



POST AND TELECOM  
ADMINISTRATION  
IN ICELAND

**Decision no. xx/2016**

**Wholesale tariff for call origination and  
termination on the public telephone  
network provided at a fixed location**

**Xx October 2016**

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# 1 Introduction

This Draft Decision is based on the Post and Telecom Administration (PTA) Decision no. 36/2012 on the designation of companies with significant market power and on the imposition of obligations on the wholesale market for call origination and termination in public telephone networks provided at a fixed location. Pursuant to the recent Recommendation by the EFTA Surveillance Authority (ESA)<sup>1</sup> on the definition of wholesale markets for electronic communications services, termination of telephone calls in public telephone networks provided at the fixed location now belongs to Market 1 but previously belonged to Market 3 pursuant to the older ESA definition from 2008. The wholesale market for call origination in public telephone networks provided at a fixed location was Market 2 in the older ESA definition from 2008 (Market 2/2008) but it is no longer on the list of predefined markets. The PTA is now re-analysing the above specified markets and one can expect national consultation for these markets to take place in September and for a final decision in the cases to be established at the end of the current year. It will then come to light whether the market for call origination in public telephone networks provided at a fixed location (Market 2/2008) will continue to be susceptible to obligations in this country despite the fact that this market is no longer in the new Recommendation on the relevant market.

Pursuant to PTA Decision no. 36/2012, which applies until the PTA has made a new decision at the end of the current year, a tariff shall be decided with benchmarking for origination and termination of telephone calls in public telephone networks provided at a fixed location. The PTA has now carried out the benchmarking for the decision on these rates. The PTA used the same methodology for this benchmarking as was used in the last benchmarking for this market, taking into account the comments received from ESA on the PTA benchmarking for the market for call termination in public telephone networks provided at a fixed location. The PTA plans to use the conclusions of the benchmarking to decide the wholesale rate for this country for origination and termination of telephone calls in public telephone networks provided at a fixed location from 1 January to 31 December 2017.

The following Sections cover the legal grounds, methodology and calculations that led to the PTA conclusion. The text of the Draft Decision describes the planned PTA position which can be subject to amendment until the final Decision is made, among other things as a result of comments from stakeholders. The wording of the Draft should be read with this in mind.

## 2 National consultation

The draft Decision here under discussion was submitted to stakeholders for consultation on the Administration's website on 11 August 2016 and the consultation ran until 1 September 2016. Comments were received from Síminn hf. (Síminn).

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<sup>1</sup> EFTA Surveillance Authority Recommendation of 11 May 2016 on relevant product and service markets within the electronic communications sector susceptible to *ex ante* regulation in accordance with the Act referred to at point 5cl of Annex XI to the EEA Agreement (*Directive 2002/21/EC of the European Parliament and of the Council on a common regulatory framework for electronic communication networks and services*).

Síminn commented on the updated wholesale tariff for call origination in Síminn's fixed telephone network. Síminn demands that PTA will abandon their planned decision and maintain current prices unchanged until the Administration has reviewed the obligations imposed on the company with PTA Decision no. 36/2012.

Síminn points out that PTA's draft Decision introduces a price decrease which is based on changes in the rate of exchange. Síminn is of the opinion that the proposed Decision is not properly founded as the Síminn's cost of operating the telephone network is only in a small way dependant on changes in the rate of exchange, the cost being mainly national or [...]<sup>2</sup>. Legitimate conditions for decreasing Síminn's prices are therefore not present. Síminn has furthermore on more than one occasion pointed out to the Administration that Síminn's possibilities to charge for the service provided have been significantly reduced.

Síminn is of the opinion that the present obligations do not fulfil Article 1 of the Electronic Communications Act where it is clearly stated that the objective of the Act is to ensure cost-efficient electronic communications. The draft Decision proposes further limitations of Síminn's possibilities to charge fair remuneration for the service provided. This would lead to further inefficiencies which is against the objectives of the Act and is therefore not legitimate. In Síminn's opinion PTA has not substantiated how the draft Decision is consistent with Article 1 of the Electronic Communications Act and even less how a change in the rate of exchange can justify a decrease in prices. Síminn points out that cost has increased substantially, in particular labour cost.

