BLACKBIRD FOR TRAINING

Telecommunication Pricing and Cost Model Training Program for MCMC



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Introduction

Telecommunication pricing and cost modelling are essential tools for effective regulation of competitive telecommunications markets. Regulators need a strong understanding of how operators develop prices, allocate costs, assess profitability, determine interconnection charges, and respond to changes in technology and market conditions.

This one-week programme provides a comprehensive and practical understanding of telecommunication pricing principles, cost structures, cost modelling methodologies, tariff regulation, interconnection pricing, and regulatory decision-making.

Participants will examine how different costing approaches—including Fully Distributed Cost FDC, Long-Run Incremental Cost LRIC, Total Service Long-Run Incremental Cost TSLRIC, and Activity-Based Costing ABC—can be applied to telecommunications services.

The programme also addresses modern issues such as 5G, fibre networks, broadband pricing, cloud services, network sharing, OTT competition, and digital services, enabling participants to apply cost and pricing principles to today's telecommunications environment.

Course Objectives

By the end of this course, participants will be able to:

1. Understand the fundamental principles of telecommunications economics, costing, and pricing.
2. Identify and analyse the major cost components of fixed, mobile, broadband, fibre, and 5G networks.
3. Understand different telecommunications cost-modelling methodologies and their regulatory applications.
4. Develop and evaluate cost models for telecommunications services.
5. Apply pricing methodologies to wholesale and retail telecommunications services.
6. Understand the principles of interconnection and access pricing.
7. Assess the impact of regulatory decisions on operators, consumers, and market competition.
8. Analyse tariff structures and determine appropriate pricing approaches.



9. Evaluate the financial and economic implications of new technologies such as 5G and fibre.
10. Use cost and pricing analysis to support evidence-based regulatory decisions.

Course Outlines

Day 1 - Telecommunications Economics, Cost Structures & Pricing Fundamentals

1. Introduction to Telecommunications Economics
    - Structure of the telecommunications industry
    - Role of regulators and operators
    - Competition, market power, and regulatory intervention
    - Telecommunications value chains
    - Economic characteristics of network industries



2. Understanding Telecommunications Costs
    - Fixed, variable, direct, and indirect costs.
    - CAPEX and OPEX
    - Network versus non-network costs.
    - Common and shared costs
    - Economies of scale and scope
3. Telecommunications Pricing Principles
    - Cost-based versus market-based pricing
    - Retail and wholesale pricing
    - Marginal and average cost pricing
    - Price elasticity and demand
    - Relationship between cost, price, and profitability
4. Telecommunications Tariff Structures
    - Voice and SMS tariffs
    - Mobile data and broadband pricing
    - Bundled services.
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- Usage-based and subscription-based pricing
- Dynamic and promotional pricing

5. Regulatory Economics & Pricing Decisions
    - Why regulators intervene in pricing.
    - Affordability and consumer protection
    - Competition and prevention of excessive pricing
    - Price regulation mechanisms
    - Practical regulatory pricing scenarios



Day 2 - Telecommunications Cost Models & Cost Allocation

1. Introduction to Telecommunications Cost Modelling
    - Purpose and objectives of cost models
    - Top-down and bottom-up approaches.
    - Accounting versus economic costing
    - Model inputs, assumptions, and outputs.
    - Regulatory applications of cost models
2. Fully Distributed Cost FDC Models
    - Principles of FDC
    - Historical versus current costs
    - Cost allocation methodologies
    - Advantages and limitations
    - Application to telecommunications services
3. Activity-Based Costing ABC
    - Cost drivers and activities
    - Allocating indirect and shared costs
    - Designing an ABC framework
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- Telecommunications examples
- Practical cost allocation exercise

4. Long-Run Incremental Cost LRIC
    - LRIC principles
    - Incremental costs and cost causation
    - Long-run versus short-run costing
    - LRIC applications in regulation
    - Comparison of LRIC and FDC

5. Building a Regulatory Cost Model
    - Defining services and cost categories
    - Identifying network components
    - Allocating costs to services
    - Model assumptions and sensitivities.
    - Reviewing and validating model outputs



Day 3 - Pricing Methodologies, Interconnection & Access Charges

1. Wholesale Telecommunications Pricing
    - Wholesale versus retail markets
    - Access pricing principles
    - Wholesale network services
    - Cost orientation
    - Margin considerations
2. Interconnection Pricing
    - Interconnection concepts
    - Call termination and origination.
    - Mobile and fixed termination rates
    - Transit and access charges.
    - Regulatory approaches to interconnection
3. Pricing Methodologies
    - Cost-based pricing
    - Benchmarking
    - Retail-minus pricing
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- Efficient component pricing
- Market-based approaches

