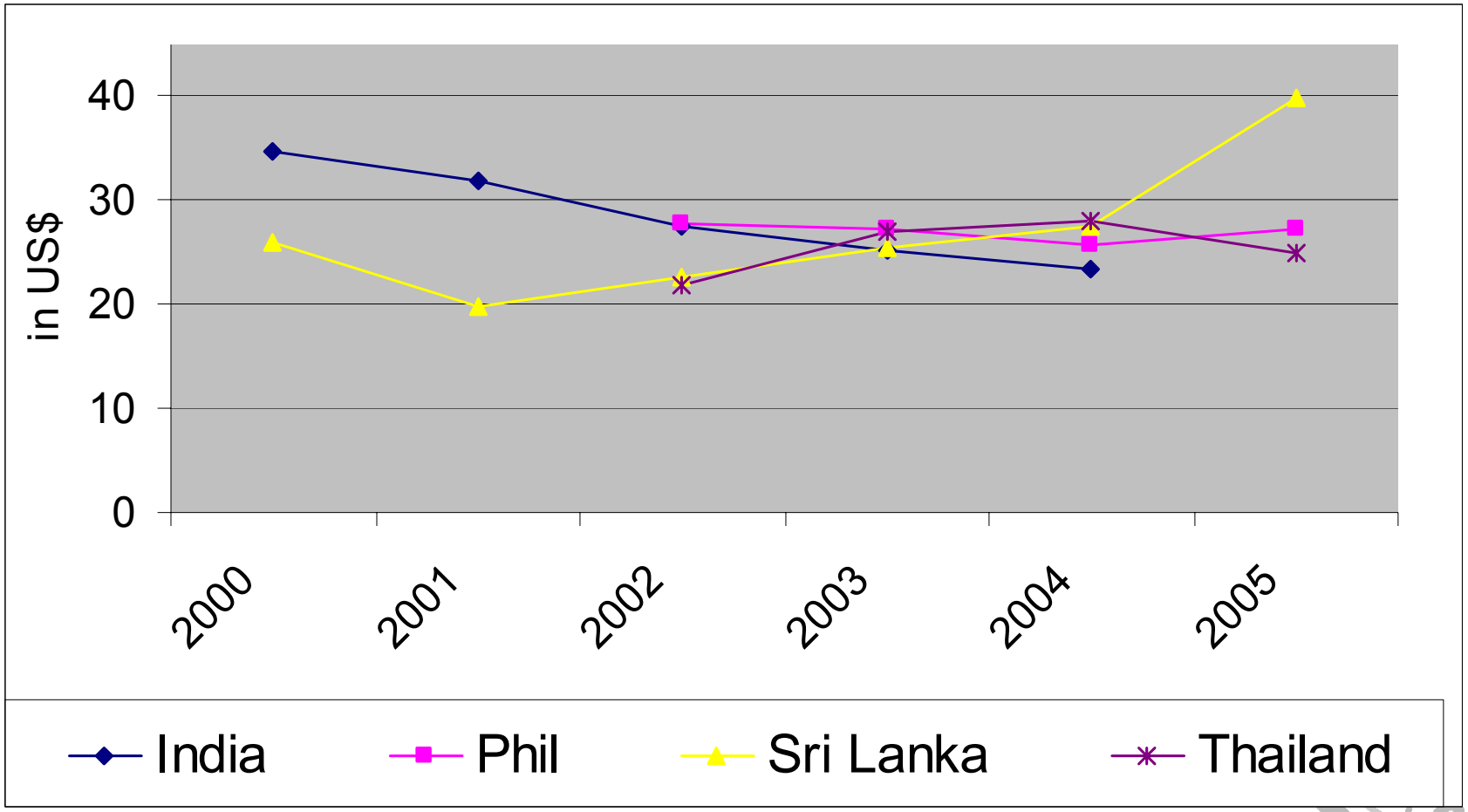
Source: India- TRAI, Phil –calculated from company AR, Sri Lanka- TRC, Thailand – calculated from company AR