Síminn also points out that Decision no. 36/2012 was published in December 2012. In the Decision and the underlying data the development of the market over the next 2-3 years was considered. The analysis was done in 2012 on the basis of data for the year 2011. Clearly the PTA should have finished a new market analysis in 2014 and issued a Decision in 2015 at the latest. The situation now however being that there are more than five years since the last analysis was performed. Even though PTA was planning to publish a new market analysis on this market soon it would be 1-2 years too late. Several states have decided to deregulate the market which in many cases has had positive effect on the competition. Síminn is of the opinion that maybe it could be argued that the imposed obligations have negative effect on the competition, in particular when there are more than 5 years from the last market analysis. Síminn is of the opinion that PTA should have used their time to follow the time frame for a new market analysis rather than preparing a new decision for a price reduction. If there are grounds for imposing obligations, then Síminn is of the opinion that the objectives of the Electronic Communications Act can be obtained in a more rational and economical way with other kind of obligations.

PFS points out that Síminn's comments are not of relevance to the draft Decision here under consideration which was published for national consultation for an annual review of prices for call origination and termination in fixed telephone networks. This draft Decision relates only to the execution of the benchmark prescribed in PTA Decision no. 36/2012. In that Decision it is clearly stated that PTA should annually decide the prices for call origination and termination in fixed telephone networks on the basis of benchmarking. With Decision no. 36/2012 it was

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<sup>2</sup> Confidential information.

decided that the prices for call origination and termination in fixed network would no longer be calculated using Síminn's cost analysis (based on Síminn's historical cost) but should instead be based on benchmarking. This change in the methodology to determine the prices for call origination and termination was not appealed to the Appellate Committee for Electronic Communication and Postal Affairs nor to the Courts. Furthermore, ESA did not make any comment to the analysis and the conclusion of the PTA. PTA does therefore not see any reason for disregarding the procedure stipulated in PTA Decision no. 36/2012 and therefore the Administration is simply following that Decision with this draft Decision. PTA is of the opinion that the Administrations manner in implementing the new benchmarking procedure has been proportional, as can be clearly seen in PTA Decision no. 19/2015 on wholesale tariff for fixed call origination and termination as it was not until then the benchmarking was performed on this market.

In accordance with PTA Decision no. 36/2012 the prices for call origination and termination in fixed network are no longer decided on the basis of Síminn's cost. Instead, the PTA uses the result of cost models which calculate the cost of an efficient network using the technology available at the time when the models are made. By using new technology companies can often lower their operational cost, including labour cost, and in addition to that it is often the case that the prices of equipment fall over time. It is clearly stipulated in PTA Decision no. 36/2012 what rate of exchange to use and by using the average exchange rate of the second quarter of 2016 as stated in the draft decision, PTA is simply following the Decision no. 36/2012. Changes in the rate of exchange greatly affect costs in Iceland including the purchase price of equipment and hence it is reasonable to take into account the changes in the rate of exchange.

In PTA opinion it is clear that the price control that was imposed on Síminn in PTA Decision no. 36/2012 is founded in the Electronic Communications Act. According to the Electronic Communications Act the PTA can, when calculating costs, use as a reference the operation of analogous service that is considered efficiently run. It can also take into account tariffs in analogous competition markets and it may use cost analysis methodologies that are not related to methodologies employed by an electronic communications company. As has been mentioned here above, with this draft Decision PTA is simply following what is prescribed in PTA Decision no. 36/2012 and the legitimacy of that Decision is therefore out of scope of this draft Decision.

As mentioned in Síminn's comment the PTA Decision no. 36/2012 dates back to December 2012 and it is therefore 3 years and 10 months since the Decision was published. PTA has for the past couple of years monitored the development on this market e.g. through data received from operators every 6 months. On the basis of the information available the PTA has evaluated the need for a new market analysis over this period. The PTA is just about to publish for a national consultation a preliminary draft of an analysis of the fixed telephone markets (markets 1 and 2/2008) but the PTA has been working on this analysis from the beginning of this year. The analysis is based on data from 2015. It is therefore clear that there will not be 5 years between the market analysis as Síminn has asserted, either seen from the date of the data or the Decision. If the market analysis for market 2/2008 currently being drafted by the PTA finds that the relevant market does not fulfil the three criteria test, obligations will be withdrawn.

Such withdrawal of obligations will however come into fruition after an adequate time period of adjustment for the market players involved. The result being that the current revision of wholesale charges for call origination is still fully valid.

