

Wholesale Tariff Regulations in TURKEY

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 - ▶ Wholesale Broadband Access Market
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Figures of Turkish Telecom Industry

- ▶ Türk Telekom (Fixed Incumbent Operator) + 3 Mobile Operators (GSM+IMT2000/UMTS)
 - ▶ 100 Fixed Telephone Operators, 110 Internet Service Providers,
 - ▶ 10,4 billion € revenue, end of 2009,
 - ▶ 16,3 M fixed subscribers, June 2010, (23% of population)
 - ▶ 61,5 M mobile subscribers, June 2010, (85% of population)
 - ▶ 6,6 M DSL subscribers, September 2010, (9,4% of population)
 - ▶ CATV, 3 M home passed, (17% of households)
 - ▶ 1,3 M CATV subscribers, (7,4 % of households)
 - ▶ 192,000 cable internet subscribers, June 2010 (1,1 % of households)
 - ▶ 100,000 FTTB subscribers
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Legal Basis for Tariff Regulations

▶ Primary Legislation

▶ Electronic Communications Act, November 2008

- ▶ Article 13, 14 (Regulation of tariffs and general principles)
 - Operators shall set their tariffs freely in line with the relevant legislation,
 - ICTA may regulate (approval, monitoring, inspection) tariffs of SMP operators,
 - Reflect the costs of relevant services, the users to benefit services in return for a reasonable charge, not to cause to hinder, damage or limit competition, promote technological developments and investments , etc.
- ▶ Article 20 (Access Tariffs)
 - ICTA may impose SMP operators to set their tariffs cost based

▶ Secondary Legislation

- ▶ Ordinance on Principles and Procedures for Designation of the Operators with Significant Market Power
 - ▶ Ordinance on Access and Interconnection
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Regulated Wholesale Markets

- ▶ At the end of market analysis (2009 December)
 - ▶ Access to the Public Telephone Network at a Fixed Location,
 - ▶ Call Origination on Fixed Telephony Networks
 - ▶ Call Termination on Fixed Telephony Networks
 - ▶ Call Transit on Fixed Telephony Networks
 - ▶ Access to and Call Origination on Public Mobile Telephony Networks
 - ▶ Call Termination on Public Mobile Telephony Networks
 - ▶ Access to Physical Network Infrastructure
 - ▶ Wholesale Broadband Access
 - ▶ Wholesale Leased Lines
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Summary of tariff control regulations

- ▶ Call origination/termination on fixed networks: cost based
 - ▶ Call origination/termination on mobile networks: cost based
 - ▶ Access to the local loop: cost-based
 - ▶ Wholesale broadband access: retail minus (resale minus)
 - ▶ Wholesale leased lines: cost based
 - ▶ Wholesale line rental: cost based
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Fixed, Mobile and Access Cost Models

- ▶ EU funded Technical Assistance for The Improvement of Access Regime in The Turkish Telecommunications Market (2008-2009);
 - ▶ Methodology
 - ▶ Bottom-up LRAIC
 - ▶ Current costs
 - ▶ Close information exchange with operators
 - ▶ WACC: operators' declared rates
 - ▶ EU funded Project covers
 - ▶ Fixed cost model (voice call termination)
 - ▶ Mobile cost model
 - ▶ Voice call termination
 - ▶ SMS termination
 - ▶ Data costs
 - ▶ Access to the local loop (monthly full access)
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Fixed Markets (Termination, Origination)

- ▶ 2000-2003 : Türk Telekom legal monopoly up to end 2003 by Act,
 - ▶ 2004-Board Decision: Türk Telekom de facto monopoly,
 - ▶ 2004-2008: Several tariff approvals (benchmark, cost information supplied by operators),
 - ▶ 2006, March: Market Analysis,
 - ▶ Turk Telekom having SMP in fixed call origination/termination/transit
 - ▶ 2008: EU funded Technical Assistance for The Improvement of Access Regime in The Turkish Telecommunications Market,
 - ▶ 2009, May: Tariff approval (cost based local interconnection tariffs introduced),
 - ▶ 2009, December: Market Analysis
 - ▶ Turk Telekom having SMP in call origination/termination/transit
 - ▶ 2010, April: Tariff approval (Cost based, 17% decrease in double tandem fee)
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Mobile Markets (Termination, Origination)