Mobile Postpaid ARPU per operator in ID, PH, SL, TH



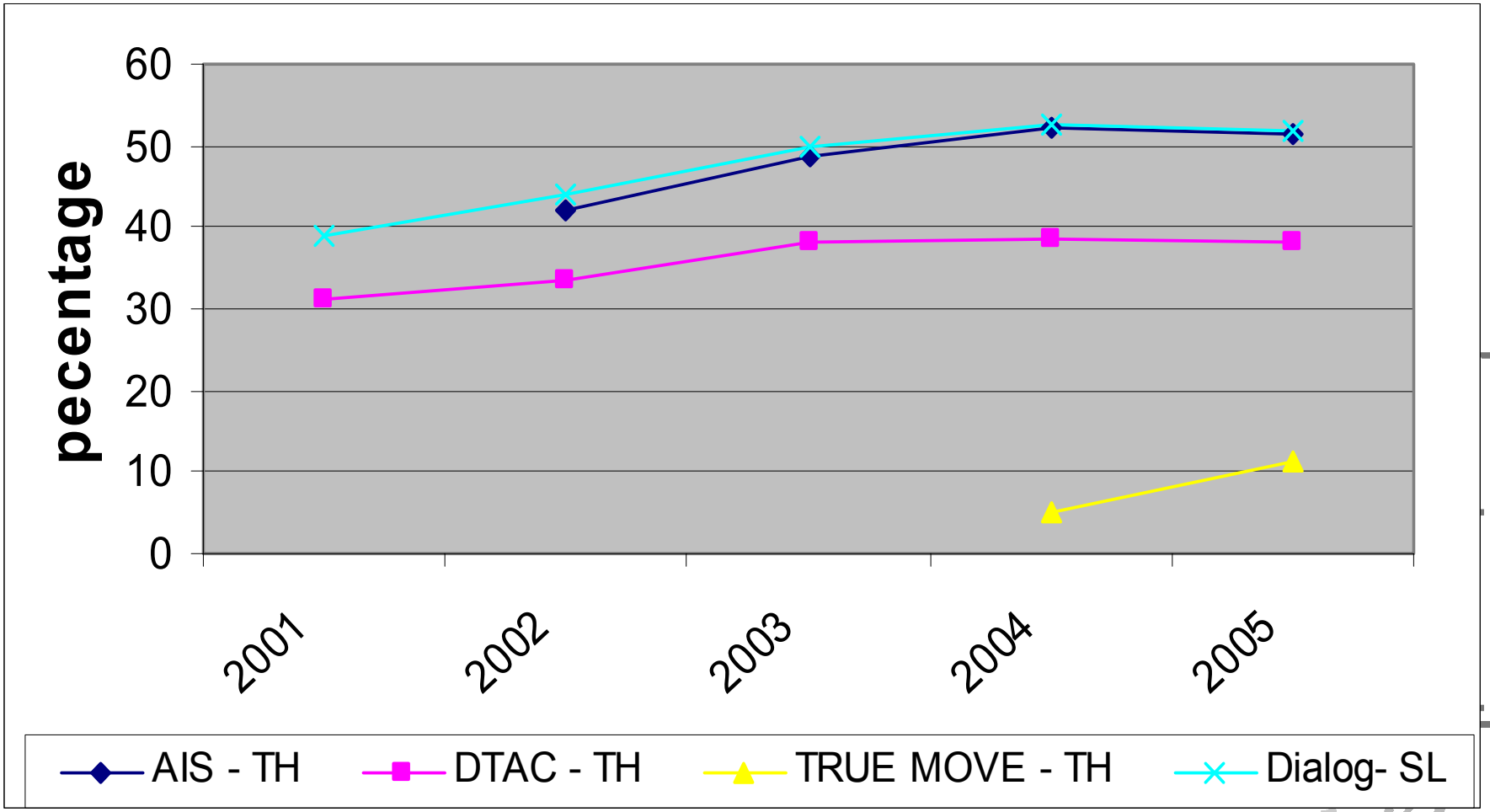
Source: company ARs

Mobile postpaid ARPU for Industry in 4 countries