### 3 Grounds for the Decision

The PTA bases its decision on the Act on Electronic Communications, on prior decisions made by the Administration and on the Recommendations of the EU Commission and of ESA with respect to intervention by the regulatory bodies in call termination rates in mobile phone and fixed line networks from 13 April 2011<sup>3</sup>.

According to Paragraph 4 of Article 32 of the Electronic Communications Act the PTA can, when calculating costs, use as a reference the operation of analogous service that is considered efficiently run. It can also take into account tariffs in analogous competition markets and it may use cost analysis methodologies that are not related to methodologies employed by an electronic communications company.

In Item 12 of the Recommendations of the EU and of ESA on regulatory treatment of fixed and mobile termination rates it is authorised for regulators such as the PTA to apply benchmarking to decide termination rates where specific conditions are fulfilled.

PTA decision no. 36/2012 prescribes that the PTA shall annually make a decision on the maximum rate for origination and termination of telephone calls in public telephone networks provided at a fixed location, subsequent to benchmarking against EEA states and pursuant to more specifically defined methodology.

In order to create predictability, the PTA used the same methodology for price comparison as was used in PTA Decision no. 19/2015 on wholesale tariff for origination and termination of telephone calls in public telephone networks provided at a fixed location. The PTA does however take into account comments made by ESA on the Administration's Draft Decisions. In its comments on the PTA Draft Decision no. 28/2015, "Wholesale tariff for call termination in individual mobile phone networks (Market 7)", dated 30 October 2015, ESA pointed out that when conducting benchmarking one should, where appropriate, be forward-looking and should use termination rates which will apply during the period of validity of those termination rates decided in the Draft Decision.

The grounds underlying this decision are described in more detail in the following sub-sections.

#### **3.1 Recommendations of the EU Commission and of ESA with respect to termination rates in fixed and mobile networks**

The EU Commission issued a Recommendation with respect to the regulatory treatment of call termination tariffs in mobile phones and fixed line networks in May 2009<sup>4</sup>. The Commission considered that obligations with respect to termination rates were not sufficiently homogeneous in member states of the Union and decided to issue a regulation to support harmonisation. ESA issued an analogous Recommendation on 13 April 2011.

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<sup>3</sup> EFTA Surveillance Authority Recommendation of 13 April 2011 on the Regulatory Treatment of Fixed and Mobile Termination Rates in the EFTA States.

<sup>4</sup> Commission Recommendation of 7.5.2009 on the Regulatory Treatment of Fixed and Mobile Termination Rates in the EU.

The main rule according to the Recommendations is that the regulatory authorities should prescribe termination rates that take into account the cost of call termination in mobile and fixed line networks in efficiently designed electronic communication networks, in accordance with a cost model based on the Long-Run Average Incremental Cost (LRIC) methodology<sup>5</sup>. Projections are made of future developments on the basis of current costs where the assumption is the use of the most efficient technological solutions, such as next generation networks (NGN). This is a pure bottom-up<sup>6</sup> LRIC cost model, known as pure BU-LRIC.

The incremental service in question in the pure BU-LRIC model is call termination at wholesale level. The additional cost in question, or "avoidable costs" for wholesale service for call termination is the difference between total costs of network operators that provide full wholesale services and the total costs of the same network operators less call termination wholesale services to third parties. In other words one only calculates the call termination costs that are avoided if the service in question is discontinued.

According to the above specified ESA Recommendation, electronic communications regulatory bodies are granted a general period of notice for adaptation until 31 December 2012 to prepare and introduce the pure LRIC cost model.

Less well-resourced regulators were pursuant to Article 12 of the Recommendation granted longer notice, that is to say until 1 July 2014, and even longer if it would breach the principle of proportionality to force such authorities to adopt the pure BU-LRIC cost model, unless BEREC assisted them professionally and/or financially to make such a model.

The PTA is considered to be one of the less well-resourced regulators. It is authorised to use for example benchmarking from and including 1 January 2013 instead of the above-mentioned cost analysis methodology if it can be shown that this will return a result that harmonises with the objectives of the Recommendation. The results returned by methods other than pure BU-LRIC should not be higher than the average rates in the EEA states that apply the pure BU-LRIC methodology when calculating call termination tariffs in mobile phone networks.

According to this it is clear that both the Commission and the ESA recommend that only termination rates based on the pure BU-LRIC model be used in the benchmarking.

