

Price Control and Regulatory Cost Accounting Methodologies

**Croatian Post and Electronic
Communications Agency
- HAKOM -**

Sarajevo, 4th of November 2010

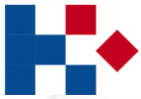


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Implementation of the EC Recommendation on F/MTRs

- **Commission Recommendation of 7th of May 2009 on the Regulatory Treatment of Fixed and Mobile Termination Rates in the EU(2009/396/EC) – termination rates at a cost efficient, symmetric level by 31st of December, 2012**
- **HAKOM Council decisions of 17th of July, 2009, in accordance with the Recommendation**
- **Asymmetry in Croatia until 31st of December, 2012, after that cost efficient, symmetric termination rates**



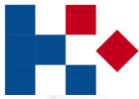
Price Control Methodologies Applied by HAKOM

➤ **Benchmark**

- **Fixed origination rates** (Source: Cullen International „Cross Country Analysis“ – Western Europe since January, 2009, and Central and Eastern Europe since December, 2008)
- **Fixed termination rates** (Source: Cullen International „Cross Country Analysis“ – Western Europe since January, 2009, and Central and Eastern Europe since December, 2008)
- **Mobile termination rates** (Source: Cullen International „Cross Country Analysis“ – Western Europe since January, 2009, and Central and Eastern Europe since December, 2008; „*Informa Telecom & Media*“ since 2nd of March, 2009)
- **Full and shared LLU** (Source: Cullen International „Cross Country Analysis“ – Western Europe since January, 2009, and Central and Eastern Europe since December, 2008)

➤ **Retail minus**

- **Bitstream**



Recent price control decisions

➔ HAKOM Council decision from 17th of July, 2009

Fixed termination rates – HT

Call termination prices (from 1st of January, 2010)

	Local	Regional	National
Peak time	0,67 €cents/min <i>(based on benchmark)</i>	0,94 €cents/min <i>(based on benchmark)</i>	1,81 €cents/min <i>(based on benchmark)</i>
Off peak time	0,335 €cents/min	0,47 €cents/min	0,905 €cents/min

Fixed termination rates – other SMP operators

Call termination prices (from 1st of January, 2010)

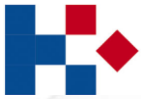
Peak time	1,32 €c/minute
Off peak time	0,66 €c/minute

Regulated asymmetry in comparison to HT

1st year - 42% **3rd year - 14%**
2nd year - 28% **4th year - 0%**

1€=7,1748 HRK – average exchange rate in period July – December, 2008

Termination price will be in force from the 1st of January, 2010, until 31st of December, 2010 – new price from 1st of January, 2011, in accordance to the methodology (benchmark) written in the analysis



Recent price control decisions

➔ HAKOM Council decision from 17th of July, 2009

Mobile termination rates – T-Mobile and Vipnet

*Flat rate termination price
from 1st of January, 2010*

*7,805 €c/minute
(based on benchmark)*

Mobile termination rate – Tele2

*Flat rate termination price
from 1st of January, 2010*

10,15 €c/minute

Regulated asymmetry in comparison to T-Mobile and Vipnet

1st year – 30%

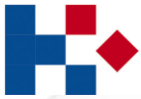
3rd year – 10%

2nd year – 20%

4th year – 0%

* 1€=7,1748 HRK – average exchange rate in period July – December, 2008

Termination price will be in force from the 1st of January, 2010, until 31st of December, 2010 – new price from 1st of January, 2011, in accordance to the methodology (benchmark) written in the analysis



Recent price control decisions

→ HAKOM Council decision from 17th of July, 2009

LLU prices - HT

	<i>monthly fee - full LLU</i>	<i>monthly fee - shared LLU</i>
<i>full and shared LLU – copper pair</i>	unmodified - 7,27€	3,09€ → 2,99€*
<i>full and shared SLU</i>	within 90 days <i>from the reasonable request HT should offer reasonable price</i>	
<i>fiber unbundling – P2P</i>	within 90 days <i>from the reasonable request HT should offer reasonable price</i>	

* 1€=7,1748 HRK – average exchange rate in period July – December, 2008

Full and shared LLU prices will be in force from 1st of October, 2009, until 30th of September, 2010 – new price from 1st of September, 2011, in accordance to the methodology (benchmark) written in the analysis



Recent price control decisions

- ➔ HAKOM Council decision from 17th of July, 2009 – bitstream access at IP level (cooper) price will be based on retail minus method. Percentage X will be defined in separate process.
- ➔ HAKOM Council decision from 12th of March, 2010 – percentage X defined as 40%

Bitstream access prices - HT

BSA at <i>IP</i> level copper	<i>from 1st of October, 2009</i> <u>RETAIL MINUS METHOD</u>
BSA at <i>Ethernet & DSLAM</i> level copper	<i>within 90 days</i> <i>from the reasonable request</i> <u>RETAIL MINUS METHOD</u>
BSA at <i>IP, Ethernet & DSLAM</i> level FttCab BSA at <i>Ethernet & OLT</i> level FttH (both P2P & PON)	<i>within 90 days</i> <i>from the reasonable request</i>
BSA at <i>IP</i> level FttH (both P2P & PON)	<i>Process is currently pending</i>



Recent price control decisions

Leased lines prices

- **Markets related to provision of the service of leased lines are regulated under the old Telecommunication Act, and prices for these services are based on benchmark.**
- **It is expected that the market analysis of the markets related to provision of the service of leased lines will be finished, and prices for these services defined until the end of 2nd quarter, 2011.**



Development of costs models

- ➔ ***HAKOM Council on 18th of November, 2008, ordered HT the way of performing the accounting separation and cost accounting, in a way and terms defined in the document "Accounting separation and cost accounting instructions"***
- ➔ **Accounting separation project – in progress**
- ➔ **The models for the majority of wholesale services - will be finished in 2011**
- ➔ **Cost oriented prices – expected in 1st quarter, 2012**



HAKOM



**Thank you
for your attention !**

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