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COMISIÓN NACIONAL DE LOS MERCADOS Y LA COMPETENCIA

Mobile access and call origination (market 15)

Spanish Experience

EMERG Workshop

Barcelona, October 2013

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1. RETAIL MARKET EVOLUTION

Retail mobile market – 2006 Situation

- ✓ Retail mobile market in 2006 was characterized by:
  - ✓Only three providers: MNO (the 4th one was not active)
  - ✓Competition focused on new connections with high handset subsidies…
  - ✓… but low competition in tariffs…
  - ✓… with non transparent and large number of price plans.
  - ✓The result for consumers were unsatisfactory:
  - ✓Low pass thorough of efficiency gains;
  - ✓High profitability rates, well above WACC.
- ✓ CMT concluded that MNOs were colluding:
  - ✓ Focal point: Denying access.

Retail mobile market – New operators

✓ The main difference from 2006 situation is the entry of MVO thanks market 15 regulation:

	movistar	vodafone	orange
Full MVO (11)	yoigo*, ONO, DIGI.mobil, Lyca mobile, fonYou	euskaltel, R, TeleCable	JAZZTEL, simyo
Service provider (11)	tuenti	LEBARA MÓVIL, EROSKI MÓVIL, hits mobile, RACC, BT, ORBITEL, pepephone.com	happy móvil, MovilDIA, Carrefour MÓVIL, MÁS movil.es, llamaYA móvil, YOU MOBILE

* Also network operator.
RACC has the agreement with Euskaltel.

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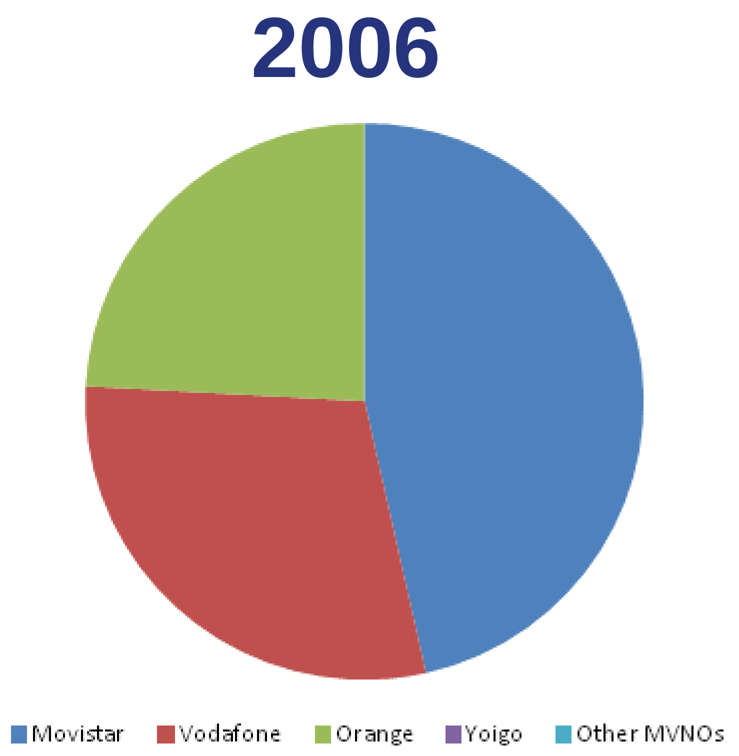
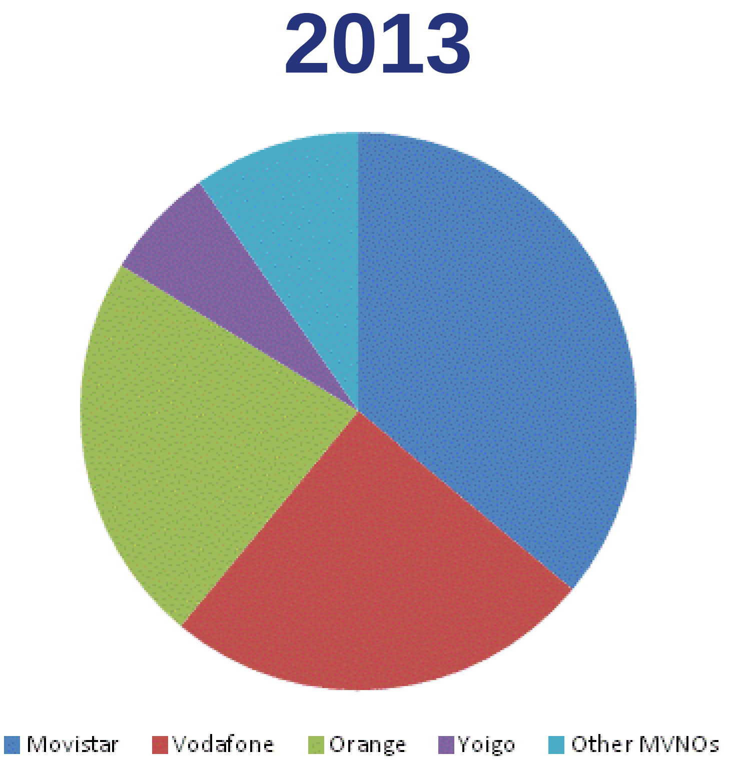
Retail mobile market – Market shares