4. Network Access & Infrastructure Sharing
    - Local loop and broadband access
    - Fibre access pricing
    - Passive and active infrastructure sharing
    - Mobile network sharing
    - Access obligations and regulatory considerations
5. Practical Pricing & Costing Exercise
    - Developing a simplified telecommunications cost model
    - Calculating service costs
    - Determining cost-based prices
    - Analysing different pricing scenarios
    - Interpreting results for regulatory decision-making



Day 4 - Advanced Cost Modelling: Fibre, 5G & Next-Generation Networks

1. Cost Modelling for Fibre Networks
    - Fibre network architecture
    - Fibre CAPEX and OPEX
    - Network rollout economics.
    - Fibre sharing and access.
    - Cost allocation for broadband services
2. 5G Cost & Pricing Models
    - 5G network economics
    - Spectrum-related costs
    - Radio access network costs
    - Core network and transport costs.
    - 5G service costing considerations



3. Bottom-Up Cost Models
    - Network engineering approach.
    - Demand and traffic forecasting.
    - Network dimensioning.
    - Efficient network design.
    - Asset valuation and depreciation.
4. Sensitivity & Scenario Analysis
    - Testing model assumptions.
    - Demand sensitivity.
    - Traffic growth scenarios.
    - Technology and equipment cost changes.
    - Impact of inflation, WACC, and asset lives.
5. Evaluating Regulatory Cost Models
    - Model transparency.
    - Data quality and validation.
    - Benchmarking model results.
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Identifying errors and inconsistencies.

- Regulatory review and consultation.



Day 5 - Regulatory Pricing Decisions, Market Analysis & Practical Application

1. Retail Pricing Regulation
    - Retail tariff regulation
    - Price caps and price floors
    - Affordability considerations
    - Bundling and cross-subsidization
    - Consumer welfare
2. Competition & Market Power
    - Significant Market Power SMP
    - Dominance and market concentration
    - Predatory and excessive pricing
    - Margin squeeze
    - Competitive effects of pricing strategies
3. Advanced Pricing Issues in Digital Markets
    - OTT services and traditional telecommunications
    - Cloud and digital infrastructure
    - Data-driven pricing
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Network neutrality considerations.

- Emerging telecommunications business models

4. Integrated Case Study: MCMC Regulatory Pricing Decision
    - Analyse a hypothetical telecommunication market.
    - Review operator cost information.
    - Develop appropriate cost assumptions.
    - Evaluate alternative pricing methodologies.
    - Formulate a regulatory pricing recommendation.
5. Course Review & Action Planning
    - Key principles and methodologies
    - Cost model evaluation checklist
    - Pricing decision framework
    - Lessons learned from practical exercises.
    - Individual and organizational action plan



Why Attend This Course? Wins & Losses!

Wins - What Participants Will Gain

- A practical understanding of telecommunications cost and pricing economics.
- Ability to distinguish between FDC, LRIC, TSLRIC, ABC, top-down, and bottom-up models.
- Improved capability to review and challenge operators' cost models.
- Better understanding of interconnection and access pricing.
- Practical knowledge for evaluating 5G and fibre network economics.
- Stronger ability to assess tariff proposals and regulatory pricing submissions.
- Improved understanding of market power, competition, and pricing behaviour.
- Practical tools for supporting evidence-based regulatory decisions.
- Greater confidence when participating in industry consultations and regulatory proceedings.



Losses - What Happens If These Skills Are Missing?

Without strong cost and pricing expertise, regulators may face:

- Difficulty validating operators' cost submissions.
- Risk of accepting inappropriate cost allocations.
- Inaccurate or inefficient access and interconnection prices.
- Weak assessment of operator pricing strategies.
- Potential distortion of competition.
- Difficulty evaluating the economic impact of new technologies.
- Increased risk of regulatory disputes.
- Less effective protection of consumer interests.



Conclusion

Effective telecommunications regulation requires more than understanding tariffs—it requires the ability to connect network economics, cost structures, pricing methodologies, competition, and regulatory objectives.

This one-week programme equips MCMC professionals with a structured framework for analysing telecommunications costs and prices and for evaluating the assumptions and methodologies used by network operators.

Through a combination of technical presentations, practical exercises, cost-modelling examples, regulatory case studies, and scenario analysis, participants will develop the knowledge required to make more robust and defensible telecommunications pricing and regulatory decisions.

Frequently Asked Questions FAQ

1. Who should attend this programme?

The course is suitable for telecommunications regulators, pricing and tariff analysts, economists, policy professionals, competition specialists, licensing officers, network professionals, and managers involved in telecommunications regulation and pricing.

2. Is the course suitable for participants without advanced financial knowledge?

