

## **Lower charges, greater consistency, more competition: Commission consults on bringing down mobile phone tariffs in Europe**

*Aiming to spur competition among operators and lower phone charges for European consumers, the Commission today starts a public consultation on the future regulation of "voice call termination rates" in the EU based on a draft Commission Recommendation on termination rates. Voice call termination rates are the wholesale tariffs charged by the operator of a customer receiving a phone call to the operator of the caller's network. Included in everyone's phone bill, and therefore eventually paid by the consumer, these tariffs are determined by the intervention of national telecoms regulators. At the moment the decisions of the national telecoms regulators result in very divergent rates across the EU. Mobile termination rates range from €0.02/min (in Cyprus) to over €0.18/min (in Bulgaria) and are 9 times higher than fixed line termination rates (on average €0.0057/min for local call termination). This distorts competition between operators from different countries and between fixed line and mobile phone operators. The public consultation on this proposal will be open until 3 September 2008.*

*"Disparate termination rates across the EU and large gaps between fixed and mobile termination rates are serious barriers to achieving a Single European Telecoms market that benefits competition and consumers. The consumer pays the price for these gaps between national regulatory policies," said Viviane Reding, EU Telecoms Commissioner. "Call termination markets in the EU need a regulatory plumber. Over the next 3 years, I expect greater consistency and coordination to bring the costs for calls into mobile networks down by around 70 per cent from the current level."*

*"Truly cost oriented termination rates will increase competition to the benefit of consumers. Consumers should expect to pay lower retail prices as a result. This Recommendation will also benefit large parts of the telecoms industry as it is likely to eliminate distortions of competition between fixed and mobile operators," said EU Competition Commissioner Neelie Kroes: "It will also reduce the large sums for call termination which smaller mobile operators have to pay to large operators when they try to compete with the latter with the very popular flat rate offers. In view of these benefits a timely implementation of this Recommendation is essential."*

The Commission, after assessing over 770 regulatory proposals by national regulators over the past 5 years, warned today that price regulation of termination markets across Europe lacks consistency. It said that gaps between fixed and mobile termination rates and between mobile termination rates imposed by national regulators cannot be altogether justified by differences in the underlying costs, networks or national characteristics. This could have the following negative effects:

- Legal uncertainty and increased regulatory burden for operators providing cross-border services.
- National regulators bringing down mobile termination rates in their country risk punishing their own mobile industry if a neighbouring regulator still allows higher rates.
- Investment in new networks and services hampered if operators face different regulation in every country.

At present, fixed operators and their customers are indirectly subsidising mobile operators by paying higher termination rates for calls made from fixed lines to mobiles. This cross-subsidisation is estimated at €10 billion in Germany for 1998-2006 ([WIK Consult](#)) and €19 billion in the UK, Germany and France for 1998-2002 ([CERNA-Warwick-WIK](#)).

The Commission today presented a draft Recommendation for convergence of termination rates in Europe, including clear principles on which cost elements should be taken into account when national telecoms regulators determine termination rates, an efficient costing methodology, and symmetric regulation (where the same price caps apply, within a country, to mobile and fixed operators, respectively). This will help foster an effective regulatory environment and avoid distortions such as cross-subsidies from fixed to mobile consumers. The advice of the European Regulators Group (ERG), which has made several attempts towards more consistent regulation of termination rates since 2006, was taken into account by the Commission in the draft Recommendation.

## **Background**

The Commission will issue the final text of the Recommendation on the regulatory treatment of fixed and mobile termination rates in October under article 19 of the Framework Directive of the EU Telecom rules, which allows the Commission to further harmonise the application of EU Telecoms rules in the single market to promote competition and consumer benefits. Member States have to ensure that national regulators take "the utmost account" of Commission Recommendations.

The European Commission's assessment of termination rates is available at:

[http://ec.europa.eu/information\\_society/policy/ecomms/implementation\\_enforcement/index\\_en.htm](http://ec.europa.eu/information_society/policy/ecomms/implementation_enforcement/index_en.htm)

The Commission's public consultation document can be found on:

[http://ec.europa.eu/information\\_society/policy/ecomms/library/public\\_consult/termination\\_rates/index\\_en.htm](http://ec.europa.eu/information_society/policy/ecomms/library/public_consult/termination_rates/index_en.htm)

The work of the ERG on termination rates is available at:

[http://www.erg.eu.int/doc/publications/erg\\_07\\_83\\_mtr\\_ftr\\_cp\\_12\\_03\\_08.pdf](http://www.erg.eu.int/doc/publications/erg_07_83_mtr_ftr_cp_12_03_08.pdf)