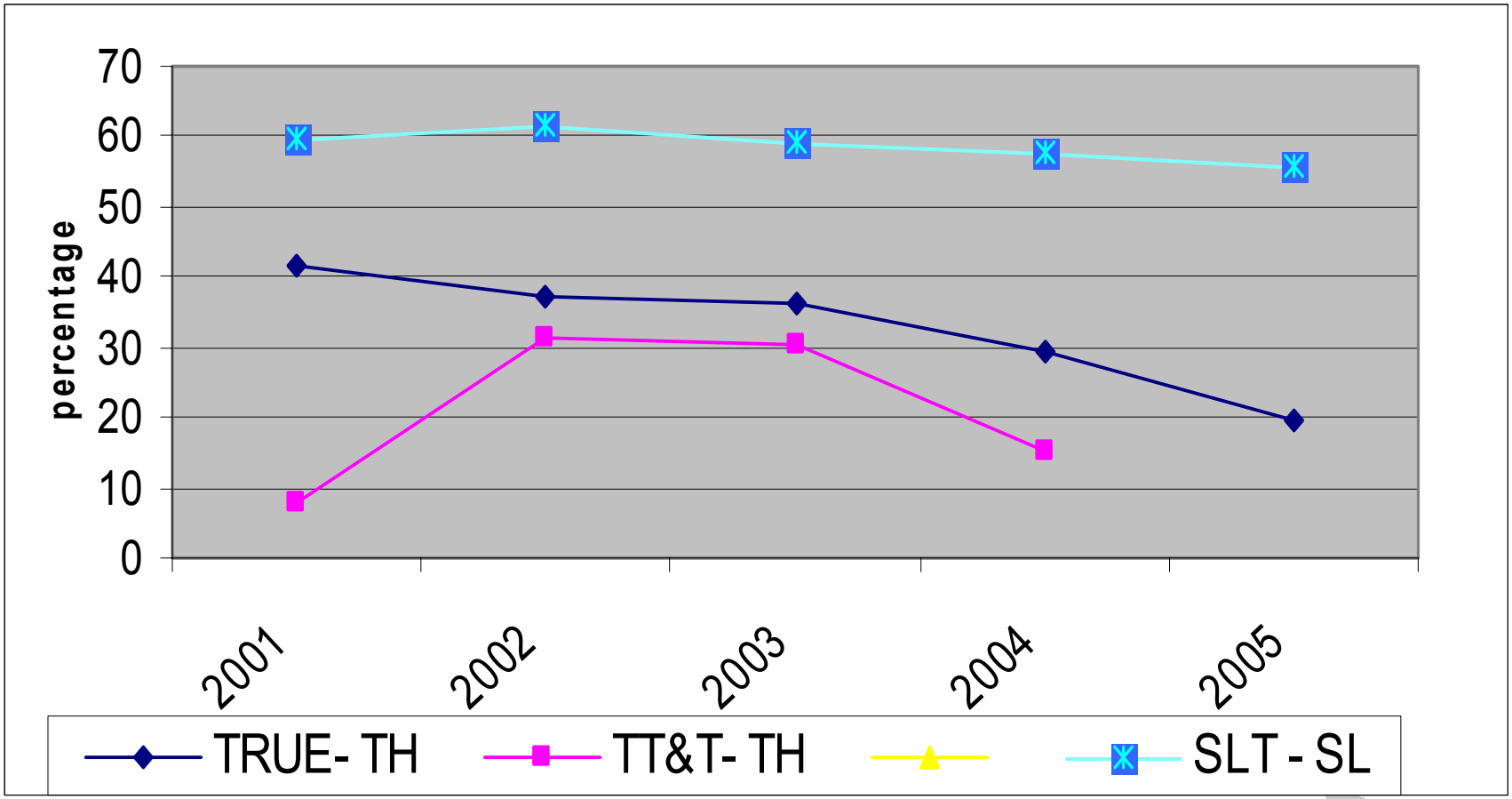
Source: India- TRAI, Phil –calculated from company AR, Sri Lanka- TRC, Thailand – calculated from company AR

