



EETT

ΕΘΝΙΚΗ ΕΠΙΤΡΟΠΗ ΤΗΛΕΠΙΚΟΙΝΩΝΙΩΝ & ΤΑΧΥΔΡΟΜΕΙΩΝ

Regulation of bundled offers in Greece

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Introduction

- EETT's Role & Responsibilities
- Regulatory Framework
- Market Analyses – Regulatory Obligations
- Anti-Competitive practices in Bundles
- Methodological Principles of the Analysis
- Emerging Issues
- Conclusion

EETT's Role & Responsibilities

According to the Framework Law for telecommunications 3431/2006:

- EETT is a National Regulatory & Competition Authority, which enjoys administrative and financial independence.
- Its role is to supervise and regulate the telecommunications and postal services markets, (ex-ante intervention).
- EETT is also entrusted with competition powers in the telecommunications & postal markets (ex-post intervention).

Regulatory Framework

- Law 3431/2006 "On Electronic Communications and other provisions" in which the following directives are transposed:
 - Access Directive 2002/19/EC of the European Parliament and of the Council of 7 March 2002
 - Authorization Directive 2002/20/EC of the European Parliament and of the Council of 7 March 2002
 - Framework Directive 2002/21/EC of the European Parliament and of the Council of 7 March 2002
 - Universal Service Directive 2002/22/EC of the European Parliament and of the Council of 7 March 2002
 - Competition Directive 2002/77/EC of 16 September 2002
- Commission Recommendation 2007/879/EC of 17 December 2007
- Commission Guidelines 2002/C 165/03

Market Analysis - Regulatory Obligations (1)

- The Law 3431/2006 requires that the EETT:
 - Define relevant markets appropriate to national circumstances in particular relevant geographic markets within its territory
 - Conduct an analysis of those relevant markets to determine the operators with SMP
 - Impose regulatory obligations to those operators found with SMP.

- More specifically for Bundles:
 - The two relevant markets are:
 - Local and national voice calls provided at a fixed location for residential and non-residential customers in Greece (voice calls to geographic numbers in Greece), and Calls to non-geographic numbers provided at a fixed location for residential and non-residential customers in Greece (fixed calls to mobile and calls to non-geographic numbers of Service Providers)
 - Retail access to the public telephone network at a fixed location through PSTN, ISDN BRA and managed VOIP access lines for residential and non residential customers in Greece and Retail access to the public telephone network at a fixed location through ISDN PRA access lines in Greece

Market Analysis - Regulatory Obligations (2)

- The regulatory obligation imposed is:
 - Not to unreasonably bundle products/services: unreasonable bundling is not to allow consumers to buy a product/service individually but only with the bundled product. Necessary condition for bundling is the parallel provision of all the individual components of the bundled product/service as separate product/service, if they belong to regulated markets
 - Excessive pricing prohibition and obligations for preventing abuse of competition caused by unreasonable low rates apply to both, products/services offered separated and /or bundled
 - Submission (notification) of information to EETT, in advance, is required regarding the introduction of new single and/or multi-play offers including retail calls and retail access services or regarding the modification of existing ones. Submission should include all the necessary data required for the economic analysis of those offers. The burden of proof is on the incumbent that the new or modified offers do not generate margin squeeze or predatory pricing practices
 - Principles apply in all cases of bundled offers whether they concern products/services falling only in the above two relevant markets or they concern bundling of products/services falling in the previous two markets with other products/services specified or not electronic communications products/services.
 - Transparency obligations imposed are also apply to bundles

Anti-competitive practices in Bundles

Possible anti-competitive practices

In the electronic communications sector the pricing abusive practices are **margin squeeze** and **predatory pricing**

- o Margin squeeze : margin between wholesale and retail levels not sufficient enough for an alternative operator to compete
- o Predatory pricing: sell of goods/services by the SMP operator below cost in order to prevent other firms entry in the market or to displace a competitor which would allow him to enhance its strength in the market and raise its global profits

Methodological Principles of the Analysis (1)

- Methodology used for the Margin Squeeze test:
 - The economic analysis of single and/or multi play offers is performed with the *joint replicability test* :it evaluates the average contribution of each part of the multi-play offer to costs and profits. The test does not record whether part of this offer (e.g., DSL) generates a reasonable margin but, whether, on average, the multi-play offer is able to pass the test. This test can be performed by calculating the total costs and revenues of the multi-play offer.
 - The reference operator is the equally efficient operator (EEO):
 - EEO has the same type of retail costs and revenues as the SMP undertaking
The application of the EEO approach does not imply that an Equally Efficient Operator has the same characteristics (i.e. network, market share) with the SMP operator
 - Size and market share of the EEO are defined as equal to 10.5% of the total Greek market (voice and broadband) so that inefficiencies of the reference operator due to economies of scale and scope are considered
 - Costs and Revenues: Cost and Revenue elements of EEO:
 - The demand (customer base) has to allow EEO to achieve sufficient economies of scale and scope in using relevant wholesale services, and other network elements. EEO has the same retail market presence in terms of types of products/services as the incumbent

Methodological Principles of the Analysis (2)

- Time Modeling for Costs:
 - Current costs and revenues are taken into account and present value of the investments is calculated in order to estimate the time value of money and future market growth
- Cost of capital:
 - Cost of capital consists of the EEO's investments costs, opportunity costs and a reasonable profit margin from a multi-play offer
- Optimum network development:
 - Choice of optimum combination between direct and indirect access as well as other costs such as transmission links, backbone ,etc.
- Cost standard used: LRAIC (Long Run Incremental cost). In case of data unavailability ATC (Average Total Cost) will be adopted
- Methodology used for the Predatory Pricing Test:
 - Costs and revenues of the SMP operator
 - Time period considered: costs and revenues from the last year's cost audit of the SMP operator
 - Cost of capital of the SMP operator: incumbent's reasonable profit margin from the multi-play offer
 - Cost standard used: LRAIC as the incumbent uses the same in his system

Emerging issues

These are some of the issues to take into consideration when thinking of adopting a methodology on how to analyze bundled services:

- Bundling of product/services from regulated and unregulated markets
- Temporary-seasonal rebate offers
- Bundling with products/services other than electronic communication's products/services

Conclusion

With the methodology described above EETT attempted to achieve:

- Consistency with its regulatory policy
- Promotion of effective competition in the electronic communication's market
- Ensuring maximum benefit for end users in terms of price, choice and quality

Thank you

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