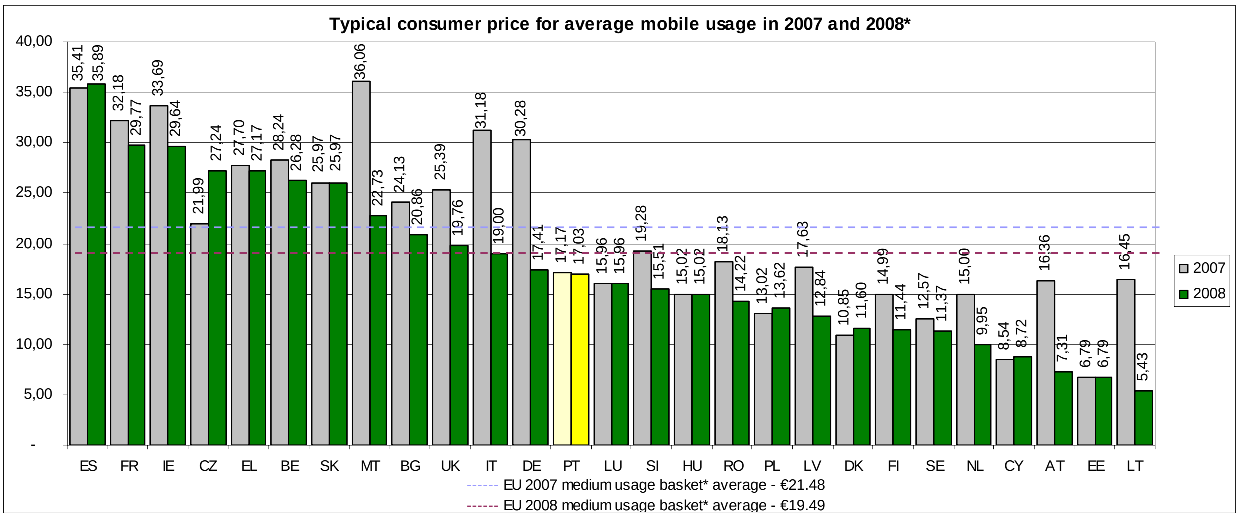
Towards a Single European Telecoms Market:

Focus on Portugal

European Commission
Information Society and Media

The monthly cost for an average Portuguese mobile phone user, which could be as low as €17.03, was below the EU average (19.49€) in 2008. Only three countries have a greater penetration of mobile phone services than Portugal (137%). Competition in the Portuguese fixed phone and broadband internet markets has increased due to the separation of the two nationwide networks; still, it is far from dynamic. Portuguese fixed broadband services have one of the lowest growth rates in the EU even though mobile broadband is increasing with the penetration rate for data cards at 8.3%. The regulator is paying more attention to some consumer issues, such as number portability, which allows customers to change operator while keeping the same phone number. The review of the existing regulation in the markets is still the main challenge ahead.



*The above table relates to the cheapest offer in the medium usage basket using OECD methodology as of 2006. It consists of 65 outgoing calls per month + 50 SMS messages + 2-3 MMS. 21% of calls are to fixed line phones, 72% to mobile phones, 7% to voicemail. Where appropriate, it includes monthly rental, and any registration charges (post-paid offers, in particular).

Progress

More infrastructure competition

The copper and cable networks of the incumbent, the former state-owned monopoly, were separated in November 2007, and as a result, its fixed broadband market share has significantly decreased from 70.1% in July 2007 to 40.6% in January 2009. The incumbent's former cable subsidiary has approximately a quarter of the broadband market share. This is a first step towards more competition in the market which could help to improve the take-up of fixed broadband internet (currently at 16.5%, well below the EU average of 22.9%).

The number of Portuguese subscribers using alternative operators for direct access in the fixed telephony market continues to be the highest in the EU. According to figures provided in July 2008, 36.5% of subscribers use a provider other than the incumbent telecoms operator. This is a significant increase compared to the 23% registered a year earlier and the 18.6% EU average.

Cheaper mobile phone calls

During the last year, mobile penetration has significantly grown in Portugal (14.63 percentage points), amounting to 137% in October 2008, which is also well above the EU average (119%).

The proportion of prepaid customers (almost 3 out of 4) continues to be one of the highest in the EU.

More use of mobile broadband

In Portugal, usage of mobile broadband is increasing with a take up of data cards to access the internet at 8.3% of the population as of January 2009. Portuguese operators have launched innovative offers such as prepaid mobile broadband services.

Areas for Improvement

Universal service infringements

There are two infringement proceedings pending against Portugal for non compliance with EU rules on Universal Service, which define the set of telecommunications services that residents of a country should have access to at an affordable price.

A contract signed between the government and the incumbent unduly excludes any operator other than the incumbent from being designated as the universal service provider before 2025.

Comprehensive directory and directory enquiry services are still not available to all Portuguese phone users. Two mobile operators have not yet supplied their subscriber data to the universal service provider.

Need to review market regulation

A review of the current market regulation is urgently required due to the changing market conditions in Portugal. The regulator is expected to review all relevant markets by mid-2010.

Alternative operators have requested more timely regulatory intervention and, in particular, the revision of the rules for number portability (which allows customers to change providers while keeping their phone number) and making the last part of the incumbent's fixed phone network (LLU) available to other operators in the context of the current network upgrades.

Slow process for appeals

There have been no improvements in the effectiveness of the appeals mechanism, which is one of the slowest in the EU. Some appeals of the regulator's decisions have been pending since 2001, creating legal uncertainty in the sector. Moreover, the number of cases at the courts has increased in the last year.

TELECOMS SECTOR'S KEY FIGURES	**EU**	**Portugal**
Total value of sector (2007)	€356.85 billion	€7.26 billion
Nominal growth of sector (2007)	2%	-1.67%
Total capital investment (2007)	€52 billion	€1.19 billion
Fixed broadband penetration rate January 2009	22.9%	16.5%
Mobile broadband (data cards) penetration rate January 2009	2.8%	8.3%
Mobile penetration rate	119%	137%
Average mobile termination rates	€0.0855	€0.0772
Incumbent's fixed broadband market share January 2009	45.6%	40.6%
Incumbent's market share in direct fixed access	81.4%	63.5%
Total mobile ported numbers in 2008 only	14 million	55 916
Total fixed ported numbers in 2008 only	6.5 million	258 000
Average/typical broadband consumer price*	€36.89/month	N/A
Average/typical mobile communication consumer price**	€19.49/month	€17.03€/month
Average/typical fixed telephony communication consumer price***	€36.13/month	€36.14/month

* Median basket price for broadband (2-4Mbps offers) using purchasing power parity (PPP)
** Average "medium usage pre&post-paid 2006 OECD basket" price for mobile communications. The figure for Portugal refers to the cheapest available offer of the two largest operators on the market
*** Average "medium usage residential 2006 OECD basket" price for fixed voice communications

For further information

Full report on the Internet: http://ec.europa.eu/information_society/policy/ecomm/library/communications_reports/annualreports/14th/index_en.htm
More information on telecoms: http://ec.europa.eu/ecomm
Europe's Information Society Thematic Portal: http://ec.europa.eu/information_society
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