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Determination of 12.4.2002

ANACOM'S DRAFT DECISION ON ALTERATIONS TO BE INTRODUCED TO THE RIO 2002

In accordance with the provisions of nº1 of article 13º of Decree-Law n.º 415/98, and without prejudice to the provisions of nº2 of the above-mentioned article, ANACOM's Board of Directors decided that PT Comunicações S.A. must modify within a maximum of 10 days the Reference Interconnection Offer (RIO) in order to introduce the following alterations.

The proposals and justifications requested from PT Comunicações, S.A. in points 3., 6. and 7., will be analysed subsequently, also bearing in mind the interests of other entities expressed and duly justified under the terms of article 100 and following articles of the Administrative Procedure Code.

1. INTERCONNECTION PRICES

1.1 Call Termination, Call Origination and Transit

PT Comunicações, S.A. presented a proposal to reduce interconnection prices. Having analysed the proposal it is not considered to be coherent with the principle of cost orientation, either in terms of the present situation or future growth scenarios.

In this context, and bearing in mind the likely evolution of market demand, current costs and growth prospects throughout 2002, overall market conditions, in a general framework of progressive alignment of prices to costs, and current European Union practises, the maximum interconnection prices (prices per minute chargeable to the second from the beginning of the call) to be in force from 01/05/2002, are as follows:

Price per minute, based on a 3-minute call (amounts in €not including VAT)

LEVEL	TERMINATION		ORIGINATION		TRANSIT	
	Price per minute		Price per Minute		Price per Minute	
	Peak	Off-Peak	Peak	Off-Peak	Peak	Off-peak
LOCAL	€0.0082	€0.0054	€0.0091	€0.0061	€0.0058	€0.0043
SINGLE TANDEM	€0.0120	€0.0079	€0.0134	€0.0089	n.a.	n.a.
DOUBLE TANDEM	€0.0176	€0.0116	€0.0197	€0.0131	n.a.	n.a.

For call termination, call origination and call transit (local interconnection) services, the maximum price for call setup should be €0.0070 for local interconnection, €0.0080 for Single Tandem interconnection and €0.0090 for Double Tandem interconnection. Invoicing will be to the second from the first second onwards.

1.2 Special Services

PT Comunicações, S.A. proposes a price increase for this service due to an increase in costs related to constitution of provisions against bad debt liability, and bearing in mind the average price per call practised by the other operators.

In face of the assessment of price for invoicing and payment, applicable to PT Comunicações, S.A.'s customers for access to paid special services provided by other operators, in light of the principle of cost orientation, this price should be no more than €0.053 per call.

In terms of invoicing and payment prices practised by other operators, these should not be fixed in the RIO, but instead should be subject to free negotiation between parties.

1.3 Portability

PT Comunicações, S.A.'s price proposal was evaluated attending, namely, the terms of the portability specifications, in particular the cost allocation principle and current European practises. Classification of *hardware* and *software* investments costs as administrative costs is incompatible with the above mentioned principles. Given their nature, such costs should be considered as system establishment costs and as such should be borne by each operator.

Thus, bearing in mind the above mentioned principles and estimates of evolution of portability, the price resulting from administrative costs per ported number is €15.

1.4 Interconnection circuits

Having concluded the process of revision of the supply of leased lines, PT Comunicações, S.A. must, in conformity, revise the conditions applicable to interconnection circuits included within the RIO.

2. INTERCONNECTION OF LEASED LINES

Given that the RIO 2002's proposal has not been adjusted to include the conditions applicable to the interconnection service of leased lines, which would enable an OLO to provide an end-to-end leased line service to an user with at least one of the local sections provided by PT Comunicações, S.A., ANACOM reiterates its previous understanding on this matter, with special emphasis, namely, on the terms established in the "Set of items to be included in the Reference Interconnection Offer for 2001" and in ANACOM's subsequent rulings on alterations to the RIO.

In this framework, bearing in mind that the process of reformulation of prices for the leased lines service is currently underway, PT Comunicações, S.A. must adjust the supply conditions for interconnection of local sections within the RIO once the mentioned process has been completed.

3. TRANSIT SERVICE

PT Comunicações, S.A.'s proposal defines the Transit service as the service whereby PT Comunicações, S.A. transports a call originated in the network of an OLO, through its own network, and destined to a termination point of the network of a third OLO. Only local interconnection is foreseen, applicable when the call is destined to a geographic point of interconnection of an OLO interconnected to the same access switch of the geographic point of interconnection to which it was routed. This traffic

must be, under the terms of the presented proposal, supported by the circuits of the OLOs.

PT Comunicações, S.A.'s interconnection invoicing data submitted to ANACOM, reveals that Local Transit traffic represents almost all the transit traffic, with only residual amounts recorded for Single and Double Tandem Transit.