In compliance with the above the PTA intends only to include comparison countries where the termination rates had been decided with the pure BU-LRIC methodology.

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<sup>5</sup> Long-Run Average Incremental Cost is the cost that is added or is saved when a specific service or operation is added or discontinued, on the assumption that all costs are variable.

<sup>6</sup> One speaks of the "bottom-up" model in the case of calculations made on the basis of an engineering model of electronic communications networks in the relevant electronic communications market. The model is based on a hypothetical network system which is efficiently designed and which uses the most efficient technical solutions on offer at any given time.



## **3.2 PTA Decision no. 36/2012**

On 14 December 2012 the PTA made Decision no. 36/2012 on the designation of companies with significant market power and on the imposition of obligations on the wholesale market for call origination and termination in public telephone networks provided at a fixed location.

### **3.2.1 Telephone call origination in fixed location networks (Market 2/2008)**

With a view to the definition and analysis of competition on the wholesale market for call origination in public telephone networks provided at a fixed location (Market 2/2008) and pursuant to Paragraph 2 Article 17, see Article 18 of the Electronic Communications Act, the PTA decided to designate Siminn hf. (Siminn) as having significant market power on the relevant market.

The PTA imposed the following obligations on Siminn:

- Obligation to provide access
- Obligation for non-discrimination
- Obligation for transparency
- Obligation for separation of accountancy
- Obligation for price control

In the obligation for price control, it was specified that the maximum price for call origination would be decided by benchmarking pursuant to the authority in Paragraph 4 of Article 32 of the Electronic Communications Act.

It was also stated that when selecting analogous competition markets, the PTA would use the electronic communications market in the EEA. The following main criteria were applied for comparison and for the calculation of call origination in public networks provided at a fixed location when benchmarking is used:

- Reference should be made to those EEA states where the origination rates of companies with market dominance on the markets in question were subject to price control by the electronic communications regulatory body of the state in question, on the basis of cost analysis where the bottom-up (BU) LRIC methodology was applied.
- Comparison of prices should be based on the conclusion on the initial price according to calculations based on the BU-LRIC model<sup>7</sup> which were available when the benchmarking was made in each instance.
- Comparison should be made with the price for single transit.
- The reference shall be the price per minute of a three-minute call.
- Comparison should be made using the average exchange rate in the relevant quarter.
- The resulting price should not be higher than the arithmetic mean in those countries that fulfil the above conditions during the period of reference.

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<sup>7</sup> This could be the going rate from a bottom-up LRIC, LRIC+, LRAIC or LRAIC+ model.

Then it was stated that the PTA would on an annual basis during the period of validity of the decision, repeat the benchmarking using the above specified criteria and decide maximum origination charges for Siminn which would come into force from and including 1 January each year in accordance with the conclusions of the benchmarking. Normally, all countries that fulfilled the above specified criteria should be used in the benchmarking. The PTA however made the condition that there should be a minimum of 5 comparison countries used as a basis for deciding prices with benchmarking.

### **3.2.2 Telephone call termination in public telephone networks provided at a fixed location (Market 1)**

With a view to the definition and analysis of competition on the wholesale market for call termination in public telephone networks provided at a fixed location (Market 1 or Market 3/2008) and pursuant to Paragraph 2 Article 17, see Article 18 of the Electronic Communications Act, the PTA decided to designate Siminn, Fjarskipti ehf. (Vodafone), Nova ehf. (Nova), Símafélagið ehf. (Símafélagið) and Hringdu ehf. (Hringdu) as having significant market power on the relevant markets.

The PTA imposed the following wholesale obligations on Siminn:

- The obligation for access was imposed on Síminn, Vodafone, Nova, Símafélagið and Hringdu.
- The obligation for non-discrimination was imposed on Síminn, Vodafone, Nova, Símafélagið and Hringdu.
- An obligation for transparency was imposed on Siminn.
- An obligation for separation of accountancy was imposed on Siminn and Vodafone.
- An obligation for price control was imposed on Síminn, Vodafone, Nova, Símafélagið and Hringdu.

In the obligation for price control it was specified that the maximum price for call termination would be decided by benchmarking pursuant to the authority in Paragraph 4 of Article 32 of the Electronic Communications Act.

