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ANACOM's view

on call origination in national mobile networks

I. Framework

Call origination services provided by national mobile operators mean services for which operators convey a call made from a mobile terminal point of its network to the interconnection point indicated by another operator, traffic being owned by the latter, who is responsible also for the billing and collection services.

Call origination services provided over mobile networks enable the access to special services provided by other operators, such as customer services, enquiry services, call service free of charge for the caller and call service with shared costs, in addition to the indirect access service.

As regards ruling on call origination in national mobile networks, the following are the only two interventions made by ICP-ANACOM on the subject:

a) On 21.07.1999[1] and pursuant to paragraph 2 of article 32 of Decree-Law no. 415/98 of 31 December, ICP-ANACOM ordered operators of mobile telephone networks and/or providers of the mobile telephone service to make available carrier call-by-call selection as from 31.03.2000;

b) On 24.01.2002[2], taking into consideration that it would be desirable to promote competition in the indirect access to international calls made from mobile networks and to ensure and promote the access to special services from mobile networks, ICP-ANACOM determined that the maximum price for call origination would be 18.70 cents per minute, charged on a per second basis as from the first second, from 31.03.2002 onwards.

II. Prices of the origination service

The table below shows the evolution of call origination prices charged by national mobile operators in the respective networks, which have not been modified since they were established as maximum prices, in 2002[2].

The table enables the comparison between these prices and average termination prices of mobile calls (revenues per minute) charged between 2002 and 2007. In the course of this period, ICP-ANACOM determined the decrease of maximum prices on several occasions: on 24.01.2002, maximum prices for fixed-mobile termination[2] were set out, to prevail as from 31.03.2002; on 29.05.2002 maximum prices for mobile-mobile termination[3] to be charged from 01.01.2002 onwards were set out; on 25.02.2005, maximum prices for mobile-mobile and fixed-mobile termination[4] were set out, to prevail as from 07.03.2005; and last, on

[1] Available at http://www.anacom.pt/render.jsp?categoryId=214142
[2] Available at http://www.anacom.pt/render.jsp?categoryId=216602
[3] Available at http://www.anacom.pt/render.jsp?categoryId=215945
[4] Available at http://www.anacom.pt/streaming/contrlprecos25.2.05en_2.pdf?contentId=268445&field=ATTACHED_FILE

02.07.2008, maximum prices for mobile-mobile and fixed-mobile termination[5] to be charged from 15.07.2008 up to the end of 2009 were established.

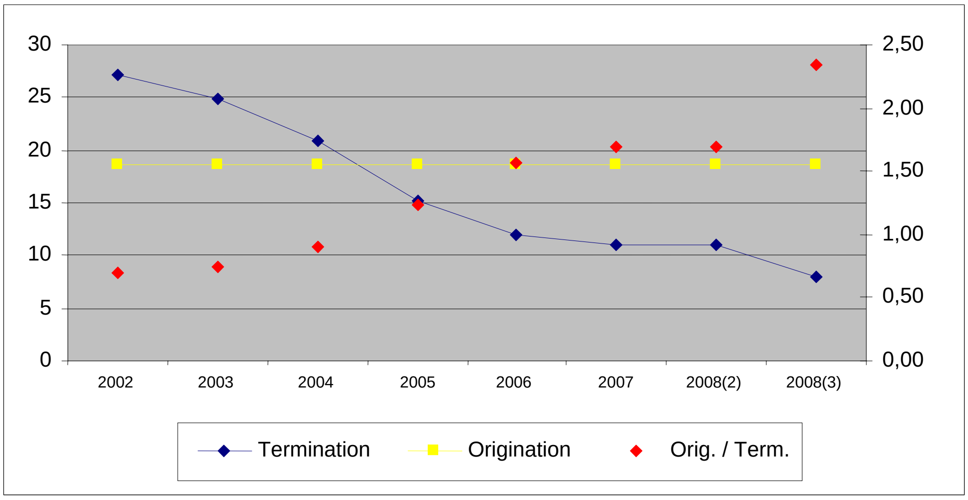
Table 1 – Comparison of average prices of mobile termination vs. call origination in mobile networks

