

Decision on the tariff proposal for the residential telephone service at a fixed location, within the scope of the universal service, presented by PTC on 8/2/2010 and amended on 12/2/2010.

1. PT Comunicações, SA (PTC) on 08/02/10, submitted a proposal to ICP-ANACOM to amend the tariff of the Universal Service (US) for both the main tariff and the alternative tariff, to take effect from 15/02/10. Subsequently, on 12/02/10, PTC reformulated this proposal in terms of the entry into force of the tariff, indicating that this date would be 19/02/10.
2. As regards the main tariff, PTC's proposal comprises a reduction in the price per minute of **communications during the daytime period, from €0.0368 to €0.0322 per minute, i.e. a reduction of approximately 13%**. The following table summarizes the fixed telephone service tariffs proposed by PTC.

Values excl. VAT	Initial price (euros)				Credited time (seconds)				Price per minute (euros)			
	Workin g days 9am-9pm	Workin g days 9pm-9am	Weeken ds 9am-9pm	Weeken ds 9pm-9am	Workin g days 9am-9pm	Workin g days 9pm-9am	Weeken ds 9am-9pm	Weeken ds 9pm-9am	Workin g days 9am-9pm	Workin g days 9pm-9am	Weeken ds 9am-9pm	Weeken ds 9pm-9am
Local	0.0700	0.0000	0.0000	0.0000	60.00	-	-	-	0.0322	0.0000	0.000	0.000
National	0.0700	0.0000	0.0000	0.0000	60.00	-	-	-	0.0322	0.0000	0.000	0.000
Installatio n	71.83											
Subscripti on	12.66											

3. With respect to the alternative tariff, PTC's proposal comprises a merger of the Local and National price categories, whereas the price per minute associated with new category during peak hours (working days 9am – 9pm) of **€0.0258 represents a reduction of approximately 1% and 42%, respectively, over the price per minute of the Local and National categories associated with the tariffs currently in force (€0.0261 and €0.0446, respectively)**. This proposal for the alternative tariff does not envisage price changes for the remaining tariff periods. The following table summarizes the alternative tariff for the fixed telephone service as proposed by PTC.

Values excl. VAT	Initial price (euros)				Credited time (seconds)				Price per minute (euros)			
	Workin g days 9am-9pm	Workin g days 9pm-9am	Weeken ds 9am-9pm	Weeken ds 9pm-9am	Workin g days 9am-9pm	Workin g days 9pm-9am	Weeken ds 9am-9pm	Weeken ds 9pm-9am	Workin g days 9am-9pm	Workin g days 9pm-9am	Weeken ds 9am-9pm	Weeken ds 9pm-9am
Local	0.0700	0.0700	0.0700	0.0700	60.00	60.00	60.00	60.00	0.0258	0.0084	0.0084	0.0084
National	0.0700	0.0700	0.0700	0.0700	60.00	60.00	60.00	60.00	0.0258	0.0084	0.0084	0.0084
Installatio n	71.83											
Subscripti on	11.99											

4. By determination of 14/12/04¹, approval was given to the obligations in the retail narrow band markets applicable to the companies of Grupo PT notified as having significant market power (SMP) in each of these markets, in particular: (i) to ensure transparency through the publication of tariffs, levels of service quality and other conditions of the offer; (ii) to refrain from showing undue preference to specific end-users; (iii) cost orientation of prices; (iv) to

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maintain an analytical accounting system; (v) maintain separate accounts; and (vi) to maintain affordability.

