



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

BEST PRACTICES IN TELECOM COST MODELING & LRIC

Next session: 16 - 20 July 2018, London



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

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

- 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*

DAY 2

- 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

DAY 3

- 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*

DAY 4

- 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*

DAY 5

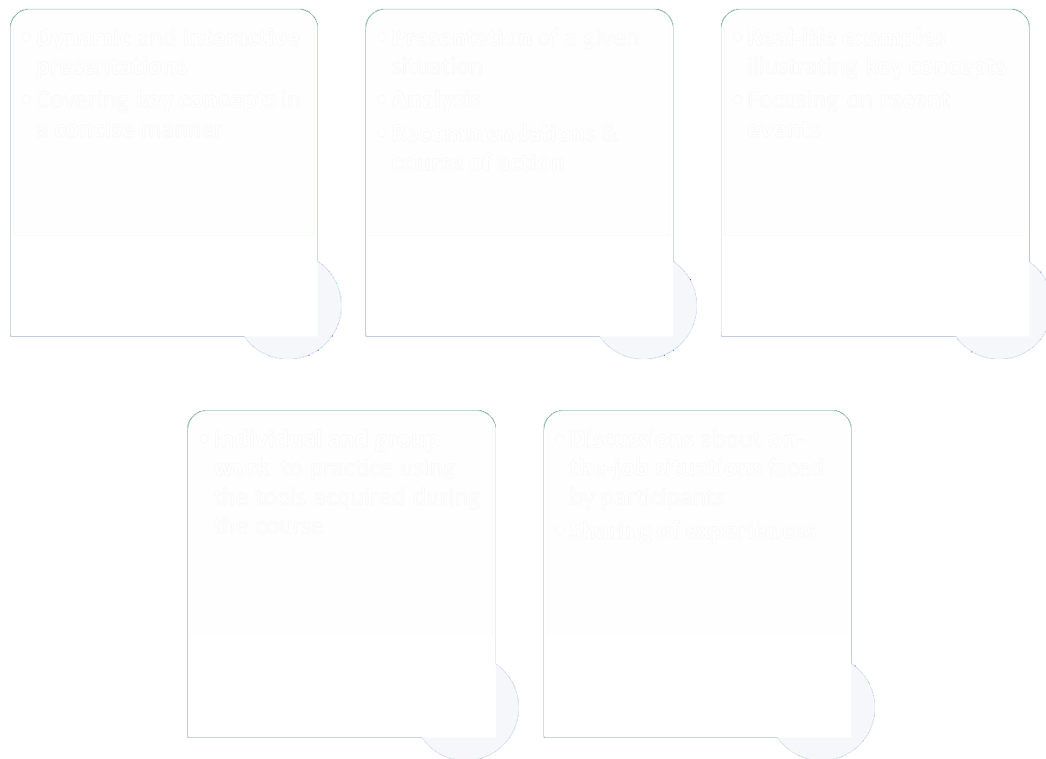
- LRIC modeling examples
 - *Example: Economic depreciation*
 - *Example: Split of access costs between telephone, broadband and TV*
 - *Example: Local loop unbundling modeling*
 - *Example: Bitstream modeling*
- *Discussion: Despite detailed cost models and methodologies in Europe to set prices, competition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

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

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 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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