✓ The increase in the number of operators has affected market shares (lines).





Market share of MNO reduced by 16 p.p

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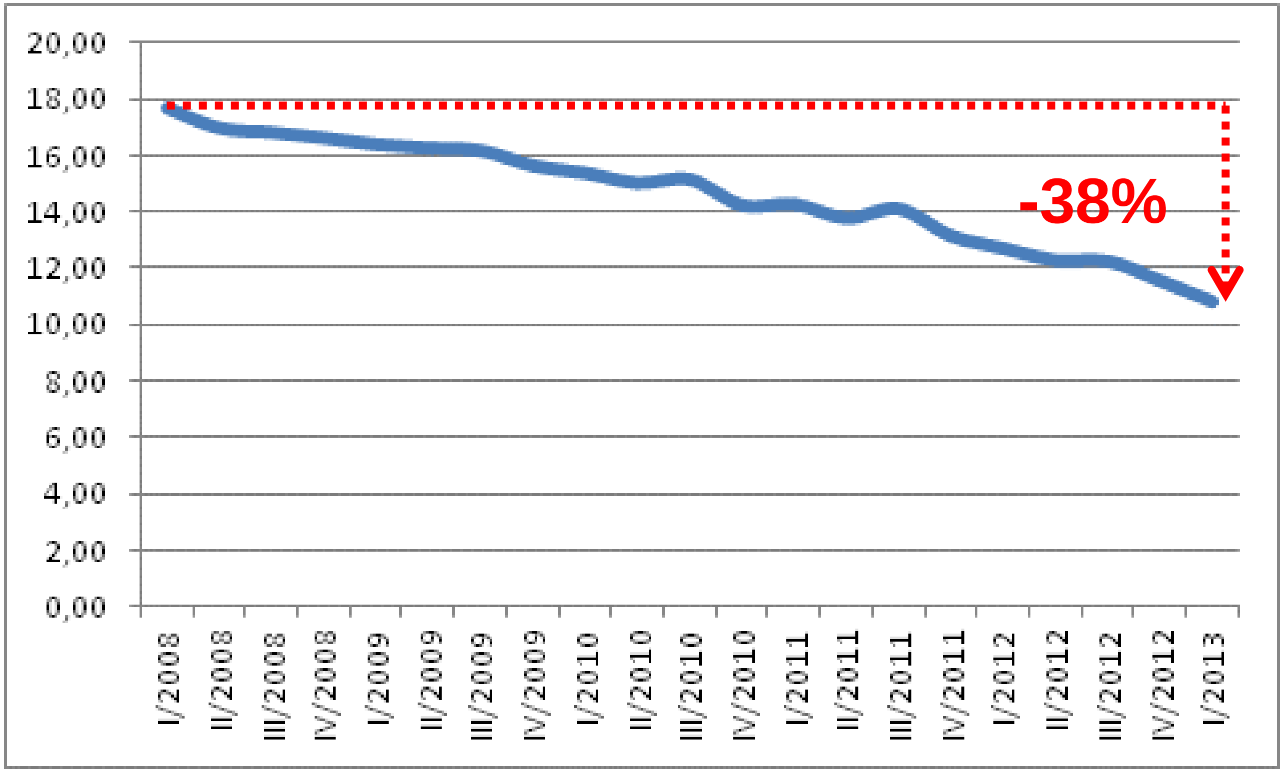
Retail mobile market – Price evolution

✓ **Competition at retail level (together with other factors such as the economic crisis and decreases in termination rates) has driven down effective income (euro cent):**