- ▶ 2004-2008: Several tariff approvals (benchmark, cost information supplied by operators),
 - ▶ 2005, December: Market Analysis
 - ▶ Turkcell, Telsim, Avea having SMP for “call termination”
 - ▶ Turkcell having SMP for “call origination”
 - ▶ 2008: EU funded Technical Assistance for The Improvement of Access Regime in The Turkish Telecommunications Market,
 - ▶ 2009, April: Tariff approval (glide path to cost based tariffs)
 - ▶ 2009, December: Market Analysis,
 - ▶ Turkcell, Vodafone (former Telsim), Avea having SMP for “call termination”
 - ▶ Turkcell having SMP for “call origination”
 - ▶ 2010, April: Call termination tariffs approval (Cost based)
 - ▶ 2010, September: Call origination tariff set by ICTA upon a dispute resolution procedure
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Current Interconnection Tariffs

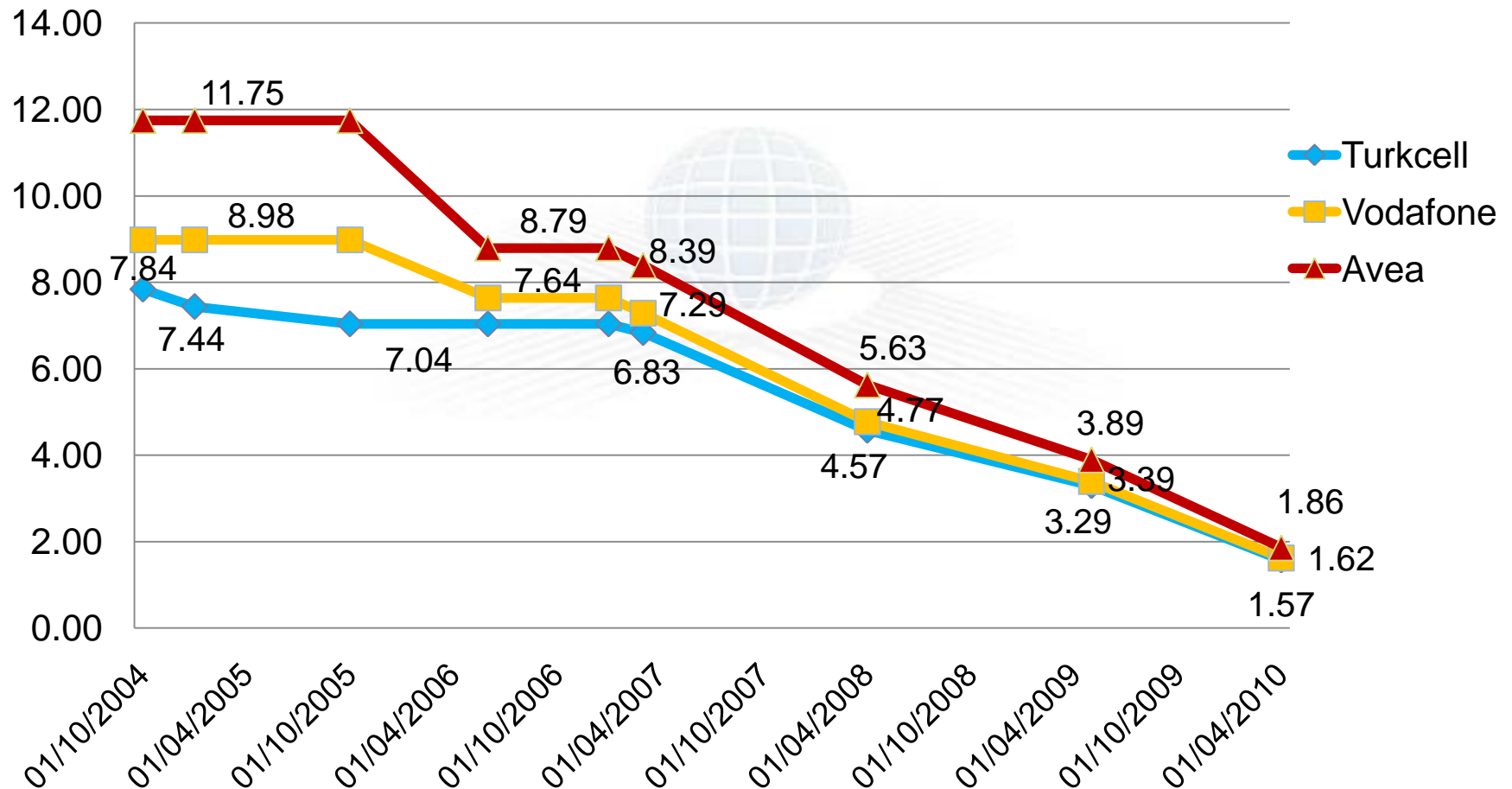
The Interconnection Charges for operators having Significant Market Power (SMP) were published on 11.02.2010 as to be effective form 01.04.2010 as given in the table below.