Thailand and Sri Lanka's Mobile Companies' EBITDA Margin



Source: company data

TH and SL Fixed Telcos EBITDA Margin

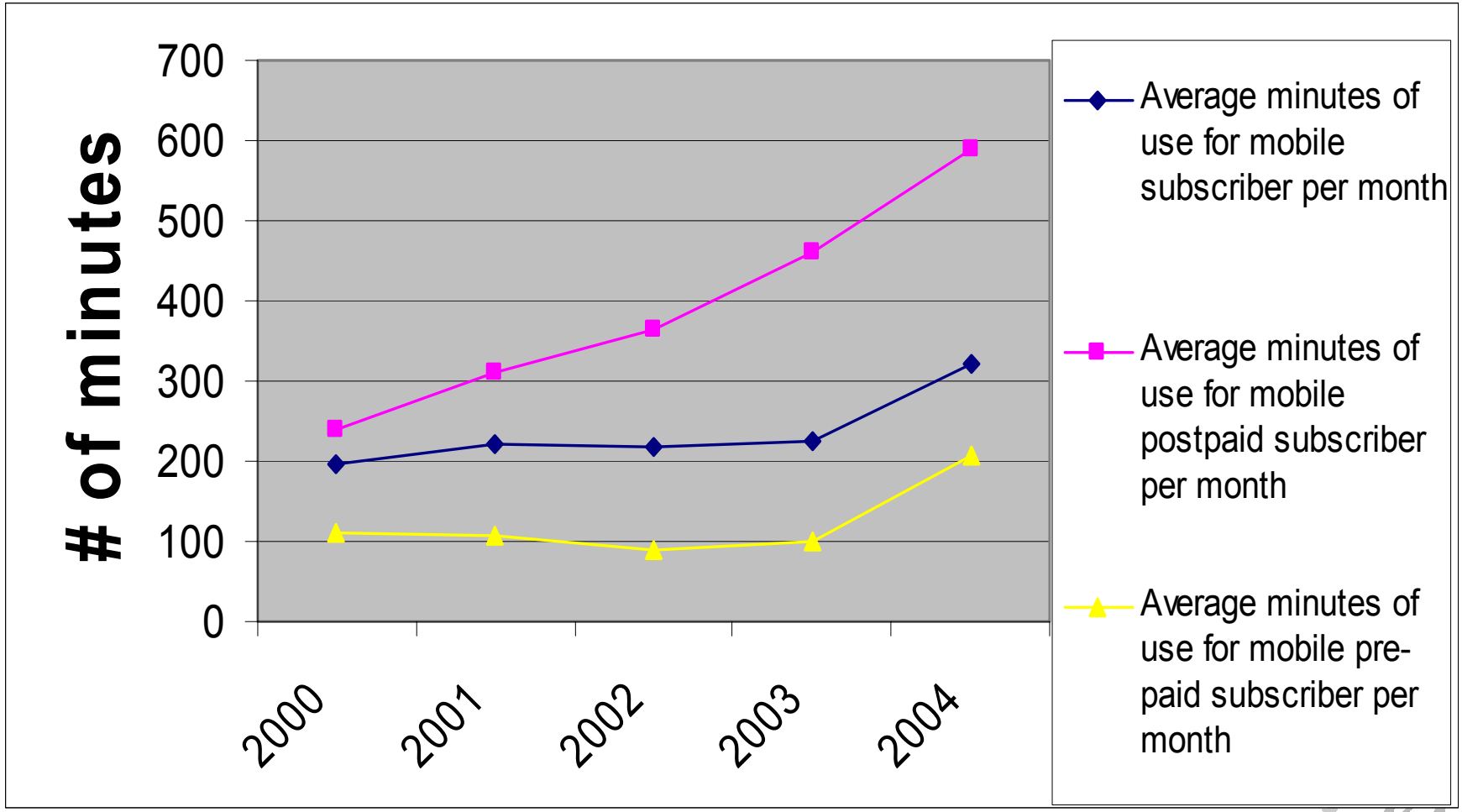


Source: company data

Why Collect EBITDA Margin?

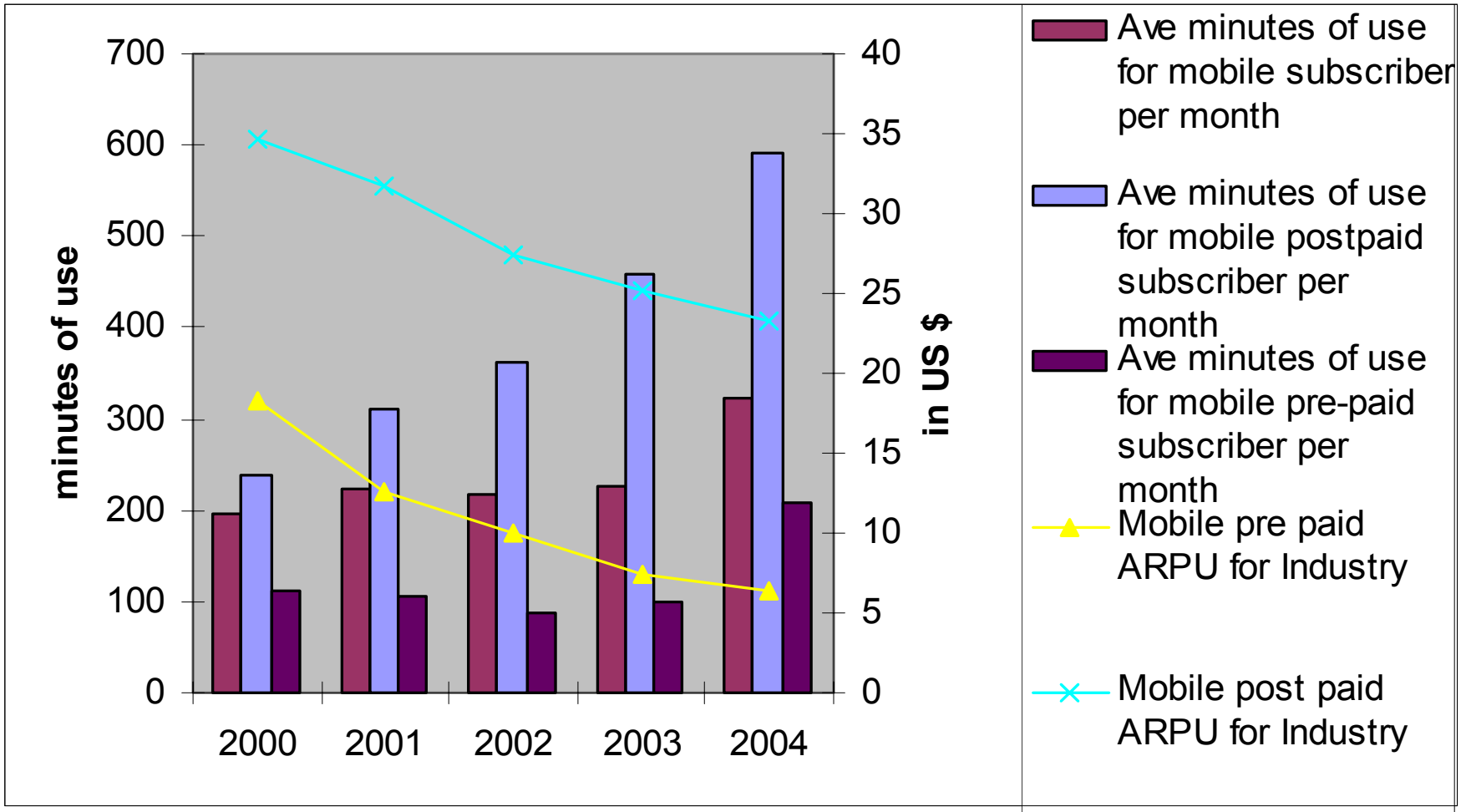
- financials data important for investment analysis, which in turn affects further investment in the sector, thus feeds into accessibility and availability of service in general
- EBITDA margin – important measures of profitability, can see how well investment is going (EBITDA/revenue)– so can say more whether or not competition is ruinous or "cut-throat"– necessary in designing competition policies

