

**DECLARATION ON THE ENTITIES WITH SIGNIFICANT MARKET POWER ON
THE MARKET FOR FIXED TELEPHONE NETWORKS AND/OR FIXED
TELEPHONE SERVICE FOR THE PURPOSES OF POINT 1 OF ARTICLE 3 OF
THE REGULATIONS FOR THE EXPLOITATION OF THE FIXED TELEPHONE
SERVICE
- YEAR 2000 -**

1. The Regulations for the Exploitation of the Fixed Telephone Service, published in annex to Decree-Law no. 474/99, of 8 November, establishes the general conditions for providing a fixed telephone service (FTS) on national Portuguese territory, involving interconnection with networks or services of other countries within the international scope. An important aspect of this diploma, is the concept of significant market power on the market for fixed telephone networks and/or fixed telephone service, as well as deciding and declaring which operators hold said market power. These operators shall be subject to the various obligations duly set out in the Regulations for the Exploitation of the Fixed Telephone Service.
2. In accordance with Article 3 of the Regulations for the Fixed Telephone Service, and following consultation with the Directorate-General for Commerce and Competition (DGCC), it shall fall upon ICP to determine and declare annually which entities have significant market power (SMP) on the market for fixed telephone networks and/or fixed telephone service (FTS).
3. Entities with significant market power shall be presumed to be those with a market share equal to or above 25% of the relevant market for fixed telephone networks and/or FTS in the geographical area where they are qualified to carry out their activity. On the other hand, two or more companies acting concertedly on the telecommunications market can be declared as having significant market power, as can a group of companies which, although legally distinct, are bound by ties of interdependence or subordination.

ICP may decide that an entity with a market share below 25% has significant market power, or that an entity with a market share above 25% does not, by taking into account the following criteria: (a) capacity to influence market conditions; (b) relationship between sales volume and market size; (c) control of local access to end users; (d) access to financial resources; (e) experience regarding supply of products and services on the market.

4. For the purposes of determining the relevant market, the fixed telephone service was considered as the offer to the general public of direct transport of voice in real time and in fixed places, allowing any user, by means of equipment connected to a terminal network point, to communicate with another terminal point. On the other hand, the fixed telephone network is the public switched telecommunications network which serves to transfer voice and audio information on band width 3,1 kHz between terminal network points in fixed places, to support, namely, the fixed telephone service, facsimile communications of the ni group, in accordance with UIT-T recommendations of the «T series», and data transmission on voice band via modems with a debit of at least 2400 bit/s, in accordance with UIT-T recommendations of the «V series».

The entire national Portuguese territory (including international connections) was considered as the geographical market.

5. The market shares of the entities operating on the market for fixed telephone networks and/or fixed telephone service were calculated based on the sales volume of these services.

6. Taking into account the criteria mentioned above, the Concessionaire, Portugal Telecom, S.A., is hereby declare as an entity with significant market power on the market for fixed telephone networks and/or fixed telephone service.

Naturally, the analysis was based on historical information. Nevertheless, in the near future, we do not foresee a significant decrease in the influence of Portugal Telecom, S.A. on market conditions, nor in its supremacy over access to the end clients. In fact:

- a) in accordance with information submitted to ICP during the licence granting process, the strategies of the new operators are targeted at the business sector, and the urban/coastal markets. Furthermore, in a first phase, said strategies are aimed at exploiting business opportunities arising from indirect access (interurban and international calls);
- b) developing networks of new operators is a lengthy process involving great investments, especially in relation to local networks, which allow direct access to clients;
- c) PT's experience in supplying services on this market as well as on related and complementary markets, together with access possibilities to financial resources generated on these markets, will also contribute towards it maintaining its market share;
- d) it should be borne in mind, especially as a result of the points mentioned in paragraphs b) and c), that in other countries where the liberalisation process is more advanced, the entry of new operators did not prevent the historic operators from maintaining very significant market shares in the initial stages of liberalisation.

7. Under the terms of point 6 of Article 3 of the Regulations for the Fixed Telephone Service, should there be any significant alterations to the legal and de facto conditions on which the definition of operators with market power is based, ICP may re-evaluate the market power of a certain operator before a year has lapsed from the present declaration, and publish a new list.