Implementation Date		Avea	Turkcell	Vodafone	
01.04.2010	Rates for Call Termination on 2N (GSM) Networks (€ cents/mn)*	1,86	1,57	1,62	
	Rates for Call Termination on 3N Networks (€ cent/mn)*	Voice Calls	1,86	1,57	1,62
		Video Calls	3,89	3,89	3,89
	Rates for Call Origination/Termination on Turk Telekom's Network (€ cents/mn)*	Local	In Zone	Out Zone	
0,70		0,86	1,13		

(*) Rates indicate net values (excluding taxes).

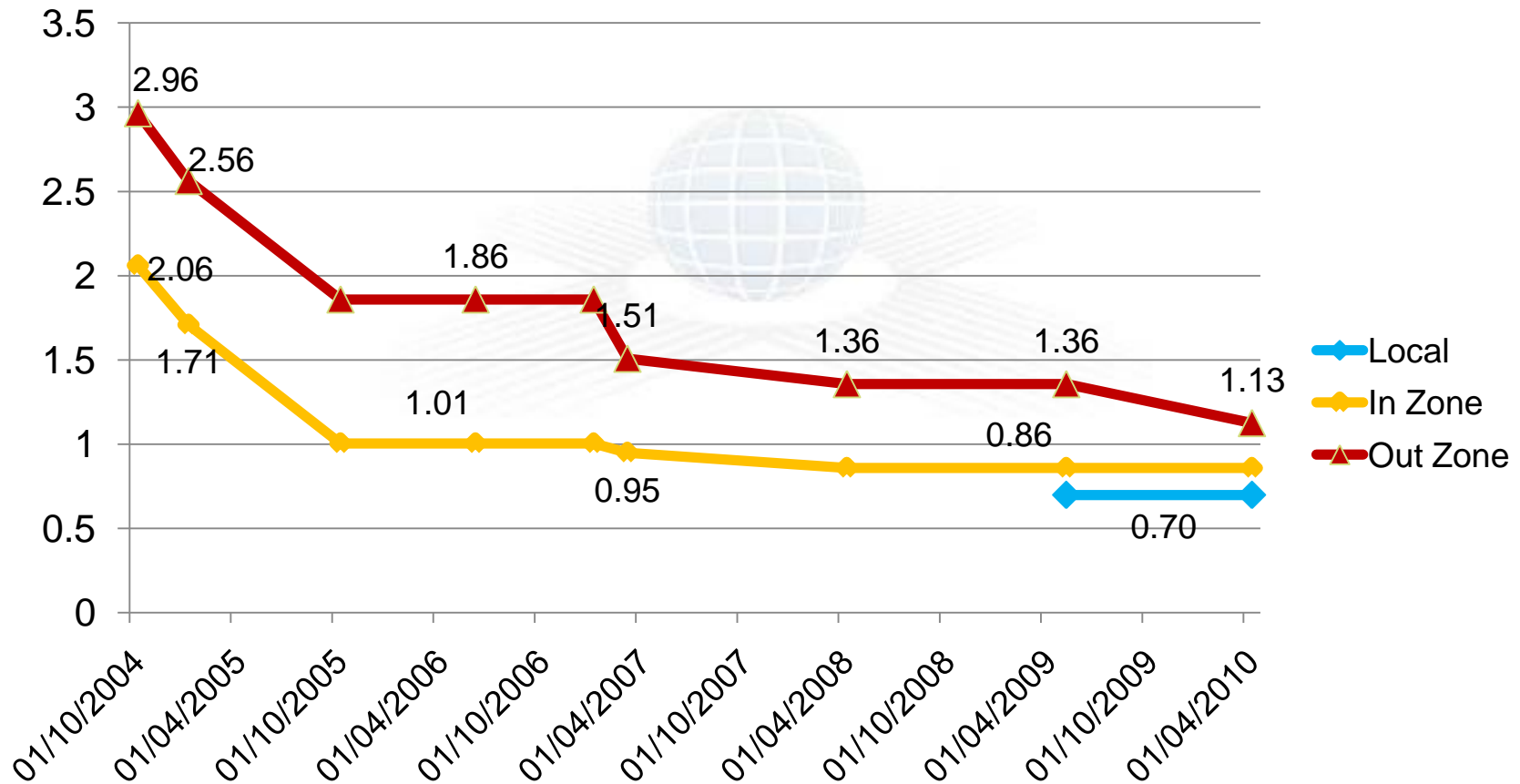
Historical Mobile Interconnection Tariffs

Mobile Interconnection Prices (€ cents)



Historical Fixed Interconnection Tariffs

Fixed Interconnection Prices (€ cents)



Wholesale Physical Network Infrastructure Access (LLU)

- ▶ 2006, June: Market Analysis, Türk Telekom having SMP,
 - ▶ 2006, November: First Approval of LLU Reference Offer (EU Benchmark),
 - ▶ 2007: Decrease in monthly rental fees (EU benchmark),
 - ▶ 2008: EU funded Technical Assistance for The Improvement of Access Regime in The Turkish Telecommunications Market
 - ▶ 2009, February: Second approval of reference offer
 - ▶ Set-up and monthly rental (full-access) fees decreased (cost based),
 - ▶ 2009, December: Market Analysis, Türk Telekom having SMP
 - ▶ 2010, July: Third approval of reference offer
 - ▶ Set-up and monthly rental fees (full and shared access) decreased (cost based, EU benchmark)
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Wholesale Broadband Access Market

- ▶ 2003, November: Retail ADSL tariffs approval,
 - ▶ 2004, February: Re-sale tariffs approval, retail minus (18%)
 - ▶ 2005, July: ADSL Bit-stream (BSA) access tariffs approval, retail minus (29% to 35%)
 - ▶ 2006, June: Market Analysis, Türk Telekom having SMP
 - ▶ 2007, July: First Approval of reference offer for Re-sale and IP Level BSA, retail minus
 - ▶ 2008, September: Second approval of reference offer (decrease in monthly fees, 4% - 13%), retail minus
 - ▶ 2009, December: Market Analysis, Türk Telekom having SMP
 - ▶ 2010, July: Third approval of IP Level BSA Reference Offer, no change in tariffs
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Wholesale Leased Lines Market