In the Decision it was also stated that when selecting analogous competition markets, the PTA should use the electronic communications market in the EEA. The following main criteria were applied for selection of comparison countries and for the calculation of call termination in public networks provided at a fixed location when benchmarking was used:

- Reference should be made to those EEA states where the termination rates of companies with market dominance on the markets in question were subject to monitoring of tariff by the electronic communications regulatory body of the state in question, on the basis of cost analysis where the pure LRIC methodology is applied.
- Comparison of prices should be based on the conclusions on termination rates according to calculations based on the pure LRIC model which were available when the benchmarking was made in each instance.

- Comparison should be made with the price for single transit.
- The reference shall be the price per minute of a three-minute call.
- Comparison should be made using the average exchange rate in the relevant quarter.
- The resulting price should not be higher than the arithmetic mean in those countries that fulfil the above conditions during the period of reference.

Then it was stated that the PTA would on an annual basis during the period of validity of the Decision, repeat the benchmarking using the above specified criteria and decide maximum termination charges which would come into force from and including 1 January each year in accordance with the conclusions of the benchmarking. The PTA would publish conclusions from the benchmarking no later than 1 November each year with a decision (for rates that were to apply from and including 1 January of the following year), subsequent to national consultation and to consultation with ESA. Normally, all countries that fulfilled the above specified criteria should be used in the benchmarking. The PTA however made the condition that there should be a minimum of five comparison countries used as a basis for deciding prices with benchmarking.

With this, the practice was discontinued of deciding termination rates with reference to the Siminn cost-analysed prices (which were based on historical costs) and this was replaced with benchmarking in accordance Article 12 of the EFTA Surveillance Authority Recommendation on the Regulatory Treatment of Fixed and Mobile Termination Rates in the EFTA States from 13 April 2011<sup>8</sup>.

In accordance with the ESA recommendation, the PTA prescribed symmetrical termination rates in its Decision no. 36/2012 and that the maximum termination rates for Símafélagið, Nova and Hringdu would be the same as the Siminn termination rates. According to the decision the maximum termination rates should be ISK 0.63 per minute with an ISK 0.62 connection rate for each telephone call with Símafélagið, Nova and Hringdu. The symmetrical termination rates came into force from and including 1 March 2013 and were in force until new termination rates were decided by the PTA with benchmarking pursuant to PTA Decision no. 19/2015 on wholesale tariffs for call origination and termination in public telephone networks provided at a fixed location.

### **3.3 PTA Decision no. 19/2015 on wholesale tariff for call origination and termination in public telephone networks provided at a fixed location.**

At the beginning of 2015, the PTA carried out benchmarking pursuant to PTA Decision no. 36/2012.

The benchmarking conclusion was presented in the PTA Decision no. 19/2015, dated 30 July 2015 which prescribed that the conclusion of the benchmarking carried out by the

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<sup>8</sup> EFTA Surveillance Authority Recommendation of 13 April 2011 on the Regulatory Treatment of Fixed and Mobile Termination Rates in the EFTA States.

Administration would be the basis for maximum prices for call origination and termination in public telephone networks provided at a fixed location.

The wholesale price for call origination in the Siminn public telephone network provided at a fixed location pursuant to the decision was a maximum of ISK 0.56/minute. It was then prescribed that the wholesale price for call termination in the networks provided at a fixed location by Siminn, Vodafone, Nova, Símafélagið and Hringdu would be a maximum of ISK 0.16/minute. The call setup charges in force at this time were removed, from and including 1 January 2016. The prices specified above were to apply for the whole of 2016. The Decision was not appealed to the Appellate Committee for Electronic Communications and Postal Affairs nor to the courts.

## **4 Price calculations for call origination in networks provided at a fixed location (Market 2/2008)**

In accordance with the PTA Decision no. 36/2012, the Administration uses the following main criteria as a basis for calculating the price for call origination in this benchmarking:

- Reference is made to those EEA states where the origination rates of companies with market dominance on the markets in question are subject to monitoring of tariff by the electronic communications regulatory body of the state in question.
- Comparison of prices is based on the price for call origination prices according to calculations based on “bottom-up” LRIC, LRIC+, LRAIC or LRAIC+ models available in June 2016.
- The reference is for single transit where appropriate.
- The reference is the price per minute of a three-minute call.
- The reference is the average exchange rate of the second quarter of 2016<sup>9</sup>.
- The reference is that a formal Decision has been made by the relevant regulatory authority.
- The resulting price shall not be higher than the average in those countries that fulfil the above conditions during the period of reference.