Indian Utilisation Data



Source: TRAI

Indian Mobile Utilisation and ARPU



Source: TRAI

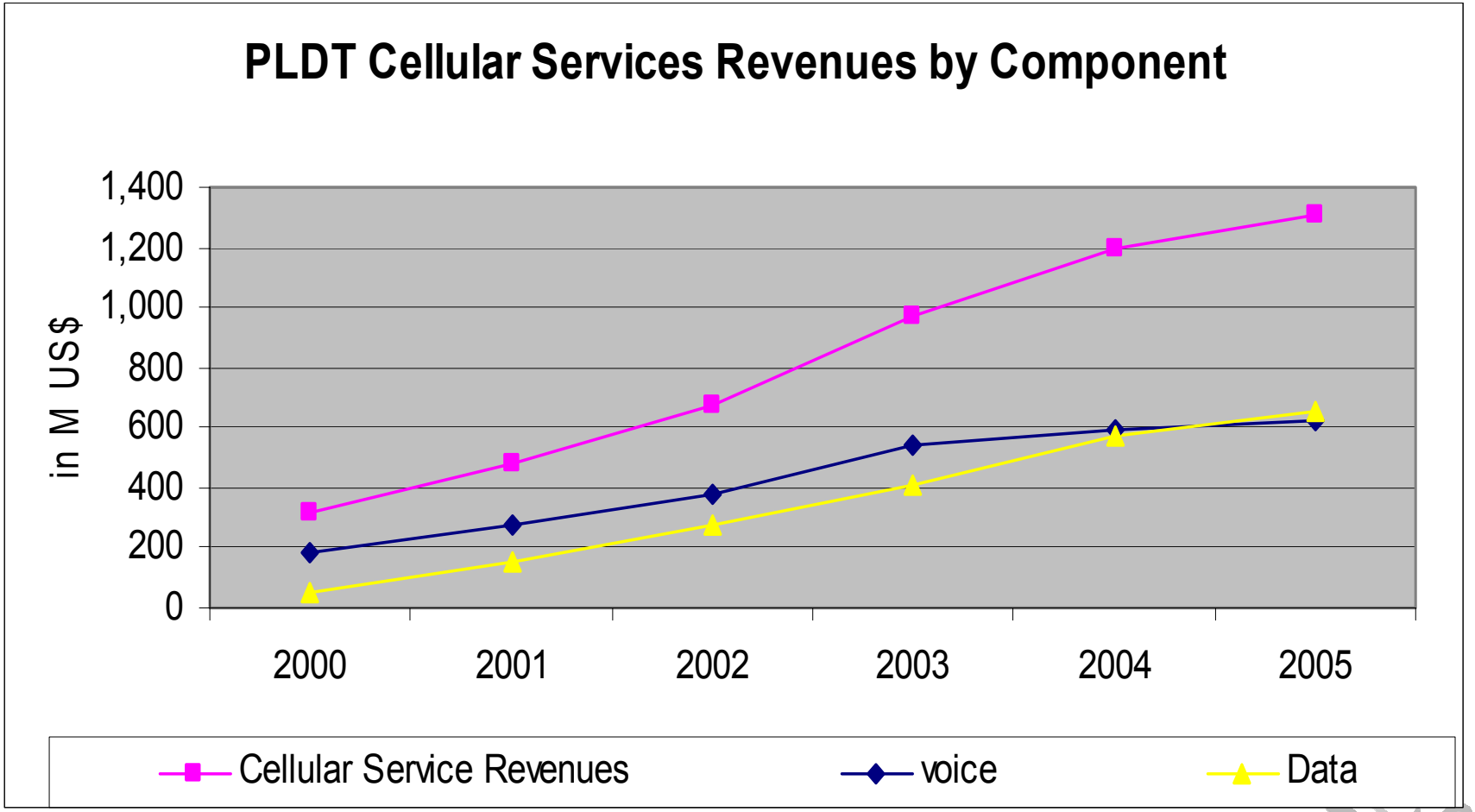
Issues and challenges

- Data may not be strictly comparable
  - Different definitions of revenues
  - Different reporting formats – Sri Lanka ARPUS per year while others are per month; Indonesia revenues lumped together with posts
  - Different accounting formats
  - How far are the data disaggregated? are mobile and fixed, prepaid and postpaid disaggregated?
- availability of data—in the public domain only if they are listed – but one needs to dig, deep
  - entire industry normally very difficult to collate and if not available, use the biggest player's data as indicative, since most of the main telcos are in the public domain