Nevertheless, PT Comunicações, S.A.'s proposal, in associating the Transit service to a mere "switching operation" in an interconnection point common to the origination and destination operators may potentially penalize the OLOs in specific situations in which the call to be routed by PT Comunicações, S.A. has been originated in a terminal point of the networks of OLOs whose numbering level does not pertain to the local geographic point of interconnection where the call is routed.

In this context, PT Comunicações, S.A. must present a duly justified and detailed proposal, in line with the solution it itself proposed in a letter of 29/01/02, bearing in mind the possible diversity of network elements involved. This proposal should include the conditions associated to the service with interconnection levels in Single Tandem and Double Tandem, providing more potential to the possibility of routing traffic to interconnection points that are distinct from those to which the destination operator is interconnected.

4. NETWORK STRUCTURE AND LIST OF GEOGRAPHIC POINTS OF INTERCONNECTION

PT Comunicações, S.A.'s proposal is considered to represent a positive, but limited, step specially within the scope of the coverage of network elements of regional and national level in order to guarantee greater adequacy to the interconnection network structure, and thus putting into perspective a growing commitment between PT Comunicações, S.A.'s interconnection offer and the specific needs that have been identified by the OLOs.

Regardless, ANACOM considers that PT Comunicações, S.A. should consider an evolution of the present proposal, particularly providing more potential to a growing optimisation of the local interconnection network structure and a greater alignment with current practises in the several EU Member States.

5. COLLOCATION OF INTERCONNECTION EQUIPMENT

PT Comunicações, S.A.'s collocation proposal for the purposes of termination of interconnection circuits does not contemplate all collocation conditions foreseen in the RUO, in accordance with ANACOM's deliberation of 26/10/01.

PT Comunicações, S.A. should present a more complete proposal, with emphasis on more economic, efficient and reasonable solutions, without prejudice to the network's integrity and security, in light of the following factors: (i) it appears to subsist practises astricted to collocation within the scope of the RIO that may be prejudiced by the untimely establishment of new conditions; (ii) the interconnection supply of leased lines

to be included in due time in the RIO may call for a revision of the collocation conditions; and (iii) the collocation conditions within the scope of the RUO may subsequently be revaluated.

6. CALL TERMINATION SERVICE

Under the terms of the presented proposal, the Call Termination Service would be subject to principles of balanced traffic distribution in cases in which the interconnection is consecrated in more than one Distribution Exchange in the Lisbon and Oporto Network Groups that are Regional Geographic Points of Interconnection for the same levels of numbering, or in more than one National Geographic Point of Interconnection of the Geographic Zone of either Lisbon or Oporto.

Bearing in mind that PT Comunicações, S.A.'s proposal is not justified, the integration of this principle in the RIO is not permitted. PT Comunicações, S.A. may however draw up a detailed justification and submit it for appraisal by ANACOM, identifying, in this context, the currently observed conditions.

7. INVOICING PROCEDURES

Under the terms of the proposal presented by PT Comunicações, S.A., certain invoicing procedures were reformulated. Specially, it should be noted that PT Comunicações, S.A. proposes to withdraw from the RIO the service of sending traffic elements for the operator invoice PT Comunicações, S.A., proposing that this service now be provided to operators/service providers in commercial conditions to be agreed between the parties.

Bearing in mind that PT Comunicações, S.A.'s proposal is not justified, this should not be applied within the RIO. PT Comunicações, S.A. may however draw up a justification, presenting data whereby the suitability of the mentioned procedures may be assessed.

8. INTERNATIONAL TRAFFIC TRANSPORT SERVICE

Under the terms of the presented proposal, all references to International Traffic Transport Service were eliminated, given the effective level of competition that exists in the market.

This Authority considers that the elimination of the International Transport Service from the RIO, because it represents a considerable alteration in supply conditions, should be duly analysed after a prior investigation into the competitive structure of this market segment.

Within this context, it is considered that until the assessment of the results of the referred investigation, due to start soon, PT Comunicações, S.A. should maintain the conditions ascribed to the International Traffic Transport Service within the RIO 2002.

9. RESOLUTION OF DISPUTES

PT Comunicações, S.A. excludes from the application of the litigation resolution procedure laid down in Decree-Law no. 415/98, integrated within the RIO 2002, those related with the breach of intellectual property and confidentiality rights.

In relation to matters of confidentiality, it should be considered, namely, the obligation specified in paragraph c) of no. 1 and no. 4 of article 8 of the above mentioned Decree-Law, applicable to PT Comunicações, S.A.. Thus, the RIO should be altered in order to eliminate the exclusion of the matters related to confidentiality from the scope of application of the referred procedures.

10. INTERRUPTION AND SUSPENSION OF THE SERVICE

Explicit reference should be made within the RIO to the application, on a supplementary basis, of the interruption and suspension of the service regime contained within articles 15 to 17 of the Regulations for the Exploration of Public Telecommunications Networks.