The conclusion is the minute price for call origination without connection charge or break down into day, night or weekend rates.

The same criteria are used for deciding comparison companies as in the previous benchmarking where 9 countries fulfilled the conditions, that is to say Denmark, Italy, Croatia, Malta, Norway, Slovakia, Sweden, Czech Republic and Germany.

Since the last benchmarking, ESA has reviewed its Recommendation on predefined product and service markets in the electronic communications sector in accordance with an analogous Recommendation from the EU from 2014. The wholesale market for call origination in networks provided at a fixed location no longer belong to those markets that are predefined and for this reason, states need to apply the three-criteria test<sup>10</sup> in their analyses of these markets. As previously stated, the PTA is reviewing its market analysis of these markets and the conclusion should be available at the end of the current year. A number of states have reviewed circumstances on these markets during recent years and in some states it has been decided to discontinue the market. Subsequently, obligations will therefore be lifted from the market in the states in question. Of the states that fulfil the above specified conditions for participation in the previous benchmarking, Malta, Norway, Slovakia and the Czech Republic are among the states that have decided to discontinue the market. The PTA does not however consider it timely to remove these states from the benchmarking at this point in time as the fact remains that the price in force for call origination in these countries was decided by the relevant regulatory

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<sup>9</sup> Central Bank of Iceland mid-rates, see Appendix I.

<sup>10</sup> The 3 criteria test is dealt with in more detail in the Recommendation.

bodies and was calculated on the basis of a BU-LRIC model<sup>11</sup> and in addition to this a glidepath was granted in some instances to lift obligations from the market<sup>12</sup>. According to the information that the PTA has at its disposal, the decisions to discontinue the market in these countries has not yet led to price changes with those companies that previously had been designated as having significant market power on this market and for whom prices had been decided with the use of the LRIC methodology by the relevant regulatory bodies.

Since the previous benchmarking, Luxembourg has decided prices for call origination in networks provided at a fixed location on the basis of a BU-LRIC+ model and for this reason this conclusion has been added to the benchmarking. The states included by the PTA in the benchmarking are thus now ten, that is to say Denmark, Italy<sup>13</sup>, Croatia, Luxembourg, Malta, Norway, Slovakia, Sweden, Czech Republic and Germany.

It is clear that benchmarking composed of price information from only six states could be based on a weak foundation. One must therefore keep in mind that in the ruling by the Appellate Committee for Electronic Communications and Postal Affairs no. 6/2012, the PTA decision on price reduction in termination rates in mobile phones was postponed as it was only based on comparison with seven states. The Committee referred to proportionality, particularly with respect to the very rapid rate of price reduction. If the above specified four states that have decided to lift obligations on the relevant market for call origination in networks provided at a fixed location were not included in the benchmarking in this instance, then the conclusion of such benchmarking would in fact lead to a very rapid reduction of prices, that is to say 40%.

In its gathering of data, the PTA has used the European Commission CIRCABC Information Resource Centre, the ESA ECOM database and reports from Cullen International<sup>14</sup> and information to be found on the websites of the relevant electronic communications regulatory bodies.

In the light of the fact that prices are being decided that will apply in the year 2017, the PTA examined whether prices were available for call origination that would be in force during that year. This is in accordance with comments from ESA that termination rates should be used that would apply during the period of validity of the prices prescribed. In the opinion of the PTA, one should however only use the final price and should not include in the benchmarking those prices that remained to be revised on the basis of inflation or of other factors. None of the states in the benchmarking have decided new prices for the year 2017.

For this reason, reference is only made to prices that come into force in 2016 or that were in force in June 2016.

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<sup>11</sup> LRIC, LRIC+, LRAIC or LRAIC+ model.

<sup>12</sup> One could mention, for example, that in Norway this period of notice expires on 1 January 2017.

<sup>13</sup> In Italy the TSLRIC (Total Service Long Run Incremental Cost) model is used which is analogous to the LRAIC model and for this reason it is included in the benchmarking.

<sup>14</sup> Cullen International has also provided information that has not appeared in their reports.