Issues and Challenges

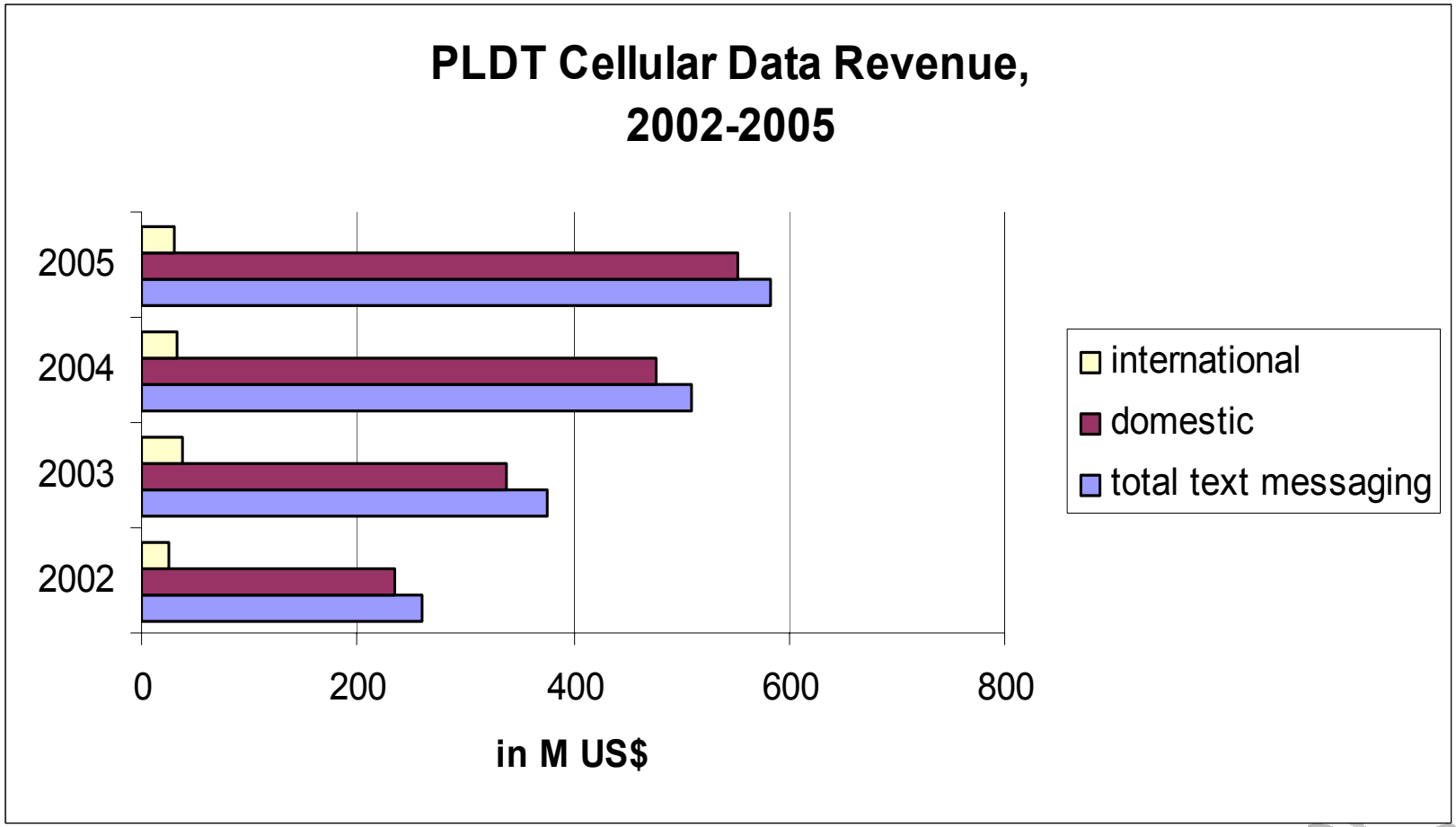
- Availability of data
  - Market- sensitive information so sometimes not timely release, if at all
  - available but not collected by NRA/NSO
- Utilisation data -- MOUs, # of SMS sent-- are telcos counting them? Should regulators require reporting?
  - *Yes if we want to understand changes in use is due to rise or fall in prices, which can be used in deciding interconnection templates*
- ARPU voice revenue vs data revenue
  - very important but not available at the moment (only total revenue from voice and data)– but it can be done/collected if the NRAs ask for it

