POST- AND TELECOM
ADMINISTRATION

Draft decision on wholesale tariff for call termination in individual mobile phone networks

(Market 7)

26 September 2013

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1. Introduction

1.1 The PTA Decision no. 3/2012

In the Decision of the Post and Telecom Administration no. 3/2012 from 13 January 2012 on the designation of companies with significant market power and on the imposition of obligations on the wholesale market for call termination in individual mobile phone networks (Market 7), specific companies were designated as having significant market power on the relevant market and appropriate obligations were imposed on these companies. Before the Decision was made, the draft of the Decision was formally notified to the EFTA Surveillance Authority (ESA). The ESA made no comments on the analysis, or on the obligations that the PTA intended to impose on the relevant market. The decision in question was appealed to the Appellate Committee by IP-fjarskipti ehf (Tal) with respect to the price reduction glide path for that company. With the Ruling of the Appellate Committee number 2/2012 from 25 May 2012 the PTA Decision was confirmed.

In the above decision, Síminn hf (Síminn), Fjarskipti ehf (Vodafone), Nova ehf (Nova), IMC Ísland ehf (IMC) and IP-fjarskipti ehf (Tal) were designated as having significant market power on the following markets:

- Call termination in the Siminn GSM/UMTS mobile phone network.
- Call termination in the Vodafone GSM mobile phone network.
- Call termination in the Nova UMTS mobile phone network.
- Call termination in the IMC GSM mobile phone network.
- Call termination in the Tal virtual mobile phone network.

Obligations for access, non-discrimination, and price control were imposed on all companies and in addition to this the obligation for separation of accountancy was imposed on Siminn and Vodafone.

In the above decision, it was stated that the obligation for price control of the company's tariffs prescribed a reduction in call termination rates to ISK 4.0 or another amount decided by the benchmarking, in two steps until 1 January 2013. During the period of validity of the above specified Decision, the call termination rate would then be updated annually on the basis of new benchmarking which should be completed no later than 1 November each year, in the first instance 1 November 2012.

In the Decision, the practice was discontinued of deciding termination rates for Icelandic mobile phone companies with reference to the Siminn cost analysed prices (which were based on historical costs) and this was replaced with benchmarking in accordance with the EFTA Surveillance Authority Recommendation of 13 April 2011 on the Regulatory Treatment of Fixed and Mobile Termination Rates in the EFTA States from 13 April 2011[1]. This change in methodology for deciding termination rates was not appealed to the Appellate Committee or to the courts.

[1] EFTA Surveillance Authority Recommendation of 13 April 2011 on the Regulatory Treatment of Fixed and Mobile Termination Rates in the EFTA States.

1.2 The PTA Decision no. 32/2012

In accordance with the PTA Decision no. 3/2002, the PTA implemented benchmarking to decide prices for termination in individual mobile phone networks (Market 7). The conclusion of the benchmarking was published in Decision no. 32/2012 dated 1 November 2012 on wholesale tariffs for call termination in individual mobile phone networks (Market 7).

In the implementation of the benchmarking the PTA took into account the above specified ESA Recommendation with respect to intervention by the regulatory authorities in call termination rates in mobile phones and fixed line networks. The PTA chose the comparison countries in accordance with Article 12 of the ESA Recommendation in question and it came to light that Belgium, United Kingdom, Denmark, France, Italy, Portugal and Spain had made decisions on termination rates in mobile phone networks that were based on the pure BU-LRIC model in accordance with the Recommendation.

In accordance with the benchmarking results it was the PTA conclusion that the tariff for call termination in individual mobile phone networks in Iceland should be ISK 1.66/minute for the period 1 July 2013 to 31 December 2013. In its preliminary draft the PTA had allowed for the reduced price coming into force from and including 1 January 2013. Because of objections from electronic communications companies and in order to respect proportionality, the PTA decided on the other hand to postpone the coming into force until 1 July 2013.

Before the Decision was made, the draft of the Decision was formally notified to the EFTA Surveillance Authority (ESA). ESA made no comments on the methodology used in implementing the benchmarking in the PTA planned Decision, but pointed out to the PTA that it was not fully in line with the ESA Recommendation, according to which NRAs should ensure that termination rates are implemented at a cost-efficient level by the end of December 2012. The ESA pointed out that the timeframe for implementing the termination rates in accordance with the ESA Recommendation aims to maximum benefits to consumers as soon as possible.

