

## Per-minute charging for mobile is antiquated, says analyst - Regional

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Latin American operators' penchant towards per minute charging is outdated, based on switch telephony networks that were the norm 20 years ago, and the system is inadequate as operators switch to all-IP and the concept of "minute" no longer applies, according to consultancy Telecommunications Management Group (TMG) senior market analyst Michael Minges.

The analyst highlighted the case of Colombia, where operators have the option for capacity-based interconnection.

"This means you don't pay a per-minute termination rate, you just put a high capacity IP line between the two networks and pay a monthly rate for the line," he told BNamericas. "In a lot of the more advanced countries, they're moving to the capacity-based interconnection. It's a wholesale agreement and recognizes the transformation of the networks."

A worldwide study performed by TMG found that Colombia has one of the lowest mobile termination rates (MTRs) in Latin America, coming in at US\$0.0549.

However, as a region, the study found that Latin America/Caribbean has the highest average MTR in the world at US\$0.106 a minute, even surpassing developed areas like Europe. Other developing regions - Asia Pacific, the Middle East, North Africa - had some of the lowest MTRs at about US\$0.05 a minute.

In the region, Brazil has among the highest termination rates in the world at about US\$0.20 a minute, and as a result has one of the lowest average minutes of use.

Plus, "existing operators offer really low on-net rates, making it hard for any new competitor to enter the market. A new player could offer low on-net rates, but the problem is that they're so small they don't have enough subscribers," Minges added.

"This shows the absurdity of the termination rate. It makes no difference where the call originates, it costs the same figure to terminate, no matter if it's on your own network or if it's coming from outside the network. So if the on net rates are below the average MTR in Brazil, which they are, then something's wrong, it shows that the rate is not cost based."

The executive said that the trend in developed nations is to base MTR on costs on efficient operations.

To read the full interview with Minges, see this week's Telecoms Perspectives, for subscribers only.

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