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DG Information Society and Media

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DNALTDRESPONSE TOTHE DRAFT COMMISSION RECOMMENDATION ON THE REGULATORY TREATMENT OF FIXED AND MOBILE TERMINATION RATES IN THE EU

The European Commission has presented a draft Recommendation on the regulatory treatment of fixed and mobile termination rates (hereinafter referred to as "the Recommendation"). DNALtd (hereinafter referred to as "DNA") welcomes the opportunity to comment on the draft Recommendation and submits the following response:

Termination Rates in Finland and Divergent Rates across the EU

The mobile termination rates in Finland are the second lowest within the EU while the cost per subscriber is one of the highest. There will still be significant reductions in mobile termination rates from the beginning and in the end of year 2009 in Finland while in many other EU countries the termination rates still remain high. The very divergent rates across the EU distort competition between operators. The distortion of competition has become even more significant problem after the EU roaming regulation. While there are now price caps for retail and wholesale calls made in another EU country the mobile termination rates still remain unjustifiable for operators whose mobile customers are roaming and receiving calls in those high-termination-rates countries. The high termination rates and the international transit which operators have to pay when its subscribers are receiving call in another EU country are in many countries higher than the Euro tariff which operators own subscribers, according to the roaming regulation, can charge from its

In DNA's view the very divergent rates across the EU is the main problem concerning termination rates and DNA sees that the Commission should concentrate to solve that problem. Although we see that it is important to investigate the different cost-accounting principles in order to find the best way to calculate the costs of termination services, we do not believe that concentrating on the cost-accounting principles will bring the high mobile termination rates down fast enough in the suggested period.

International Benchmarking and Cost-Accounting Methodologies

The decisions of the national telecoms regulators result in very divergent rates across the EU. For example in Finland the decisions for the Finnish NRA (FICORA) and the interconnection agreements between mobile operators have resulted low mobile termination rates. We see that Commission should now concentrate on the countries with not so effective decisions and give guidelines to those countries in order to decrease termination rates. DNA sees that one possibility could be the use of benchmarking and recommend price caps on termination rates based on the benchmarking results.

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In any case, DNA sees that the Recommendations should use either methodology than the proposed bottom-up outcome of the other methodologies generates efficient market. The Recommendation allows this until 31.12. period but the use of other methodologies should be markets and the termination rates are above the EU

be changed in the way that it allows NRA to be a pLRIC model if an NRA can demonstrate that the ent outcomes consistent with those in a competitive 2013. In DNA's view this should not be limited in c possible if the outcomes are consistent with competi average.

Fixed and Mobile Termination Rates

The Recommendation aims to bring mobile termination rates down close to fixed termination rates. DNA wants to emphasize that the divergent rates between mobile and fixed networks are derived from the different cost structures and the completely different technologies used in those networks. The network structure and therefore there can't be symmetry in termination rates between those networks.

Certain Specific Issues in the Recommendation

According to the Recommendation the regulated termination rates should be brought down to the costs of an efficient operator and the termination rates should normally be symmetric, while asymmetry should be based on objective cost differences outside the control of operators. The Recommendation states that operators which are compensated for actual costs incurred for termination have very few incentives to increase efficiency. DNA doesn't agree with that view. Operators have many incentives to increase their efficiency and we do not see that actual cost based termination rates would affect to the increasing of efficiency in the way that the Commission states.

The cost accounting methodology which is recommended to be used in calculating termination services' costs is LRIC model. LRIC model includes only those costs which are caused by the provision of defined increment. An incremental cost approach allocates only efficient incurred costs that would be sustained if these services included in the increment were no longer produced. Non-traffic-related costs should be therefore disregarded. In the Commission's view the need to provide certain minimum coverage requirements to subscribers will not be attributed to the wholesale mobile call termination ation not attributed to the wholesale mobile call termination ation. The incremental costs of wholesale mobile voice call termination services should therefore exclude coverage costs but should include additional capacity costs to the extent that they are caused by the provision of wholesale voice call termination services. DNA does not agree with this view and sees that coverage costs should be included to the termination costs. Forexample in sparsely populated Finland geographical circumstances make it essential for operator to make large investments on coverage building in order to offer mobile services and capacity increases have only minor importance. Also DNA would like to emphasize that end customers' coverage requirements are different within EU. E.g. in Finland the end customers are used to get excellent coverage and are expecting that also in the rural areas. Therefore coverage costs are far more important in Finland than in more populated areas within EU.

Possible alternative approaches, RPP

Some countries outside the EU use Receiving Party Party Pays (RPP) as an alternative arrangement to the Calling Party Pays (CPP) which is being used in the European countries and the most of the world. In the Staff Working Document to the Draft Recommendation the RPP is seen as an alternative to avoid the deficiencies of the CPP system. e.g. higher termination rates resulting from the monopoly on termination markets and which thus produce negative competitive consequences both at the wholesale and retail level. The conclusion of this

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isthatanumberofpossiblealternativeapproaches thattheymaypromoteefficiencyanddecreasethen maybeimplementedoverthelongertermtotheext ent eedofregulation.

DNA doesn't see the RPP as a solution or rational alternative to the current CPP system. Also countries using RPP seem to be far behind in mobile communication development compared to many EU countries. There is no need to change the current prevailing charging regime in the EU when the problem of high termination rates can be solved by regulation. Consumers are not sused to the CPP system and we see that the alternatives such as RPP would create extraordinary problemstotheconsumersandtothewhole telecommunication market.

Conclusion

In DNA's view the very divergent rates across the EU isthemainproblemconcerningtermination.Wedo not see that common principles and the use of same cost accounting principles will lead to one termination rate across Europe or would not even decrease the current termination rates. The focus should therefore return to the countries of high mobile termination rates and imposeremediesorpricecapsonthosecountries.

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Respectfully yours,

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