1.3 Ruling of the Appellate Committee for Electronic Communications and Postal Affairs no. 6/2012

On 29 November 2012 Nova appealed the above specified PTA Decision no. 32/2012 to the Appellate Committee. Nova demanded that the Decision be annulled as it contravened Article 32 of the Act on Electronic Communications and on the investigative and proportionality rules of the Administrative Procedures Act. It was thus disputed whether the wholesale price for call termination in individual mobile phone networks of Icelandic electronic communications companies should be ISK 1.66/minute for the period 1 July to 31 December 2013 instead of ISK 4/minute.

The Appellate Committee noted that the appealed Decision had constituted further elaboration of the PTA Decision no. 3/2012 where it had been prescribed that the wholesale tariff for call termination in individual mobile phone networks should be ISK 4/minute or the amount that annual benchmarking demonstrated in the case of another amount. The price should not be higher than the average of those EEA countries that used “bottom-up LRIC” cost analysis as a basis.

The price for termination shall thus be ISK 4/minute unless benchmarking produces another amount. The PTA Decision no. 3/2012 thus indicated that the amount specified in the Decision would alter when the benchmarking results were available. The Siminn cost analysis had thus been discarded for the process of calculating termination rates. With reference to the above the Appellate Committee considered that with the PTA Decision no. 3/2012, the PTA had decided that the final decision on termination rates would be based on benchmarking and that that price should apply where it lower than ISK 4/minute. Further to this the Decision had been made with respect to the methodology that should be used for such benchmarking. Nova had not appealed this Decision. There would thus be no further discussion on issues in the appellant's case related to the PTA Decision that termination rates should be decided on the basis of benchmarking and how this should be conducted. This part of the appeal was thus dismissed by the Appellate Committee.

It was also stated that the annual review, which, pursuant to the Decision 3/2012, should be aimed at 1 November annually, should take place in the first instance on 1 November 2013, as the appealed PTA Decision no. 32/2012 cannot be considered a Decision on the basis of annual review.

The appellant considered that when benchmarking, the PTA had not respected the rule of investigation of Article 10 of the Administrative Procedures Act and had thus not assured that the matter had been adequately clarified before the Decision on an altered and significantly reduced termination rate had been made. In the opinion of the Appellate Committee the documentation of the case had indicated that when making the appealed Decision, the PTA had gathered adequate information on termination rates, according to the methodology that was clearly to be used. This information had then been the basis of the PTA calculation of averages. It was thus the assessment of the Appellate Committee that the PTA's duty to investigate had been fulfilled for the preparation and making of the appealed Decision.

The appellant furthermore considered that the PTA had breached the rule of proportionality of Article 12 of the Administrative Procedures Act when making the appealed Decision. There were no arguments to support the deciding of a price as low as transpired from the time specified by the Decision. There was no legal obligation to do this.

It was stated in the conclusions of the Appellate Committee that only seven of those thirty EEA states that had been examined in the benchmarking in question had decided termination rates on the basis of the methodology in question when the PTA benchmarking took place. The decision on termination rates had thus been based on the average of the seven states. Furthermore, it had been stated in the appealed Decision that approximately half of the states in the EEA area that had decided termination rates using the methodology in question would have taken up such pricing on 1 November 2013, and that in all likelihood they would be more at that point in time.

The Appellate Committee considered that the above specified circumstances warranted an examination of whether the coming into force of the above specified termination price had been timely with reference to the rule of proportionality of the Administrative Procedures Act. It was stated that it could be deduced from the appealed Decision that the Decision on the coming into force of the termination rate on the basis of benchmarking had aimed at adapting as soon as possible the wholesale rates for call termination of electronic communications in this country to the ESA Recommendation on termination rates and to the ESA observations. In the opinion of the Appellate Committee there was no doubt whatsoever about the legality of this objective. Furthermore, the postponement of the coming into force of the termination rates according to the appealed Decision had been in accordance with the rule of proportionality in the Administrative Procedures Act in that by virtue of the postponement it was possible to achieve the objectives aimed at in a milder manner than coming into force on 1 January 2013 would have meant.