The following table shows prices (converted to ISK) for call origination in public telephone networks provided at a fixed location in the states in question:

<i>Country</i>	<i>Cost model</i>	<i>Origination ISK/minute</i>
Denmark	BU-LRAIC	0.37
Italy	BU-LRAIC	0.20
Croatia	BU-LRAIC+	0.13
Luxembourg	BU-LRAIC+	0.61
Malta	BU-LRAIC+	0.37
Norway	BU-LRAIC+	0.49
Slovakia	BU-LRIC+	0.48
Sweden	BU-LRIC	0.24
Czech Republic	BU-LRIC+	1.60
Germany	BU-LRAIC+	0.49
<b>Average</b>		<b>0.50</b>

In the countries covered by the benchmarking there was only a charge per minute without a separate call setup charge and with the PTA Decision no. 19/2015 the call setup charge was discontinued. It is also the case that in the majority of the states there are no longer varying charges for day, night and weekend rates.<sup>15</sup>

According to the above the arithmetic average of origination rates in these states is ISK 0.50 per minute which is the equivalent of € cent 0.36/minute.

The current charge is ISK 0.56/minute, which represents a reduction of approximately 11% in ISK. The reduction can mostly be attributed to developments in foreign exchange rates.

<sup>15</sup> Where the minute rate or average rate per minute with respect to traffic is established then it is used in the comparison but otherwise the arithmetic mean of those rates that are available is used.

## **5 Price calculations for call termination in networks provided at a fixed location (Market 1/2016)**

In accordance with the PTA Decision no. 36/2012, the Administration uses the following main criteria as a basis for calculating the rate for call termination in this benchmarking:

- Reference is made to those EEA states where the termination rates of companies with market dominance on the markets in question are subject to price control by the electronic communications regulatory body of the state in question, on the basis of cost analysis where the pure LRIC methodology is applied.
- Comparison of rates is based on the conclusion on call origination rates according to calculations based on pure BU-LRIC model available in June 2016.
- The reference is for single transit where appropriate.
- The reference is the rate per minute of a three-minute call.
- The reference is the average exchange rate of the second quarter of 2016.
- The reference is that a formal Decision has been made by the relevant regulatory authority.
- The resulting rate shall not be higher than the average in those countries that fulfil the above conditions during the period of reference.

The conclusion is the minute rate for call termination without call setup charge or breakdown into day, night or weekend rates.

A total of 17 states had made decisions on rates on the basis of a BU-LRIC model in June of the current year. The states are Austria, United Kingdom, Bulgaria, Denmark, France, Greece, Ireland, Italy, Croatia, Lithuania, Luxembourg, Malta, Norway, Romania, Slovakia, Slovenia, Spain, Sweden, Czech Republic and Hungary. In France, Ireland and the United Kingdom, termination rates are not calculated for single transit on the basis of a pure BU-LRIC model and for this reason those states are not included in the benchmarking.

In its gathering of data, the PTA has used the European Commission CIRCABC Information Resource Centre, the ESA ECOM database and reports from Cullen International<sup>16</sup> and <sup>17</sup> BERE<sup>18</sup> benchmarking and information to be found on the websites of the relevant electronic communications regulatory bodies.

In the light of the fact that rates are being decided that will apply in the year 2017, the PTA examined whether rates were available for call termination that would be in force during that year. This is in accordance with comments from ESA that termination rates should be used that would apply during the period of validity of the rates prescribed. In the opinion of the PTA, one should however only use the final rate and should not include in the benchmarking those rates that remained to be revised on the basis of inflation or of other factors.

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<sup>16</sup> Cullen International has also provided information that has not appeared in their reports.

<sup>17</sup> "Termination rates at European level" January 2016, BoR (16) 90.

<sup>18</sup> Body of European Regulators for Electronic Communications.



The PTA therefore uses conclusions on rates for call termination which are to apply in the year 2017 when they are available, but otherwise rates that come into force in the year 2016 or that were in force in June 2016 are used.

