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<http://www.anacom.pt/template31.jsp?categoryId=214961>

Determination of 26.12.2002

## DECISION RELATED TO THE REFORMULATION OF PT COMUNICAÇÕES, S.A.'S LEASED LINES OFFER

### BACKGROUND

1. By determination of the Board of Directors of ANACOM of 07/11/02 (see <http://www.anacom.pt/template12.jsp?categoryId=48350>) the leased lines tariffs reformulation proposal submitted by PT Comunicações, S.A. (PTC) was refused on 14/10/02, since the same was against what had been decided on 19/09/02 (see <http://www.anacom.pt/template12.jsp?categoryId=44310>), as far as compliance with the cost-orientation principle is concerned, namely as to the prices proposed for local ends of the circuits with a capacity of nx64Kbps.
2. The period elapsed since the beginning of the tariffs reformulation case allowed the disclosure of more recent data, which showed, as a whole, costs that were lower for this service.
3. PTC sent, on 06/12/02, a tariffs proposal for the leased lines service, which was subject to revision as a result of the request made by ANACOM on 16/12/02.

### PTC PROPOSAL OF 16/12/02

4. The new draft tariffs proposal sent on 16/12/02, contains, as far as the tariffs submitted on 06/12/02 are concerned, reductions in PTC net income, by reference to the installations of June 2001, in the amount of 3.5% in local ends of circuits with a capacity of 64Kbps, 10.6% in local ends of circuits with a capacity of n\*64 kbps, 10.5% in local ends of circuits with a capacity of 2 Mbs, 9.1% in the main sections of the circuits with a capacity of 64 Kbps and 7.1% in the main sections of the circuits with a capacity of 2Mbps.
5. As to the tariffs currently in force, the proposal of 16/12/02 is characterized, in short, by the following variations in the income net of discounts:
  - a) Reduction of about 16% in the circuits with a capacity between 64kbps and 2Mbps;
  - b) Reduction of 30% in the local ends of the circuits with a capacity of N\*64Kbps and 2Mbps;
  - c) Increases of approximately 30% and 33%, respectively, for the main sections of circuits with a capacity of 64Kbps and n\*64Kbps up till 10 kms of length;

- d) Reductions till a maximum of about 18% in the main sections of the circuits with a capacity of n\*64Kbps and 2Mbps with a length higher than 10Km, except in the case of circuits with a capacity of n\*64Kbps with a length higher than 100 kms, which are subject to an increase lower than 3%;
- e) Reductions of 18%, 12% and 23% for international circuits of 64Kbps, n\*64Kbps and 2 Mbps, respectively;
- f) Decrease, in general terms, of about 43% of the net proceeds of the circuits with a capacity of 34Mbps.

6. This proposal compares favourably with the current European practices, since the national digital lines package (64 kbps and 2 Mbps), is 41% below the average of the remaining EU countries, in terms of gross prices. Considering the prices net of discounts, the comparison would be even more favourable.

## **ACTION**

7. Whereas:

- a) The former determinations and recommendations of the Board of Directors of ANACOM on the matter and the results of the analysis of the leased lines tariffs reformulation proposals submitted by PTC;
- b) In the circuits where there are margins which are not totally balanced, some gradualism and rebalancing will have to be taken into account, so as to avoid unexpected variations in the costs of the leased lines customers;
- c) The conclusions related to the results (not yet audited) of the PTC cost system for 2001, leading to the change of the presuppositions assumed in the analysis, to which the time elapsed since the first determination of ANACOM on this matter also contributes;
- d) The supervening evolution of the leased lines installations, in terms of volume, capacity intervals and length of the sections, will certainly have an impact on the expenses of the operators and on PTC income, requiring a revaluation from time to time of the adequateness of the tariffs in force, in view of the applicable regulatory principles, with an emphasis to the cost-orientation principle;
- e) Although the new discount regime favours transparency, simplicity and alignment with the current European practices, as disclosed during the hearing of the interested parties organized by ANACOM on reformulation of the offer, the position of some companies may deteriorate in absolute and relative terms and the highest discount

levels may expectedly be reached only by the companies of PT Group;

- f) PTC sent, on 16/12/02, a new tariffs proposal for the leased lines service, which analysis did not revealed incompatibility with the applicable regulatory principles and led to a significant reduction of net prices collected by this operator, giving thus a contribution to an upstream development of the offers of the remaining operators, in order to improve the conditions associated with the products and services made available to the final user and, in this way, to the development of the global competitiveness of national economy and e-Europe.

The Board of Directors of ANACOM, in an ordinary meeting held on 26/12/02, decided:

- i) Not to be against the enforcement of the leased lines tariffs submitted by PTC on 16/12/02;
- ii) To re-analyse, in view of the results that will be obtained, the adequateness of the new discount system to the applicable regulatory principles and to the encouragement conditions of a sound market competition;
- iii) That PTC should send to ANACOM, as from 01/01/03, every three months and up to the 15th day of the second month after the end of each quarter: (a) the composition of the operator's installations, with a detailed tariffs structure, (b) the monthly valorisation of the gross and net income and the value of each type of discount granted by operator, and (c) the monthly number of installations and changes in the lines as well as the respective valorisation by type of line.