The Appellate Committee considered on the other hand that when making the Decision on when the termination rates according to the appealed Decision should come into force, it mattered that at the time that the benchmarking was made only 7 states of the 30 comparison states had decided to apply the cost analysis methodology in question and decided termination rates on the basis of this methodology that came into force prior to or from 1 July 2013. Even though information had been available to the effect that half of the comparison states had adopted pricing on the basis of this methodology in mid-2013, the decisions of those states on the amount of termination rates would not have been available at the time that the appealed Decision was made. Opinions on the likelihood of even more states having adopted such a cost analysis methodology add nothing to the criteria for the Decision. The appealed Decision was thus solely based on the average of the 7 comparison countries that it had been possible to use for reference.

Furthermore, the Committee noted that according to information from June 2013, a total of 20 states had decided to base termination rates on the cost analysis methodology in question. In 5 of the countries such prices had come into force during the period 31 December 2012 to 30 June 2013. In addition to this the decision to apply the methodology in question would come into force in eight countries on 30 June and 1 July 2013. In seven of these 20 countries, such termination rates would come into force later in the year 2013 or in 2014. This means that 13, just under half of the EEA states, adopted the cost analysis methodology at the same time as prescribed by the appealed Decision. Information was not available to the Appellate Committee on whether a decision had been made on the amount of termination rates in these countries, nor on what that amount was.

In the light on the one hand of how many comparison countries had decided a later date for implementing the change than that used by the PTA, or that had not made any decision on the adoption of the cost analysis methodology in question, and on the other hand because a burdensome decision was being made, the Committee decided that it was not clear that the bringing into force of the new termination rate had been necessary on 1 November 2013 in this country. The objective of harmonising termination rates with the comparison countries could have been achieved with a longer postponement of the coming into force of the new termination rates.

With reference to the above it was the assessment of the Appellate Committee that it had not been necessary for the termination rate that had been decided in the appealed Decision to come into force from 1 November 2013. A longer postponement of the coming into force of the termination rate would have been more in accordance with the rule of proportionality in the Administrative Procedures Act. For this reason it would be proper to rescind the part of the appealed Decision that related to its coming into force on 1 November 2013. The Appellate Committee expected that a Decision that would be made subsequent to this Ruling on the commencement of the termination rate, according to the appealed Decision would be in force until the annual review announced with the PTA Decision no. 3/2012, had taken place and come into force.

1.4 National consultation

The PTA opened a national consultation on the preliminary draft to the Decision here under discussion on 22 August 2013 and this consultation ended on last 9 September. Comments were received from Fjarskipti ehf (Vodafone) and Síminn hf.

Vodafone commented that special circumstances in Iceland had not been taken into consideration, where the company referred among other things to the rule of proportionality in the Administrative Procedures Act in this connection. Vodafone furthermore requests that the PTA find a realistic cost assessment by studying specifically Icelandic circumstances and that it determines termination rates on the basis of these factors.

The PTA points out that Vodafone's comments in no way relate to the PTA Draft Decision on annual review of termination rates that is here under discussion. The Decision solely relates to the implementation of the benchmarking prescribed in PTA Decision no. 3/2012, a Decision that was not appealed by Vodafone. The methodology for implementing the benchmarking is the same as was used in the PTA Decision no. 32/2012 and is accordance with the ESA recommendation.

The PTA Decision no. 32/2012 was appealed to the Appellate Committee for Electronic Communications and Postal Affairs, as stated here above. In the ruling by the Appellate Committee the Nova plea relating to the methodology used to calculate maximum termination rates, that is to say benchmarking, was dismissed. The comments made by Nova in this relation were mostly directed to special Icelandic circumstances which in Nova's view should be taken into consideration. In the ruling it says among other things:

"With reference to the above the Appellate Committee considered that with the PTA Decision no. 3/2012, the PTA had decided that the final decision on termination charges would be based on benchmarking and that that price should apply, were it lower than ISK 4/minute. Further to this the decision was made on the methodology which should be used for such comparison. The appellant did not appeal this ruling. There will thus be no further discussion on issues in the appellant's case related to the PTA Decision that termination rates should be decided on the basis of benchmarking and how this should be conducted. This part of the appeal was thus dismissed by the Appellate Committee."