✓**Accumulated decrease of 38% since 2008 and 43,5% since market 15 regulation**

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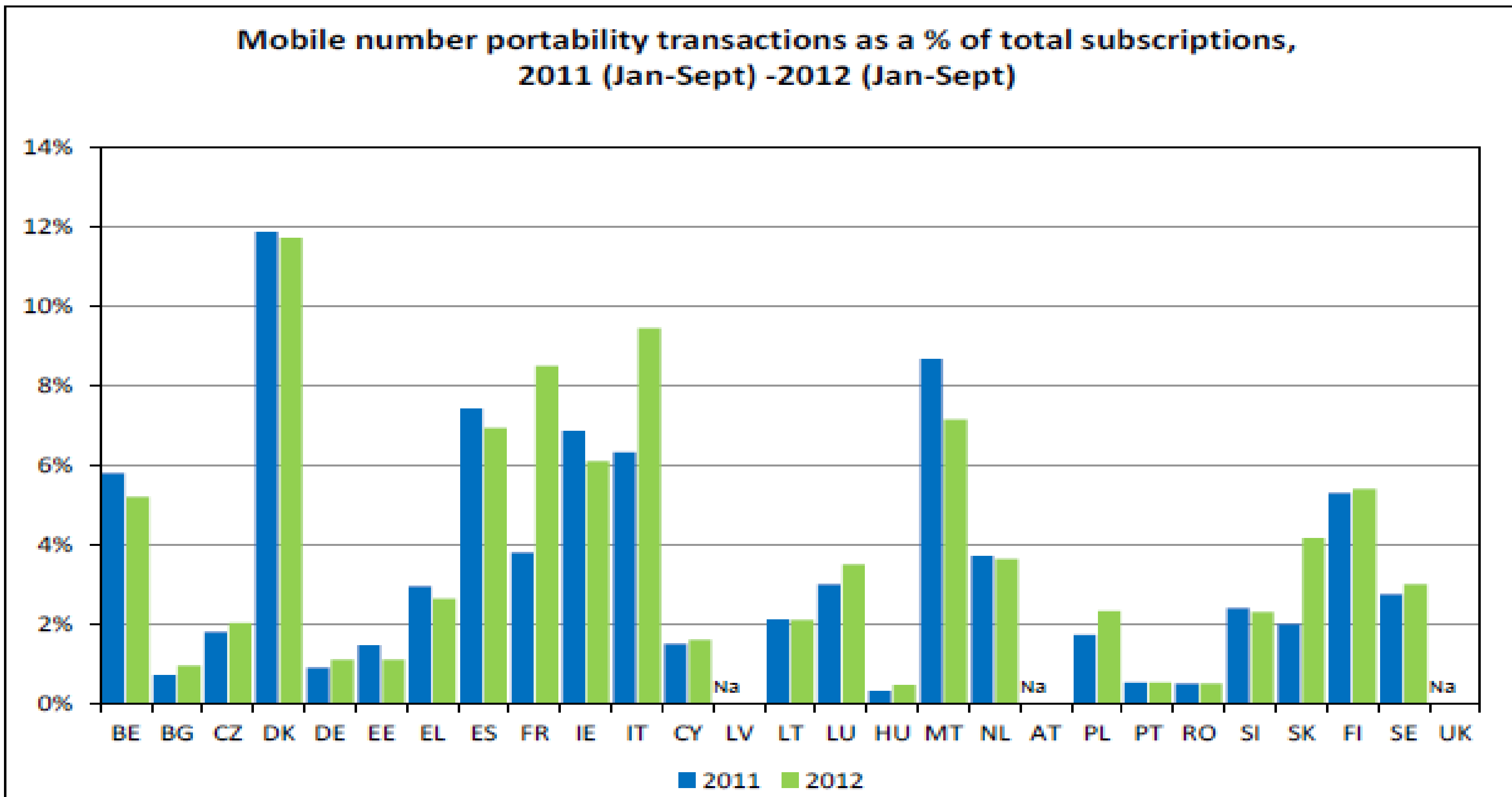
✓ Other elements show the competitiveness of Spanish retail mobile market:

- ✓ **Mobile number portability intensively used in Spain:**
  - **Underlying reasons: cheaper prices (42%) and handset subsidy (35,7%).**



