

DECISION ON THE DRAFT RESIDENTIAL TARIFF OF THE UNIVERSAL FIXED TELEPHONE SERVICE FOR 2013, SUBMITTED BY PTC ON 25/10/2012

- On 25/10/2012, PTC submitted to ICP - ANACOM a draft revised basic tariff of the universal fixed telephone service for residential private telephones, to take effect on 01/01/2013, based on the inflation rate expected for 2013, according to the Draft State Budget for 2013 (OE2013), of 0.9%. The proposal covers both the main tariff, which applies by default, and the alternative tariff, which applies on an optional basis upon customer request.
- As far as the main tariff is concerned, PTC's proposal consists in the reduction by 23.3% in the charge per minute of peak hour calls, from 0.0318 to 0.0244 Euros per minute (no VAT included), as shown in the table below.

Main tariff of the fixed telephone service proposed by PTC to take effect on 01/01/2013

Values excluding VAT	Start price (Euro)		Time credit (seconds)		Price per minute (Euro)	
	Working days 9am-9pm	Other time slots	Working days 9am-9pm	Other time slots	Working days 9am-9pm	Other time slots
Local/National	0.0700	0.0000	60,00	-	0.0244	0.0000
Setup	71.83					
Line rental	12.66					

Source: PTC, letter dated 25/10/2012.

- As regards the alternative tariff, PTC's proposal consists in the reduction by 2.27% in the monthly line rental charge, from 11.92 to 11.62 Euro (no VAT included), according to the table below.

Alternative tariff of the fixed telephone service proposed by PTC to take effect on 01/01/2013.

Values excluding VAT	Start price (Euro)		Time credit (seconds)		Price per minute (Euro)	
	Working days 9am-9pm	Other time slots	Working days 9am-9pm	Other time slots	Working days 9am-9pm	Other time slots
Local/National	0.0700	0.0700	60,00	60,00	0.0277	0.0084
Setup	71.83					
Line rental	11.65					

Source: PTC, letter dated 25/10/2012.

- By determination of 14/12/2004¹, approval was given to obligations to be imposed on narrowband retail markets of companies Grupo PT, identified as being provided with significant market power (SMP) in each of those markets, namely: (i) to ensure transparency through the publication of tariffs, levels of quality of service and other offer conditions; (ii) not to show an undue preference for specific final users; (iii) to make prices cost oriented; (iv) to maintain a cost accounting system; (v) to separate accounts and (vi) to maintain price affordability.
- To guarantee price affordability and cost-orientation, a specific price-cap was adopted for the residential market, so as to gradually make prices cost oriented and to transfer efficiency gains to clients, having been also determined that, even if ICP - ANACOM defined alterations to the specific elements implementing the price control obligation, the price-cap provided for in the Universal Service Price Convention² for the subscriber mode, of CPI-2.75% would continue to apply to services previously

¹ http://www.anacom.pt/streaming/OMR29.11.20041.pdf?categoryId=120742&contentId=246306&field=ATTACHED_FILE.

² The Price Convention for the Universal Telecommunications Service, concluded on 30/12/02 between DGCC - Direcção-Geral do Comércio e da Concorrência (Commerce and Competition General Directorate), ICP-ANACOM and PTC, laid down the price regime applicable to the provision of the Universal Service (a) FTS in subscriber mode: analogue network line setup, analogue network line rental and telephone communications in the country, (b) FTS in public pay telephone mode - telephone communications in the country, and (c) Telephone directories and directory enquiry service, setting out that US prices should take into account, inter alia, the gradual adjustment of prices to costs and the guarantee of affordability to all users - <http://www.anacom.pt/render.jsp?contentId=976453>.

provided for in the same document, that is, the setup of an analogue network line, analogue network line rental and telephone communications within the country.

6. Given the inflation rate entered in the Draft State Budget for 2013, of 0.9%, the applicable price-cap for that year is -1.85%.
7. Having PTC's proposal been analysed, it was concluded that:
 - a. The draft tariff of the universal fixed telephone service applicable by default (main tariff), submitted by PTC to take effect on 01/01/2013, complies with the applicable price-cap;
 - b. The draft tariff applicable on an optional basis upon customer request (alternative tariff), submitted by PTC to take effect on 01/01/2013, also complies with the applicable price-cap;
 - c. As regards the possibility of replicating tariffs proposed by PTC on the basis of that operator's wholesale offers, and taking into account the "line rental + traffic" set, alternative operators, if they so wish, may replicate PTC's prices for both tariff options (taking into account all the relevant residential traffic: PTC-PTC; PTC-OSP and PTC-Mobile Operators);
 - d. As far as the cost-orientation of prices is concerned, it is concluded that taking into account the "line rental + traffic" set, the estimated margin achieves positive values, leading to the conclusion that PTC's income is sufficient to cover any costs incurred;
 - e. Given the impact of the tariff of communications from PTC's network to direct clients of other providers (PTC-OSP) in the analysis of the basic tariff of the fixed telephone service to residential private telephones³, as well as the relation between both tariffs⁴, it is useful that in future amendments of PTC's US tariff, this operator submits, together with the US draft tariff, a draft PTC-OSP tariff to last while the US basic tariff is in force.
8. Accordingly, under the powers provided for in points b), d), f) and h) of paragraph 1 of article 6 of the Statutes in annex to Decree-Law No 309/2001 of 7 December and under paragraph 1 of article 93 of Law No 5/2004 of 10 February, as amended and republished by Law No 51/2011, of 13 September, and in accordance with the regulatory objectives set out in points a) and c) of paragraph 1, points a) and b) of paragraph 2 and point a) of paragraph 4, all of article 5 of the same Law, the Management Board of ICP-ANACOM hereby determines:
 - a. Not to oppose the draft tariff submitted by PTC, given its compliance with the applicable regulatory principles, namely the applicable price-cap;
 - b. To submit PTC's proposal to the opinion of ICP - ANACOM's Advisory Council, under point c) of article 37 of this Authority's Statutes, and any developments arising therefrom being notified to PTC in good time;
 - c. To order PTC to submit to this Authority, together with future draft alterations of the US tariff, a draft alteration of the PTC-OSP tariff, as well as intra-network, PTC-OSP and PTC-Mobile Operator traffic data which is usually submitted and required for the analysis of drafts.

³ Given that, in the scope of analyses of replicability of the basic tariff, and as declared on previous occasions by ICP - ANACOM, namely in the scope of the analysis of the Universal Service basic tariff for 2012, it is deemed appropriate to take all the relevant residential traffic into account (PTC-PTC traffic; PTC-Other Fixed Operators (OSP) traffic and PTC-Mobile Operators traffic).

⁴ By determination of 14/12/2004, on the imposition of obligations on narrowband retail markets, it was decided to maintain the rule to check compliance with the inter-network tariff laid down in determination of 03/11/2000: "prices of calls originated on PT's network and terminated on networks of other FTS providers should be identical to prices charged for calls originated and terminated on PT's network, although these prices may be adjusted by the duly justified and quantified difference between the cost of termination of calls on PT's network and the cost of termination of calls on the network of each FTS provider. In other words, there may be differences between the prices of calls to different operators, provided that this difference results from the variation in the amount of the relevant termination charges".