In the same ruling it says among other things with relation to the PTA investigation for the PTA Decision no. 32/2012:

"In the light of the above it was thus the assessment of the Appellate Committee that the PTA's duty pursuant to Article 10 of the Administrative Procedures Act had been fulfilled with respect to the preparation and making of the appealed Decision."

The above-specified comments from Vodafone can thus not provide a reason to alter the planned PTA decision.

The Siminn comments constituted reference by the company to its prior comments submitted in connection with the national consultation that took place prior to the PTA Decision no. 32/2012. The PTA has already replied to those comments in that Decision and refers to them.

2. Criteria for benchmarking

As was stated in the PTA Decision no. 3/2012 the PTA shall make an annual Decision on the maximum termination rate for Icelandic electronic communications companies subsequent to benchmarking with EEA states, according to a more specifically defined methodology, no later than 1 November each year, which should apply from and including 1 January the following year. With the Ruling of the Appellate Committee for Electronic Communications and Postal Affairs no. 6/2012 from last 30 June this methodology was confirmed. The Appellate Committee did however revoke that part of the PTA Decision no. 32/2012 from 1 November 2012 that related to the coming into force of the price reduction which was to take place last 1 November, from ISK 4/minute to ISK 1.66/minute, and expected that the PTA would make a Decision subsequent to the Ruling with respect to the commencement date for the termination rate which would apply until the annual review had taken place and come into force.

The above specified wording of the Ruling can be understood to mean that the Committee had opened the possibility for the PTA to make a decision on a new period of validity for termination rates, which could come into force sometime in the latter half of 2013. The PTA however considers that there is no basis for altering the annual review process, which shall be completed with a Decision, no later than 1 November each year with the coming into force of the Decision from 1 January of the next year; see the previously referenced PTA Decision no. 3/2012. The time required for processing such a Decision is a number of months if one includes national consultation and consultation with ESA. It is thus unrealistic in the opinion of the PTA to make an additional Decision before the Decision which is now being presented, no later than the coming 1 November before prices that shall apply for the year 2014 are published. With this document, the PTA therefore announces a Decision on maximum termination rates, which shall apply in the year 2014. A final Decision shall be published no later than 1 November 2013.

As stated here above the Appellate Committee did not agree with the Nova comments on the methodology used by the PTA when implementing benchmarking pursuant to decision no. 32/2012. The PTA will follow the same methodology with this benchmarking as was used in the last benchmarking.

The EU Commission issued a Recommendation with respect to the regulatory treatment of termination rates in mobile phones and fixed line networks in May 2009[2]. The Commission considered that obligations with respect to termination rates were not sufficiently homogenous in member states of the Union and decided to issue a regulation to support harmonisation. ESA issued an analogous Recommendation on 13 April 2011[3].

The main rule according to the Recommendation is that the regulatory authorities should prescribe termination rates that take into account the cost of call termination in mobile phone networks in efficiently designed electronic communication networks, in accordance with a cost model based on the Long-Run Average Incremental Cost (LRIC) methodology[4].

[2] COMMISSION RECOMMENDATION of 7.5.2009 on the Regulatory Treatment of Fixed and Mobile Termination Rates in the EU.

[3] EFTA Surveillance Authority Recommendation of 13 April 2011 on the Regulatory Treatment of Fixed and Mobile Termination Rates in the EFTA States.

[4] Long-run incremental cost i.e. 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.

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 LRIC cost model[5], what is known as "pure LRIC".

The incremental service in question in the pure 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, without 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 are 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 LRIC cost model, unless BEREC assisted them professionally and/or financially to make such a model. Up to that point in time, that is to say, from and including 1 January 2013, it is authorised to use for example benchmarking, 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 LRIC should not be higher than the average rates in the EEA states that apply the pure LRIC methodology when calculating call termination rates in mobile phone networks.

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.