The following table shows rates according to a pure BU-LRIC model (converted to ISK) for call termination in public telephone networks provided at a fixed location in the states in question:

<i>Country</i>	<i>Termination 2016 ISK/minute</i>	<i>Termination 2017 ISK/minute</i>	<i>Comparison rate ISK/minute</i>
Austria	0.17		0.17
Bulgaria	0.36		0.36
Denmark	0.08		0.08
Greece	0.09	0.08	0.08
Italy	0.06		0.06
Croatia	0.09		0.09
Lithuania	0.18		0.18
Luxembourg	0.20		0.20
Malta	0.06		0.06
Norway	0.09	0.09	0.09
Rumania	0.20		0.20
Slovakia	0.17		0.17
Slovenia	0.12		0.12
Spain	0.11		0.11
Sweden	0.10		0.10
Czech Republic	0.15		0.15
Hungary	0.18		0.18
<b>Average</b>	<b>0.14</b>		<b>0.14</b>

In those countries covered by the benchmarking there was only a rate per minute without a separate call setup charge and with the PTA Decision no. 19/2015, call setup charges were discontinued in this country. In most states in the comparison there are no longer varying charges for day, night and weekend rates.<sup>19</sup>

According to the above the pure average of termination rates in these states is ISK 0.14 per minute which is the equivalent of € cent 0.10/minute.

The current rate for call termination in networks provided at a fixed location is ISK 0.16/minute (€ cent 0.1/minute) , which represents a reduction of approximately 2.5% in ISK which can

<sup>19</sup> Where the minute rate or average rate per minute with respect to traffic is established then it is used in the comparison but otherwise the arithmetic mean of those rates that are available is used.

mostly be attributed developments in foreign currency exchange rates but the average rate in € cent remains unchanged between the years.

## 6 The PTA conclusion

In accordance with PTA Decision no. 36/2012, rates for call origination and termination in public telephone networks provided at a fixed location are decided on the basis of conclusions of the benchmarking conducted by the Administration as described here above.

The benchmarking provides an average rate per minute for those states covered by the benchmarking. The PTA uses the conclusions of the benchmarking to decide the minute rate for call origination and termination in networks provided at a fixed location without connection charge.

### 6.1 Telephone call origination in fixed location networks (Market 2/2008)

The maximum Siminn rate for call origination is now ISK 0.56/minute, pursuant to the PTA Decision no. 19/2015 and this rate will apply until the end of 2016.

In accordance with the conclusion of the above specified benchmarking it is the conclusion of the PTA that the wholesale rates for call origination in the Siminn fixed line telephone network shall be a maximum of **ISK 0.50/minute** for the period 1 January 2017 to 31 December 2017. These are wholesale rates per minute ex VAT.

### 6.2 Telephone call termination in public telephone networks provided at a fixed location (Market 1)

The maximum rates charged by Siminn, Vodafone, Nova, Símafélagið and Hringdu for call termination are now ISK 0.16 per minute pursuant to PTA Decision no. 19/2015 and they will apply until the end of 2016.

In accordance with the conclusion of the above specified benchmarking it is the conclusion of the PTA that the wholesale rates for call termination in the Siminn fixed line public telephone network shall be **ISK 0.14/minute** for the period 1 January 2017 to 31 December 2017. These are wholesale rates per minute ex VAT.

### *The Decision*

**In accordance with the benchmarking performed by the Post and Telecom Administration, wholesale prices for call origination in the Siminn fixed line telephone network shall be ISK 0.50 per minute for the period 1 January 2017 until 31 December 2017. The current call origination price of ISK 0.56 per minute will remain in force unchanged to and including 31 December 2016.**

**The wholesale price for call termination in fixed line public telephone networks in Iceland shall be ISK 0.14 per minute for the period 1 January 2017 until 31 December 2017. The current call termination price of ISK 0.16 per minute will remain in force unchanged to and including 31 December 2016.**

**These are maximum wholesale rates per minute ex VAT.**

**This Decision comes into force from the day that it is published and will be in force until a Decision is made to the contrary by the Post and Telecom Administration.**

**This Decision can be appealed to the Appellate Committee for Electronic Communications and Postal Affairs, see Article 13 of Act no. 69/2003 on the Post and Telecom Administration. The appeal shall have reached the Appellate Committee four weeks from the time that the party in question became aware of the Decision of the Post and Telecom Administration. Costs for an appeal are according to Paragraph 5 of Article 13 of the same Act, and in addition to this there is a special appeal charge to the amount of ISK 150,000, pursuant to Article 6 of Regulation no. 36/2009 on the Appellate Committee for Electronic Communications and Postal Affairs.**

Reykjavík, xx, October 2016

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Hrafnkell V. Gíslason

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Óskar Þórðarson

Appendix I: Rate of exchange.