

Belgacom response to BEREC consultation on Special Rate Services

1. Introduction

Belgacom welcomes the opportunity to respond to BEREC's public consultation on Special Rate Services (SRS).

Belgacom believes the discussions that have taken place in Belgium are very interesting and can serve as general guideline in the resolution of the issues indicated in the consultation.

2. History:

In 2009 a new Belgian legislation imposed that the maximum retail price for calls to VAS numbers be the same for mobile networks as for fixed networks. As from that moment, the retention for calls from our mobile network was lowered to the level of the retention for calls to VAS numbers from our fixed network. As mobile operator, we considered that this retention was insufficient.

As a result of this new legal situation, we proposed as mobile operator to the market to increase the retention for calls to VAS services from our mobile networks. The terminating operators did not accept an increase of retention as proposed by the mobile operators and were only prepared to accept a retention level in line with the MTR.

Belgacom considered that there is no legal basis to consider cost orientation for the collecting of calls from its mobile network but that a reasonable retention comparable to a normal call from its mobile network to another fixed network should be possible.

Given the disagreement of the market, the retention remained at a level that was equivalent to the level determined by the national regulator for the fixed network of Belgacom.

During a period of 2.5 years there was no possibility to increase the retention from the mobile network. This illustrates the major difficulty in the negotiations, and shows also that the power of negotiation and leverage is as at least as much in the hands of the terminating operators as with the originating operators.

Thanks to the national regulator, who acted as facilitator in the negotiation (not as regulator), there was a possibility to progress in the negotiations. This resulted in a communication from the regulator about a model for VAS calls from mobile networks that would result in a reasonable retention for the mobile operators.

3. Price mechanism:

In Belgium, the retail pricing for calls to VAS numbers is regulated on the basis of numbering legislation. For each number range of a specific VAS service there is a maximum retail price level e.g. maximum 50 eurocent per minute (VAT included) for calls to the 0900 number range from a fix or a mobile network. For the sake of this discussion, we do not take any position on the legality of such a maximum retail price level.

Since it is not allowed to exceed this price maximum level defined per number range, it is not possible for the operators to apply a mechanism comparable with C+S.

The "S" value collected by the originating operator on behalf of the terminating service provider is transferred to the service providers.

The originating operator then bills a fee related to the service delivered by the originating operator to handle the call to this VAS number.

So the "S" value transferred to the terminating service provider also serves to compensate the originating operators for handling the calls to their VAS numbers.

The difficulty in these negotiations is therefore to split the collected revenue between the originating operators and the terminating operators serving the service providers.

A maximum price level per VAS number range is indeed one of the ways – not the only way – to guarantee transparency to the consumers, but it definitely increases the difficulties to come to an agreement with the different operators involved in the VAS value chain.

4. Proposal for retention from the mobile networks:

As indicated, the regulator published a communication where an acceptable methodology was described to determine the retention of the mobile operators for calls to VAS numbers. This communication is attached to this contribution.

A reasonable retention for calls to VAS numbers is composed of 2 elements:

1. The first element is a reasonable remuneration for the mobile operator as if the mobile user would call a landline destination. This remuneration can be calculated in different ways. But in fact it should correspond to the C element in a C+S model:
 - a. It could be based on the total average revenue from the mobile network to fixed destination calls from those customers calling to the VAS numbers.
 - b. It could be calculated based on a wholesale discount applied on the average revenue for calls from the mobile network to a fixed destination for residential customers.
 - c. But, as indicated, it should in principle correspond to the average retail revenue (average "C" revenue) to a landline number which the mobile operator would collect from the customers calling VAS numbers in a C+S model.
2. The second element corresponds to the additional costs for the mobile operator to handle the calls to VAS numbers. This includes specifically the traditional increased bad debt costs for calling expensive VAS numbers and customer service costs. But it also contains the technical and operational costs to handle the VAS calls and to comply with the specific regulation still imposed to the mobile operators (instead of the terminating service providers) in respect to VAS services.

Belgacom considers that this methodology can be extended to 0800 services. In particular the first element described above. This methodology results in reasonable revenue for the mobile operator when handling calls to 0800 numbers.

5. Preferred solution:

We support this solution communicated by the national regulator in the given circumstances where the maximum retail price to VAS numbers is regulated.

Our preferred solution is however that the legislator would define a C+S model where the Communication charges "C" correspond to the price plan selected by the particular mobile user and where "S" is defined as a maximum price level per number range.

This methodology also guarantees even more transparency since the mobile user knows the communication charges that will be charged on top of the "S" cost. In this model the "S" cost is regulated at a maximum pricing which guarantees a full customer protection from the VAS service point of view.

In this model the originating operator (whether it be a mobile or a fixed operator) receives revenue that corresponds to a normal call to a fixed destination (part 1). In this model only the additional costs related to handling a VAS call (part 2) will have to be charged to the terminating service provider.

The main advantages for the service providers are that the revenue will be less origin dependant, that it reduces the difficulties in the negotiations between operators to share the "S" between operators, leading to a less conflictuous model, with more legal

certainty and, for the consumer, that the pricing is even more transparent. Moreover, it is also clearer for the consumer who is the provider behind content services, which is useful when it comes to complaints etc.