The PTA took advantage of the exemption in Article 12 of the ESA Recommendation described here above, see also the authority in Paragraph 4 of Article 32 of the Electronic Communications Act, and implemented benchmarking for the purpose of deciding rates on the wholesale market for call termination in individual mobile phone networks pursuant to the Decision 32/2012 dated 1 November 2012. The decision went for consultation to the ESA which made no comments on this implementation by the PTA. As previously stated the Appellate Committee confirmed the use of this methodology for deciding termination rates but however revoked that part of the Decision that related to the coming into force of the reduction was to take place on last 1 November because this had not been in accordance with proportionality when the Decision was made as to few countries had employed the cost analysis methodology in question at that point in time. Furthermore the Appellate Committee instructed the PTA to make a new benchmarking and decision. The PTA hereby announces this decision.

[5] One speaks of a "bottom-up" LRIC model (BU-LRIC) in the case of a cost model for calculating the price of service on the basis of costs incurred in an efficiently designed electronic communications network in the relevant electronic communications market.

When selecting countries for comparison the electronic communications markets in the EEA are used which comprise 31 states including Iceland. Since the previous benchmarking Croatia has been added to the comparison countries as Croatia became a party to the European Union and thus to the EEA on 1 July 2013.

The PTA plans to apply the following main criteria as a basis for calculations of termination rates when benchmarking is applied:

- Reference should be 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 prices should be based on conclusions on termination rates according to calculations based on the pure LRIC model which are available in July of the year when the benchmarking was made in each instance. When benchmarking a formal Decision shall have been made by the regulatory authority in question.
- The resulting price shall not be higher than the average in those countries that fulfil the above conditions.

3. Calculation of termination rates

In accordance with PTA Decisions nos. 3/2012 and 32/2012 and the above specified Ruling of the Appellate Committee no. 6/2012, the PTA has now gathered information on termination rates on the wholesale market for call termination in individual mobile phone networks in EEA states for the purpose of benchmarking[6].

As the reference is available rates from last July, this report uses the average exchange rate of the currency in question in ISK for the second quarter of 2013[7]. In this respect the PTA has among other things, taken into account the methods used by BEREC in its regular benchmarking of termination rates[8].

In the Recommendations from the EU Commission and from ESA it is stated with respect to intervention by the regulatory authorities in call termination rates in mobile phones and fixed line networks, that if benchmarking is used it shall return results that harmonise with the objectives of the Recommendations. It is also stated there that the resulting rates may not exceed the average of the termination rates that have been decided by electronic communications regulatory authorities that use the pure BU-LRIC cost model as a basis for calculating the rates. 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 will only include comparison countries where the termination rates had been decided with the pure BU-LRIC methodology.

[6] Source: CIRCABC, Cullen International, ESA and electronic communications regulatory authorities in question.
[7] Central Bank of Iceland mid-rates, see Appendix B.
[8] See BEREC BoR (11) 35 MTR Benchmark snapshot (as of July 2011).

In 14 EEA states the relevant regulatory authorities have made decisions on termination rates in mobile phone networks that are based on the pure BU-LRIC model. The regulatory authority in Holland also made a decision on termination rates that is based on the pure LRIC model but the Appeal Court rescinded the regulatory authority's decision and for this reason the PTA will not use the conclusions from Holland in its benchmarking. The PTA will use the termination rates that these 14 authorities have decided, as a basis for the Decision on termination rates in this country according to the statement made by the PTA in the above-mentioned PTA Decision no. 32/2012, and as the Appellate Committee confirmed in its above specified Ruling as being proper to use.

In table 3.1 these 14 states are specified along with corresponding termination rates in ISK, according to the pure LRIC model. In Appendix A one can also find the termination rates in the currency of the country in question.

Table 3.1 Overview of countries used in the benchmarking

Comparison countries		***Cost-Model***	***Termination ISK/minute***
BE	Belgium	Pure LRIC	1.70
UK	United Kingdom	Pure LRIC	1.57
BG	Bulgaria	Pure LRIC	1.61
DK	Denmark	Pure LRIC	1.69
FR	France	Pure LRIC	1.26
GR	Greece	Pure LRIC	1.73
IT	Italy	Pure LRIC	1.54
HR	Croatia	Pure LRIC	1.31
PT	Portugal	Pure LRIC	2.00
PL	Poland	Pure LRIC	1.61
SK	Slovakia	Pure LRIC	1.93
ES	Spain	Pure LRIC	1.72
SE	Sweden	Pure LRIC	1.66
CZ	Czech Republic	Pure LRIC	1.65
		Average	1.64

In deciding the rates for termination in mobile phone networks in Iceland the PTA used an arithmetic average of the above specified termination rates. The average is ISK 1.64/minute (€cent 1.04).