Year	Fixed-mobile termination (Average prices charged by national mobile operators – Euro cents) (1)	Mobile-mobile termination (Average prices charged by national mobile operators – Euro cents)	Mobile origination (Average prices charged by national mobile operators – Euro cents)
2002	27.07	21.64	18.70
2003	24.91	18.70	18.70
2004	20.84	18.70	18.70
2005	15.22	14.40	18.70
2006	11.91	11.70	18.70
2007	11.00	11.00	18.70
2008(2)	11.00	11.00	18.70
2008(3)	8.00 / 9.60	8,00 / 9,60	18.70

(1) ICP-ANACOM's determination of 29.05.2002, which established fixed-mobile termination prices for that year, provided for the possibility of calls being charged on a per second basis as from the first minute only, thus giving mobile network operators some flexibility to structure tariffs. Consequently, although the average price per minute for a 100-second call was 18.7€c., by the end of 2002, charged values were actually higher given the total of minutes.
(2) Up to the first half of the year.
(3) As from 15 July 2008: figures correspond to prices charged by TMN and Vodafone (the first) and by Optimus (the second).

The following chart shows the evolution of prices of both services – call origination and termination – from 2002 to the present day, as well as the relation between them.

Chart 1 - Comparison of average prices of mobile termination vs. call origination in mobile networks and respective ratios



[5] Available at http://www.anacom.pt/streaming/decisao02072008.pdf?contentId=600897&field=ATTACHED_FILE

The records of prices charged for the call origination service in mobile networks show that, during the first years after the change of traffic ownership, which took place on 01.10.2000, these prices were actually lower than those charged for mobile termination, as the billing flexibility allowed in the fixed-mobile termination (on a per-second basis after the first minute) had implications in figures charged by mobile operators for this type of calls, and the same flexibility was not allowed for call origination, which was billed on a per-second basis as from the first second.

In the absence of new regulatory interventions on origination prices since 2002, mobile operators failed to update prices of the call origination service, thus these prices are now higher than average termination prices by 100%[6].

Note that the weight of revenues of the wholesale call origination service is quite low, for example in 2007 it represented around 6% of mobile termination total revenues of national mobile operators.

Moreover, to prices charged for the origination service must be added billing and collection costs, which in some cases amount to more than 6 cents per call, according to information provided by other operators. In this regard, the billing, collection and bad debt liability service amounts to 3.17 cents in RIO 2008.

III. Register of complaints

ICP-ANACOM has received several complaints on the provision by mobile operators of wholesale call origination services in national mobile networks, namely:

a) Concerning the difficulty of access to the virtual card service (opening of the 882 numbering block) and to non-geographic numbers in numbering ranges of other operators (for example, 761 and 762 ranges);

b) Concerning the way mobile operators intend to bill the access to certain numbering ranges of other operators (in this respect there are three recent complaints of 3 operators that point out that it has not been possible to reach an agreement on call origination in the 761 and 762 ranges – single tariff call service – as mobile operators prefer remuneration according to a revenue-sharing model to the call origination model); and

c) Concerning particularly the price of the wholesale origination service, including the price of the billing and collection service.

It must be highlighted that complaints of prices charged by national mobile operators in the provision of origination service are old, some of them having been submitted at the time of the first ICP-ANACOM's regulatory interventions in the scope of termination maximum prices. However, in particular since 2005, when prices of termination mobile calls were considerably decreased, origination prices remaining at the same level, thus increasingly widening the gap between these two prices, the amount of complaints has increased, mainly on the part of providers of the fixed telephone service.

[6] Comparison with maximum termination values charged as from 15.07.2008. By comparison with values charged before that date, origination prices were higher than termination prices by 70%.