- ▶ 2001-2003: Price Cap
 - ▶ 2003-Present: Cost-based
 - ▶ 2004-Board Decision: Türk Telekom de facto monopoly including LL market
 - ▶ 2004: E2E LL cost based tariffs approval (Top down cost model supplied by operator) (64 Kbps to 155 Mbps)
 - ▶ 2006: Market Analysis, Türk Telekom having SMP
 - ▶ 2009: E2E LL tariffs approval (622 Mbps, 2.4 Gbps, 10 Gbps)
 - ▶ 2009: Market Analysis, Türk Telekom having SMP
 - ▶ 2010: Consultation for reference offer including tariffs
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Wholesale Line Rental

- ▶ 2009: Market Analysis, Türk Telekom having SMP
- ▶ 2010: Consultation for reference offer including tariffs



Thank you for your attention

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Milestones of Accounting Separation history in Turkey



- ▶ Law No. 5809 regulates the cost accounting and accounting separation in a specific provision whereby:
 - ▶ ICTA has been empowered to impose accounting separation obligation to the operators having significant market power in the relevant market.
 - ▶ ICTA is authorised to impose a publication obligation on the operators in connection with the information and documents submitted within the scope of their accounting separation and cost accounting obligations.
 - ▶ Turk Telekom, Turkcell, Avea and Vodafone submit AC Reports to ICTA yearly since July 2007
 - ▶ 2010: After public consultations amendments in AS Guidelines by the end of 2010.
 - ▶ Scope of publication obligation on the operators in connection with the information and documents will be determined after the enactment of AS Guidelines.
 - ▶ Accounting Separation Audits term (yearly or two years basis?) will be determined after public consultation.
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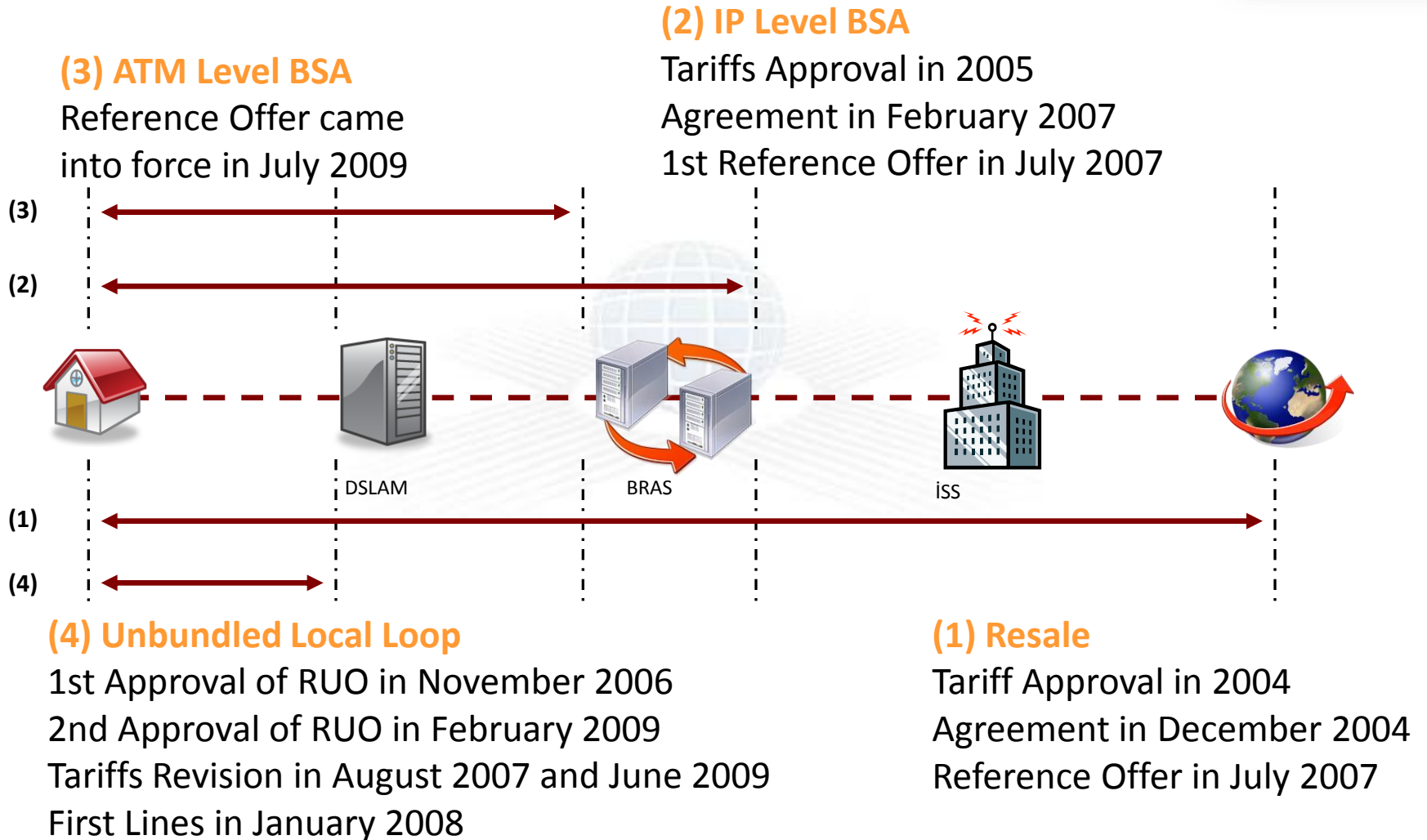
Mobile and Fixed Cost Models