4. Decisions on termination rates in EEA states

Because of the comments by the Appellate Committee in the above specified Ruling no. 6/2012 on the Nova appeal of the PTA Decision no. 32/2012, the PTA has examined implementation in EEA states in a more detailed manner with respect to recommendations from ESA and the EU Commission with respect to intervention by regulatory authorities in termination rates in mobile phone networks.

In table 4.1, one can see an overview of the cost models used as a basis for decisions on termination rates in mobile phone networks within the EEA states and when prices, according to the Recommendations came into force or will come into force.

It is appropriate to indicate that the PTA does not use all states that have decided termination rates according to the Recommendations in the benchmarking. This is because the PTA only uses termination rates that are decided on the basis of a pure LRIC model, see the above specified 14 states, and not termination rates based on benchmarking, even though such benchmarking is in accordance with the recommendation - (marked “BM-pure LRIC” in table 4.1).

If a decision is not available from a regulatory authority on termination rates in accordance with the Recommendation, table 4.1 specifies the cost model on which the current termination rates are based. It is also specified in the table when the regulatory authority in question plans to impose termination rates in accordance with the Recommendation, where this information is available.

Table 4.1. Overview of basis for price decisions according to ESA Recommendations

Country	Cost model, according to decision in force	Coming into force of prices according to the Recommendation
Austria	LRAIC[9]	on date of decision[10]
Belgium	Pure LRIC	1 Jan 2013
Denmark	Pure LRIC	1 Jan 2013
Finland	FDC[11]	NA[12]
France	Pure LRIC	1 Jan 2013
Germany	LRIC	NA
Greece	Pure LRIC	1 Jan 2015
Ireland	BM-Pure LRIC[13]	1 July 2013[14]
Italy	Pure LRIC	1 July 2013[15]
Luxembourg	BM	Scheduled for Jan, 2014
Holland	Pure LRIC/LRIC+	1 Sept 2012
Norway	LRAIC	NA
Portugal	Pure LRIC	31 Dec 2012
Spain	Pure LRIC	1 July 2013
Sweden	Pure LRIC	1 July 2013
United Kingdom	Pure LRIC	1 April 2014
Bulgaria	Pure LRIC	1 July 2013
Croatia	Pure LRIC	1 Jan 2015
Cyprus	LRIC	NA
Czech Republic	Pure LRIC	1 July 2013
Estonia	BM-Pure LRIC	1 July 2013
Hungary	LRIC	Estimated Jan 2014
Latvia	BM-Pure LRIC[16]	1 April 2013
Lithuania	BM-Pure LRIC	1 April 2013
Malta	BM	Estimated 2013
Poland	Pure LRIC	1 July 2013
Rumania	LRIC	Estimated 2014
Slovakia	Pure LRIC	1 August 2013
Slovenia	LRIC+	Estimated July 2014
Lichtenstein	BM	NA

According to the above it is clear that 14 states have already applied the cost analysis methodology in question, and 4 states in addition have applied benchmarking against such states, as Iceland does here, a total of 18 states. In 15 of these states the rates in question had come into force last 1 July and at least one more will be in this position before the end of the year. This means that the rates in question will have come into force in at least 16 states on next 1 January when it is planned that the reduction of termination rates will come into force in Iceland. In a number of states it is established that the regulatory authorities plan to follow the Recommendation but decisions have not been issued in accordance with this. One could