PH case: mobile data revenue overtaking voice



Source: Lirneasia's 6-country study, PLDT ARs

And mobile data revenue driven by texting!



Source: Lirneasia's 6-country study,PLDT ARs

Revenue Indicators Wish List

Industry Financial data	IN	ID	PK	PH	SL	TH
Fixed ARPU per Operator						
Fixed ARPU for Industry						
Mobile pre paid ARPU per Operator						
Mobile post paid ARPU per Operator						
Mobile pre paid ARPU for Industry						
Mobile post paid ARPU for Industry						
Industry Revenues						
Industry Revenues as % of GDP						
EBITDA Margin for industry, weighted by revenue						
ARPU voice vs data breakdown						

Utilisation Indicators Wish List

Mobile Usage	IN	ID	PK	PH	SL	TH
Ave MOU for mobile subs/mo						
Ave MOU for mobile postpaid subs/mo						
Ave MOU for mobile pre-paid subs/mo						
Avg. outgoing SMSs per subs/mo						

Why care about revenue and utilisation indicators?

- Revenue indicators -- measure of contribution to GDP, profitability, return on investment,, and for instance despite falling ARPUs, companies are profitable because of volume
- Utilisation indicators – important in calculating price baskets, and combined with EBITDA margin and ARPU– can help design competition and interconnection policies
  - Indian case of increasing MOUs terminating to mobile and mobile telcos asking for higher termination rates
- robust revenue and utilisation data feeds into better designed competition and interconnection policies

Way Forward?

- Need for clearly defined indicators
- Consistently collect them
- Coordination and collaboration with NRA, NSO and telcos nationally
- … and regionally for comparability

Thank you very much
for your attention!

www.lirneasia.net