IV. ANACOM's view

Whereas:

a) Call origination prices in national mobile networks have remained unchanged since March 2002 and are identical in the three mobile networks, at levels which were higher by 70% when compared with maximum prices of mobile termination charged up to 14.07.2008, and following the entry into force of new maximum prices established by determination of ICP-ANACOM, of 02.07.2008[7], were higher by 100% relatively to mobile termination prices;

b) In terms of economic logic, there seem to be no reasons for the difference between prices charged for origination and termination services of voice calls in national mobile networks;

c) National mobile operators never took steps to voluntarily decrease call origination prices of national mobile networks;

d) Call origination prices are in fact much higher than average on-net calls (calls made from and to the mobile network) estimated to amount in average to 10.9 cents in 2007;

e) The billing and collection service on behalf of third parties must frequently be added to the origination price, an in some cases it is substantially higher than the corresponding price indicated in the RIO 2008, and this difference can hardly be justified, especially as subscribers of mobile services are mostly users of pre-paid services (around 76% by the end of 2007), thus significantly lowering bad debt liability;

f) The high prices of origination services place at a disadvantage the operators that use them to provide certain retail services (namely through non-geographic numbers) to final users, as well as users of these mobile networks, which are deprived from the access to these services or bear high costs to obtain access thereto;

g) The issue of high prices of the origination service is aggravated by the evolution of the electronic communications market, with the increasing weight and importance of mobile communications relatively to fixed communications[8], thus making more urgent the need to promote competition between operators and to encourage the entry of new entities in mobile markets, even if they specialize in providing specific services, such as the virtual card service, or indirect access;

h) Operators of the mobile network have gradually gained entry into markets other than mobile service retail markets through the offer of voice and broadband services at a fixed location, namely resorting to the respective GSM/UMTS mobile networks; meanwhile, the access of operators/providers of fixed telephone services to GSM/UMTS of mobile operators has proved to be difficult, preventing the former from reproducing the offers of mobile operators;

i) The weight of revenues of the wholesale call origination service is low compared to other wholesale revenues of mobile operators;

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[7] Available at http://www.anacom.pt/streaming/decisao02072008.pdf?contentId=600897&field=ATTACHED_FILE

[8] By the end of 2007, 76% of total number of subscribers of mobile and fixed services (to calculate the fixed service value, the number of accesses installed at the request of customers was used) were mobile subscribers. More than 60% of total minutes of voice calls originated in fixed and mobile networks were originated in mobile networks. Moreover, according to results of an enquiry to the consumption of electronic communications, in December 2006, 40% of residences do not have a fixed telephone (available at http://www.anacom.pt/render.jsp?categoryId=238402).

The Board of Directors of ICP-ANACOM takes the following view:

1. To make public this analysis.
2. To urge operators holding rights of use for frequencies for the provision of the publicly available mobile telephone service to lower up to 30 September the price charged for the wholesale call origination service in the respective mobile networks to levels close to, or ideally similar to, those established as maximum levels for voice call termination in individual mobile networks.
3. To invite the referred operators to promote at the same time the decrease of prices of the invoicing and collection services performed on behalf of third parties, ideally to levels not exceeding by 20% the levels set out in RIO 2008[9].
4. To make known that, in case significant changes in the scope of points 2 and 3 fail to take place, this issue shall be dealt with within the assessment of the relevant market (whether or not associated to the former market 15 of Commission Recommendation 2003/311/EC of the Commission, of 11 February, on relevant product and services markets within the electronic communications sector susceptible for ex ante regulation, which in the meantime was replaced by Commission Recommendation 2007/879/EC of 17 December[10]) and/or submitted to the opinion of the Competition Authority, within the scope of the respective powers.

[9] Available at http://ptwholesale.telecom.pt/GSW/PT/Canais/ProdutosServicos/OfertasReferencia/ORI/Ori.htm
[10] Available at http://eur-lex.europa.eu/LexUriServ/site/en/oj/2007/l_344/l_34420071228en00650069.pdf