[9] LRAIC: long run average incremental cost.
[10] The existing draft decision allows for pure LRIC rates coming into force on the date of the decision.
[11] FDC means "fully distributed costs"
[12] NA means that the information is not available
[13] BM means "benchmarking". BM – Pure LRIC means that the state in question takes into account the recommendation and only applies the conclusions from pure LRIC models in the benchmarking.
[14] An Irish court has made a pronouncement with respect to the Irish regulatory authority's authorisation to use benchmarking to determine termination rates. The final conclusion of the court has not yet been reached, which means that the rates based on benchmarking are still in force in Ireland.
[15] The Dutch appeal court recently rescinded the decision by the Dutch regulatory authority and instead decided termination rates on the basis of the LRIC+ model.
[16] Adapted with "top-down" model.

for example mention that in Luxembourg the relevant regulatory authority plans to decide termination rates for mobile telephone networks from and including 1 January 2014 on the basis of benchmarking with a pure LRIC rate (0.98 €cent) and Draft Decision to that effect has already been submitted for national consultation in Luxembourg. In Austria the relevant regulatory authority has sent a Draft Decision to the EU Commission which specifies that a new termination rate (€cent 0.8049) based on the pure LRIC model will come into force with the coming into force of the Decision which is planned for this year. In Malta the regulatory authority has calculated termination rates in mobile phone networks according to the pure LRIC model (0.4 €cent) but it is not yet established when termination rates according to this conclusion will come into force. In addition to this the regulatory body in Slovenia has drafted a Price Decision (€cent 1.05), which plans to use benchmarking in accordance with the Recommendation until the results of the pure LRIC model are available in July 2014.

In certain states, however, there could however be some delay until termination rates in accordance with the Recommendation come into force and one could mention Finland in this context, as the Recommendation conflicts with Finnish law. In addition to this the Norwegians have developed a pure bottom-up LRIC model and according to information from the Norwegian regulatory authority one can expect a decision on the next steps to be published for consultation in Norway in the final quarter of this year.

In general, termination rates in mobile phone networks in the EEA area have decreased in recent months. If one examines the 11 states where no decision is available from the regulatory authorities on termination rates in accordance with the Recommendation, one can see that the existing termination rates are lower than ISK 4/minute in the majority of these states.

5. PTA conclusion

In accordance with the conclusions of the above specified benchmarking it is the conclusion of the PTA that the wholesale rates for call termination in individual mobile phone networks in Iceland shall be ISK 1.66/minute for the period 1 January 2014 to 31 December 2014. These are maximum wholesale rates per minute ex VAT. In accordance with the PTA Decision no. 3/2012 the rates should be the same with all companies. The current termination rate, ISK 4.00/minute, shall remain unchanged for the rest of the year 2013.

Table 5.1 Termination rates in GSM/UMTS mobile phone networks

Company	*Unit*	*Price until 31 December 2013*	*Price 1. January 2014- 31. December 2014*
Siminn	ISK/minute	4.00	1.64
Vodafone	ISK/minute	4.00	1.64
Nova	ISK/minute	4.00	1.64
IMC/Alterna	ISK/minute	4.00	1.64
Tal	ISK/minute	4.00	1.64

Source: Post and Telecom Administration

The PTA will review all the above specified termination rates in accordance with annual results of the PTA benchmarking, which shall be completed with a decision by 1 November each year. This will be done without the PTA needing to make a new market analysis of the relevant market, as this is simply a case of technical implementation of a specific obligation. Such a change does however require domestic consultation and consultation with ESA before a final decision on changes is made, in the same manner as has been done to date. The PTA furthermore plans to commence a new total market analysis of Market 7 in the latter part of next year. A new decision on this market could be seen early in 2015.

The Decision

In accordance with benchmarking implemented by the Post and Telecom Administration it is the conclusion of the Post and Telecom Administration that the wholesale rate for call termination in individual mobile phone networks in Iceland shall be ISK 1.64/minute for the period 1 January 2014 to 31 December 2014. This is the maximum wholesale rate per minute ex VAT. The termination rate currently in force, ISK 4.00/minute, shall remain unchanged for the rest of the year 2013.

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 to be paid pursuant to Article 6 of Regulation number 36/2009 on the Appellate Committee for Electronic Communications and Postal Affairs.