- ▶ Harmonization of Turkish legislation with EU legislation in the areas of telecommunications and information technologies, and preparation of the markets for full liberalization were determined as two main priorities in EU Accession Partnership Document.
 - ▶ Within this framework, the project titled “Technical Assistance for the Improvement of Access Regime in the Turkish Telecommunications Market” was accepted to be entirely financed by European Union. Via the project, it is aimed that the principals of accounting separation for pricing the cost-based access which is envisaged in EU Regulatory Package shall be applied, and the experience and capability needed for cost models shall be put forward.
 - ▶ The terms of reference of the project that the Central Finance and Contract Unit- CFCU is responsible for all procedures of bidding progress, the issues of contract and its financial management will have been prepared by Authority and its bidding process was completed in September 2007. The Project started in January 2008 and completed in January 2009.
 - ▶ The Project covers:
 - ▶ Cost Models for Fixed and Mobile Networks
 - ▶ Accounting Separation and Cost Accounting
 - ▶ Access to the Local Loop
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Mobile Operators' Reference Interconnection Offers

- ▶ Reference offers have a great importance in the sense that the conditions for interconnection with operators having SMP can be set forth,
- ▶ Projections regarding the sector can be clarified and especially the new operators can estimate under what conditions they will enter the market.
- ▶ Obliging the operators having SMP to publish Reference Offer is a widely accepted regulatory practice across the world.
- ▶ In Turkey, conditions regarding the reference offers are regulated under the Article 19, titled “Reference access offer” of the Electronic Communications Law No.5809 and under Article 11, titled “Reference access offers and transparency” of the Ordinance on Access and Interconnection.
- ▶ Reference Interconnection Offers of the three mobile operators (Avea, Turkcell, Vodafone) were examined under the frame of legislations and submitted opinions within the public consultation process, and then approved by changing related Articles and published on December 15, 2009.

Wholesale Broadband Models - I



LLU Prices

Monthly Line Rental Fees

€	Full	Shared
Turkey	7.42	2.78
EU	9.75	3.53

€=1.97 TL

Source: EU 15th Implementation Report

Wholesale Leased Lines Market - 2

- ▶ Market Analysis, 2009, Türk Telekom is designated as having SMP,
 - ▶ Remedies;
 - ▶ Access to End-to-End Leased Lines (including ATM, Metro Ethernet and G.SHDSL)
 - ▶ Provision of Partial Private Circuit
 - ▶ Publication of reference access offers,
 - ▶ Tariff control (cost-based)
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