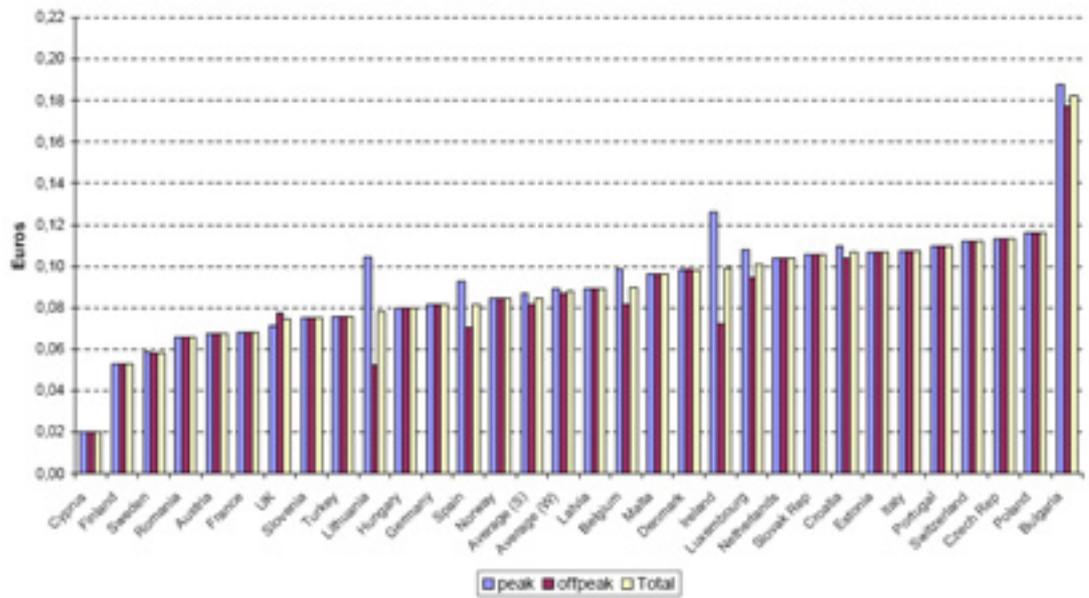
Input to the Commission's public consultation can be sent to:

[info-termination@ec.europa.eu](mailto:info-termination@ec.europa.eu)

[MEMO/08/438](#)