Reykjavík, 26 September 2013

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Hrafnkell V. Gíslason

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Óskar H. Ragnarsson,

Attached:
Appendix A – Overview of termination rates
Appendix B – Exchange rate table

6. Appendix A – Overview of termination rates

Country	Currency	Glide path		Current cost model	Pure LRIC price - coming into force		Comparison Price ISK/min.
		Final price in glide path	Date of final price		Dated	Pure LRIC rates	
Austria	€cent	0.805	Decision date	LRAIC	Decision date	Estimated 0.805[17]	
Belgium	€cent	1.080	1 Jan 2013	Pure LRIC	1 Jan 2013	1.080	1.70
Denmark	DKK	0.080	1 Jan 2013	Pure LRIC	1 Jan 2013	0.080	1.69
Finland	€cent	2.800	21 Dec 2010	FDC	NA	NA	
France	€cent	0.800	1 Jan 2013	Pure LRIC	1 Jan 2013	0.800	1.26
Germany	€cent	1.790	1 Dec 2013	LRIC	NA	NA	
Greece	€cent	1.099	1 Jan 2015	Pure LRIC	1 Jan 2015	1.099	1.73
Ireland	€cent	1.040	1 July 2013	BM-Pure LRIC	1 July 2014	NA	
Italy	€cent	0.980	1 July 2013	Pure LRIC	1 July 2013	0.980	1.54
Luxembourg	€cent	8.200	1 July 2008	BM	NA	NA	
Holland	€cent	1.017	1 Sept 2012	Pure LRIC/LRIC+	1 Sept 2012	1.017	
Norway	NOK	0.160	1 Jan 2013	LRAIC	NA	NA	
Portugal	€cent	1.270	31 Dec 2012	Pure LRIC	31 Dec 2012	1.270	2.00
Spain	€cent	1.090	1 July 2013	Pure LRIC	1 July 2013	1.090	1.72
Sweden	SEK	0.900	1 July 2013	Pure LRIC	1 July 2013	0.090	1.66
United Kingdom	Pence	0.670	1 April 2014	Pure LRIC	1 April 2013	0.848	1.57
Bulgaria	BGN	0.019	1 Jan 2015	Pure LRIC	1 July 2013	0.020	1.61
Croatia	HRK	0.063	1 Jan 2015	Pure LRIC	1 Jan 2015	0.063	1.31
Cyprus	€cent	1.709	Jan 2013	LRIC	NA	NA	
Czech Republic	CZK	0.270	1 July 2013	Pure LRIC	1 July 2013	0.270	1.65
Estonia	€cent	1.290	1 July 2013	BM-Pure LRIC	NA	NA	
Hungary	HUF	7.060	1 Jan 2013	LRIC	Jan 2014	NA	
Latvia	LVL	0.011	1 April 2013	BM-Pure LRIC[18]	NA	NA	
Lithuania	LTL	0.036	1 April 2013	BM-Pure LRIC	30. Sept 2013	NA	
Malta	€cent	2.070	1 July 2012	BM	Estimated 2013	NA	
Poland	PLN	0.043	1 July 2013	Pure LRIC	1 July 2013	0.043	1.61
Rumania	€cent	3.070	1 Sept 2012	LRIC	Estimated 2014	Estimated 11	
Slovakia	€cent	1.226	1 August 2013	Pure LRIC	1 August 2013	1.226	1.93
Slovenia	€cent	3.240	1 Jan 2013	LRIC+	Estimated July 2014	NA[19]	
Lichtenstein	CHF (cents)	7.650	1 Jan 2013	BM	NA	NA	

[17] According to the conclusions of pure LRIC model. Decision not yet published.
[18] Adapted with "top-down" model.
[19] A draft price decision (€cent 1.05), which plans to use benchmarking in accordance with the recommendation until the results of the pure LRIC model are available.

7. Appendix B – Exchange rate table

Central Bank of Iceland mid-rate for second quarter 2013

Currency	***Mid-rate***[20] ***2. April: - 28. June 2013***
BGN	80.51
CHF	127.91
CZK	6.10
DKK	21.12
EUR	157.47
GBP	185.04
HUF	0.53
LTL	45.61
LVL	224.67
NOK	20.68
PLN	37.49
SEK	18.39
HRK	20.84

[20] The daily mid-rate is used to calculate the average for the period 2 April-28 June 2013.