



## FIN-122 - Best Practices in Telecom Cost Modeling & LRIC

### BEST PRACTICES IN TELECOM COST MODELING & LRIC

Next session: 30 April - 4 May 2018, London



Neotelis can also deliver an in-house session of this course specifically for your organisation.  
Please contact us at [training@neotelis.com](mailto:training@neotelis.com) for more information and a Proposal.

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### Description

Setting cost-based interconnection and access pricing is one of the main concerns of regulators, even as telecom transitions from being voice-based to broadband driven. For operators, responding to regulatory requirements for cost-based pricing requires significant effort to build, maintain and defend regulatory cost models. For both regulators and operators, understanding telecom cost models is essential.

This 5-day practical course provides participants with best practices to develop and implement successful

LRIC costing models for voice and data using top-down, bottom-up and hybrid approaches.

## Learning Outcomes

At the end of the course, participants will be able to:

- Discuss interconnection and access regulation and the key concerns of regulators in evaluating the adequacy of cost methodologies
- Explain the drivers and process of cost allocation and costing
- Evaluate telecommunications costs
- Apply the most common cost modeling methodologies used in telecommunications, including FAC and LRIC
- Analyze real world concerns associated with using and applying cost models

## Topics

\*Note: the course structure may be subject to change as trainings are updated on a regular basis.

### DAY 1="gi2\_texte">

- Global telecom trends and impacts
  - Market evolution and trends
  - New and evolving players
  - Key services
  - *Workshop: Impacts, challenges and opportunities of market evolution for telecom stakeholders*
- Interconnection and access
  - Relevance of interconnection and access
  - Types of interconnection and access
    - Call termination
    - Unbundling (access)
  - Regulator's role
    - *Case study: EU interconnection and access regulation*
  - Interconnection and access best practices
    - *Workshop: Duct access*
    - Pricing interconnection using forward-looking economic cost
    - *Discussion: What is a cost?*
  - Conclusions
- Economic concerns
  - Discounting logic
  - WACC
    - WACC optimization

- *Discussion: How WACCs used by telecom regulators vary from country to country and why*

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**DAY 2**= "gi2\_texte">

- Economic concerns (continued)
  - Causal costs
    - DIAC
    - *Workshop: Cost causality in copper access lines - telephony versus broadband services*
  - Annuities
  - Depreciation
  - Economic evaluators
    - *Exercise: The Net Present Value (NPV) of a discounted cash flow - what does it really mean?*
- *Discussion: High prices are good/high prices are bad*
- Top-down costing
  - Understanding Financial Statements
  - Key costing concepts
    - Typical cost behaviour
    - Allocating costs – Fully Allocated Costs (FAC)
    - Incremental, fixed, common costs and LRIC basics

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**DAY 3**= "gi2\_texte">

- Top-down costing (cont'd)
  - Types of costing analysis
  - Accounting separation
    - *Example: Separation of costs into network core and network access costs*
  - Activity Based Costing (ABC) and the routing table
  - *Example: Routing Table demonstration*
  - *Workshop: Allocating Network Element costs to products*
- Long Run Incremental Costing (LRIC)
  - Regulatory concerns
  - LRIC versus regulatory concerns
  - Major assumptions of LRIC
- *Discussion: Cost-based prices over 20 years are good and bad*

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**DAY 4**= "gi2\_texte">

- Long Run Incremental Costing (LRIC) (continued)
  - Cost factors of telecom network operators
    - Standard and more 'contentious' cost factors
    - Efficient costs and how much inefficiency is allowable
    - Real-life considerations impacting operator costs
    - *Workshop: Country-specific cost factors*
  - LRIC: methodology for a regulator
  - Top-down vs. bottom-up reconciliation
  - *Exercise: From FAC to LRIC in numbers*
- *Case study: A real bottom-up cost model - PTS Sweden*
- Network overview: what to cost
  - IP and broadband
  - Mobile networks and 4G configuration
  - Next generation wireline configuration
- *Workshop: Dealing with real world cost modeling concerns*