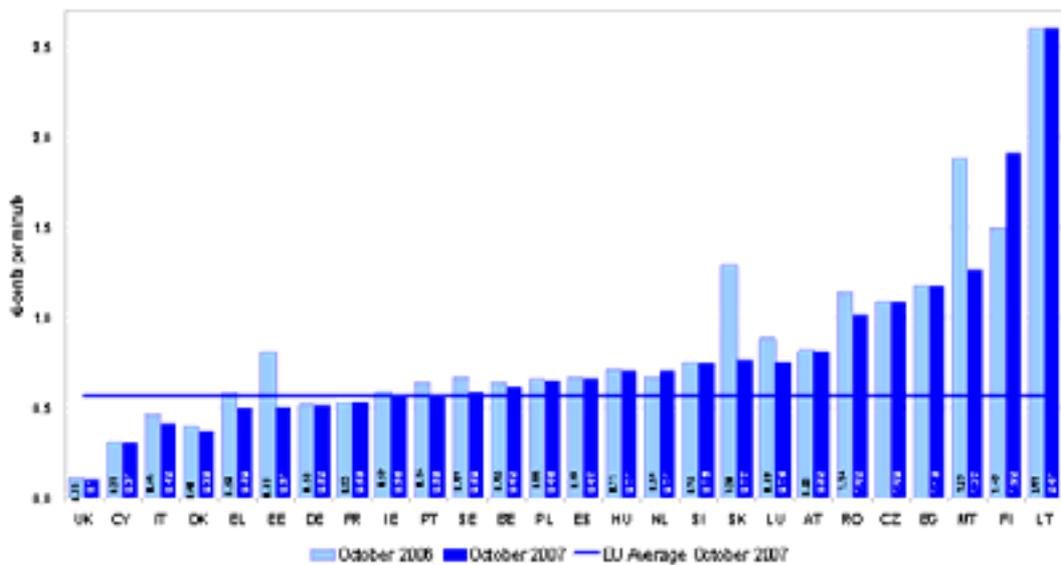
# Annex

## Average MT Tariff per country Jan 2008



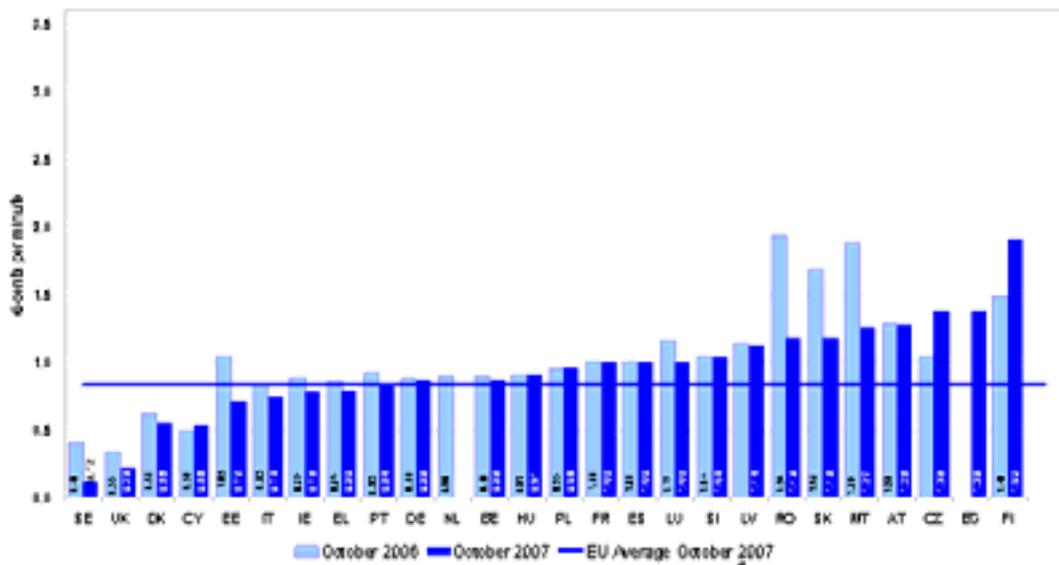
Source: European Regulators Group, ERG (08) 17 MTR Update Snapshot

Interconnection charges for terminating calls on INCUMBENT'S FIXED NETWORK  
 (at 1/10/2007) (peak time)  
 Local level - EU average: 0.57 €-cents



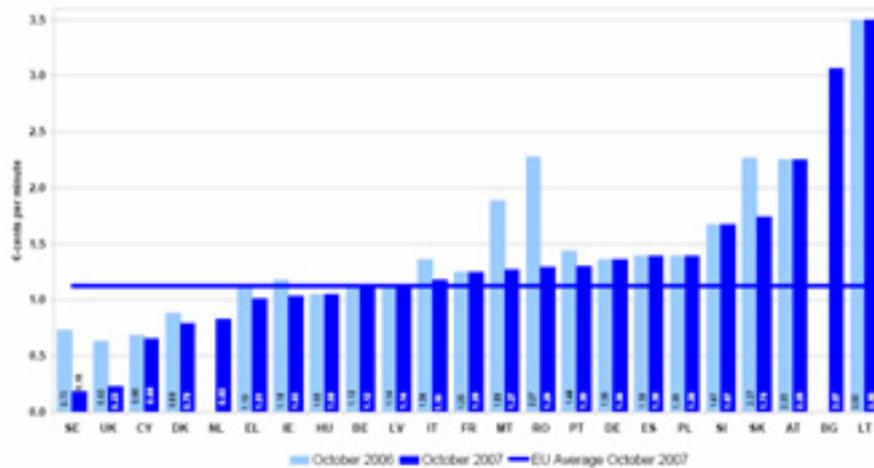
Source: European Electronic Communications Regulation and Markets, 13<sup>th</sup> Report

Interconnection charges for terminating calls on INCUMBENT'S FIXED NETWORK  
 (at 1/10/2007)  
 Single transit - EU average: 0.83 €-cents



Source: European Electronic Communications Regulation and Markets, 13<sup>th</sup> Report

Interconnection charges for terminating calls on INCUMBENT'S FIXED NETWORK  
 (at 1/10/2007)  
 Double transit - EU average: 1.12 €-cents



**Call termination at local level:** refers to the conveyance of calls from the local exchange or switch located nearest to the called subscriber to the premises of the called subscriber where the call is completed.

**Call termination at single transit level:** refers to the conveyance of calls from a transit switch located at a higher network level through the local exchange/switch for completion at the called subscriber's premises.

**Call termination at double transit level:** refers to the conveyance of calls from a transit switch located at a higher network level through two exchanges/switches for completion at the called subscriber's premises.