5. To ensure affordability and cost orientation, a specific price-cap has been adopted for the residential market as a way of progressively achieving cost orientation of prices and of transferring efficiency gains to the customer.
6. Pursuant to the determination, it was noted that, until ICP-ANACOM establishes modifications to the specific operation of the obligation of price control, the price-cap of CPI-2.75%, provided for in the Universal Service Price Convention² regarding the subscriber mode, would continue to apply to services previously covered in the same document, that is, the installation of an analogue network line, analogue network line rental and telephone communications in the country.
7. In this framework, the proposal presented by PTC comes subsequent to the determination of this Authority of 17/11/09³ with respect to the tariff proposal for the residential telephone service at a fixed location for 2010 within the scope of the universal service, presented by PTC on 30/10/09, whose entry into force on 01/01/10 ICP-ANACOM did not oppose. In particular, given that the 2010 State Budget was not available at the time of this determination, at that time ICP-ANACOM deemed it reasonable to accept the CPI value submitted by PTC for the purposes of verifying the price-cap (1.5%), whereby the value of the price-cap considered was -1.25%. Taking this into account, this Authority also determined that, in the event that, when new data became available, it was later ascertained (regarding in particular the value of CPI published in the State Budget and the constitution of the basket in 2009) that the price-cap would not be fulfilled based on the proposal presented by PTC on 30/10/09, PTC would be bound to implement, in a timely manner, a further reduction of the base tariff.
8. In light of the publication of the State Budget for 2010, and the value of CPI stated therein (0.8%), the value of price-cap applicable in 2010 shall be -1.95% (according to the formula CPI-2.75%), instead of -1.25% considered in the determination of 17/11/09. This development requires that PTC implement additional changes to the pricing of the residential telephone service at a fixed location for 2010 within the scope of the universal service, so to comply with this value. It is noted also that the present proposal made by PTC also takes into account the constitution of the basket for the year 2009, as determined on 17/11/09.
9. Accordingly, making an analysis of the proposal presented by PTC, it was concluded that:
 - a. It is important that PTC present its proposals to amend the tariff of the Universal Service in due time required for the procedure set out in law, whereas it is in their interest to ensure that it enters into force on the date set forth therein, which is not the case here (although it is important to recognize the special circumstances related to the delay in the publication of the proposed State Budget) nor has it been observed in previous proposals to amend the tariff submitted by the company, taking into account the need to notify their customers in advance if there

² The Price Convention for the Universal Service of Telecommunications, concluded on 30/12/02 between DGCC - Direcção-Geral do Comércio e da Concorrência (Directorate General of Commerce and Competition), ICP-ANACOM and PTC, established the price regime applicable to the provisions of the Universal Service (a) FTS in subscriber mode: installation of an analogue line, analogue network line rental and telephone communications in the country; (b) FTS in the public pay telephone mode - telephony in the country; and (c) Telephone directories and the information service, setting out that the prices of the US should take into account, inter alia, the progressive adjustment of prices to costs and the guarantee of affordability to all users - <http://www.anacom.pt/template20.jsp?categoryId=56831&contentId=90016>.

³ <http://www.anacom.pt/render.jsp?contentId=995261>.

is to be an increase in prices and in view of the need to obtain the opinion of the Advisory Council of ICP-ANACOM;

- b. The variation of the prices resulting from the proposed main tariff for the fixed telephone service (applicable by default), presented by PTC to take effect from 19/02/10, is compatible with the applicable price-cap, representing an average annual change in the basket of -2.10%;
 - c. With respect to the alternative tariff (applicable optionally at the request of customers), as presented by PTC to take effect from 19/02/10, the variation of the prices amounts to -1.97%, which is also compatible with the applicable price-cap;
 - d. The maximum dates of entry into force of the tariff proposal submitted by PTC, in order to ensure compliance with this price-cap, would be 14/04/10 and 01/03/10 for the main and alternative tariffs, respectively, and in this case, the weighted average variance would be -1.95%, coinciding with the value of the price-cap;
 - e. The reduction in the number of price categories associated with the alternative tariff represents a simplification of the tariff structure and comes in a context of technological evolution where the distance of calls tend to have less influence on the level of costs, whereby it can be deemed that PTC is acting in line with market practice;
 - f. Notwithstanding the fact that the merger of the Local and National categories effectively represents a change in the alternative tariff rate structure, this amendment does not comprise price increases for any types of calls, even on a one-off basis, unlike the situation occurring in the amendment of main tariff introduced in 01/01/10. As a result, the alternative tariff may continue to constitute a suitable alternative which ensures continuity in relation to previous main and alternative tariffs, specifically with regard to prices.
10. Accordingly, under the powers provided for in points b), d), f) and h) of paragraph 1 of article 6 of the Statutes annexed to Decree-Law No 309/2001 of 7 December and in accordance with paragraph 3 of article 86 of paragraph 1 of article 93 of Law No 5/2004 of 10 February and pursuant to 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 ANACOM determines:
- a. To declare that the proposal submitted by PTC is in compliance with the applicable regulatory principles, in particular with respect to its compatibility with the applicable price-cap;
 - b. To submit the proposal presented by PTC to the opinion of the Advisory Council of ICP-ANACOM, pursuant to paragraph c) of article 37 of the Statutes of this Authority, whereas any developments arising as a result thereof will be notified to PTC in a timely manner.