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**DAY 5**= "gi2\_texte">

- LRIC modeling examples
  - *Example: Economic depreciation*
  - *Example: Split of access costs between telephone, broadband and TV*
  - *Example: Local loop unbundling modeling*
  - *Example: Bitstream modeling*
- *Discussion: Despite detailed cost models and methodologies in Europe to set prices, competition has not always worked as regulators expect*

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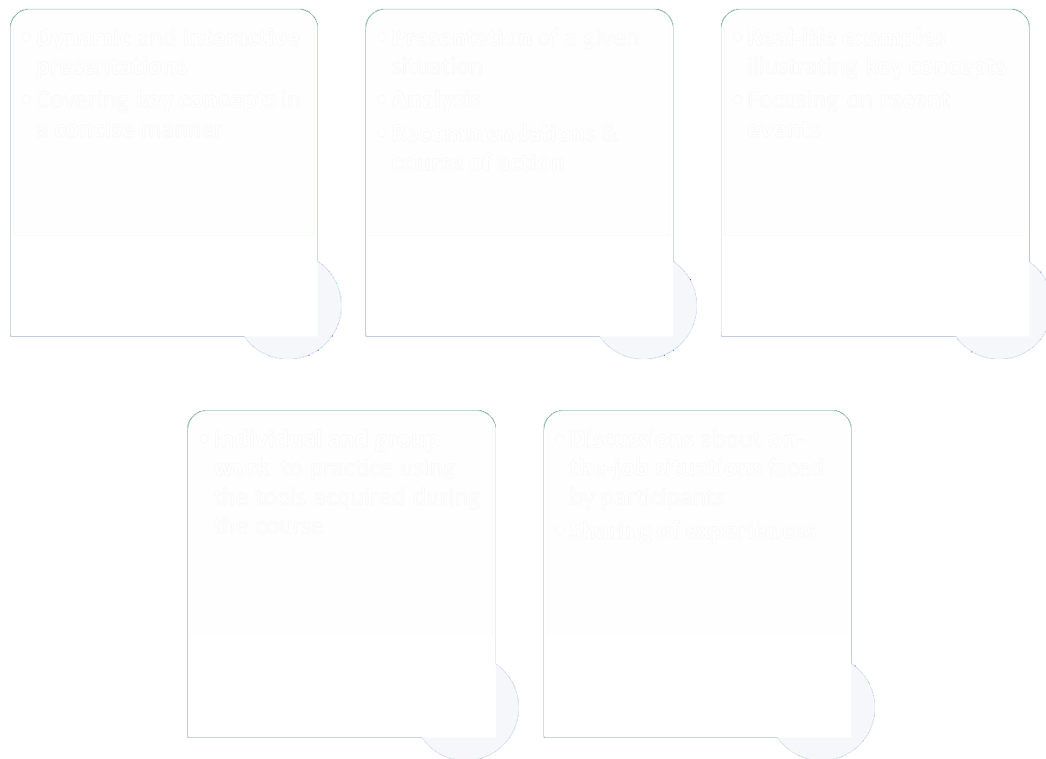
## Target Audience

- Telecommunications managers and personnel responsible for cost analysis, financial analysis, financial modeling, costing and/or pricing
- Managers looking to complement their skill-set by gaining a good understanding of the LRIC methodology in the telecommunications environment

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## Methodology

A combination of engaging activities and dynamic presentations to stimulate and maximize participants' learning.



## Location

A selection of Neotelis' training courses is held in various cities around the world. Please contact us at [training@neotelis.com](mailto:training@neotelis.com) for the complete Yearly Training Calendar.



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**About Neotelis**

Neotelis provides training, consulting, conferences and publications to the telecommunications industry worldwide. Its team of senior experts has trained thousands of executives and managers working for operators, regulators, policy-makers and governments in over 120 countries around the world.

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