Retail mobile market – Other relevant issues

✓ **Other elements show the competitiveness of Spanish retail mobile market:**

✓**Commercial offer and consumers choice have been enhanced since 2006:**

- **MVO have targeted special consumer groups (international, low cost).**
- **Appearance of new price schemes such as flat rates.**
- **Lower differences between on net and off net prices.**
- **Convergent offers.**

✓**Increase of price transparency for consumers:**

- **Important reduction in the number of price and discount plans.**
- **Single price offers (all calls at one price: 8, 6, 4 eurocents/min)**

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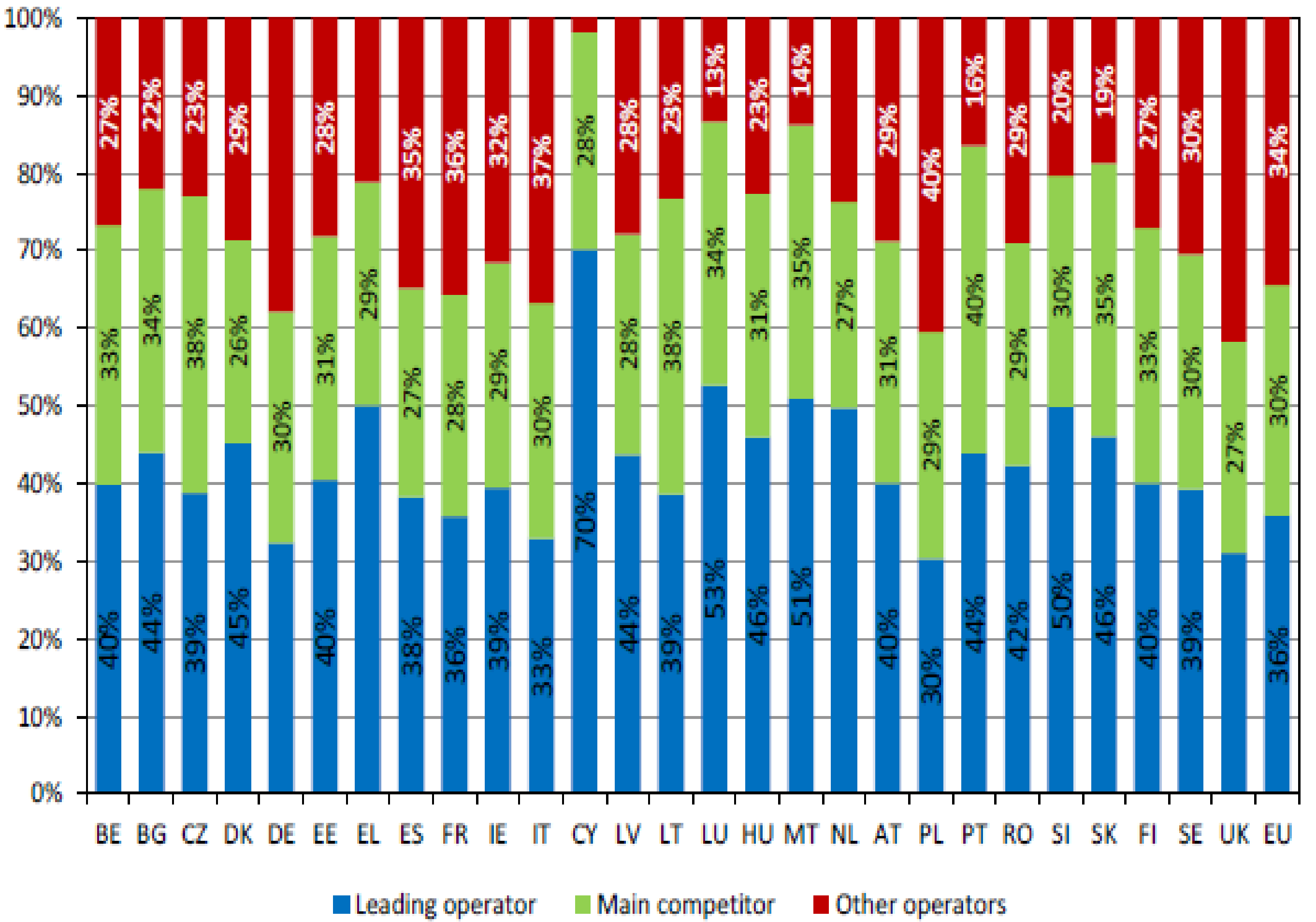
Retail mobile market – International comparison

✓ **Retail mobile market concentration is in line with the EU average:**

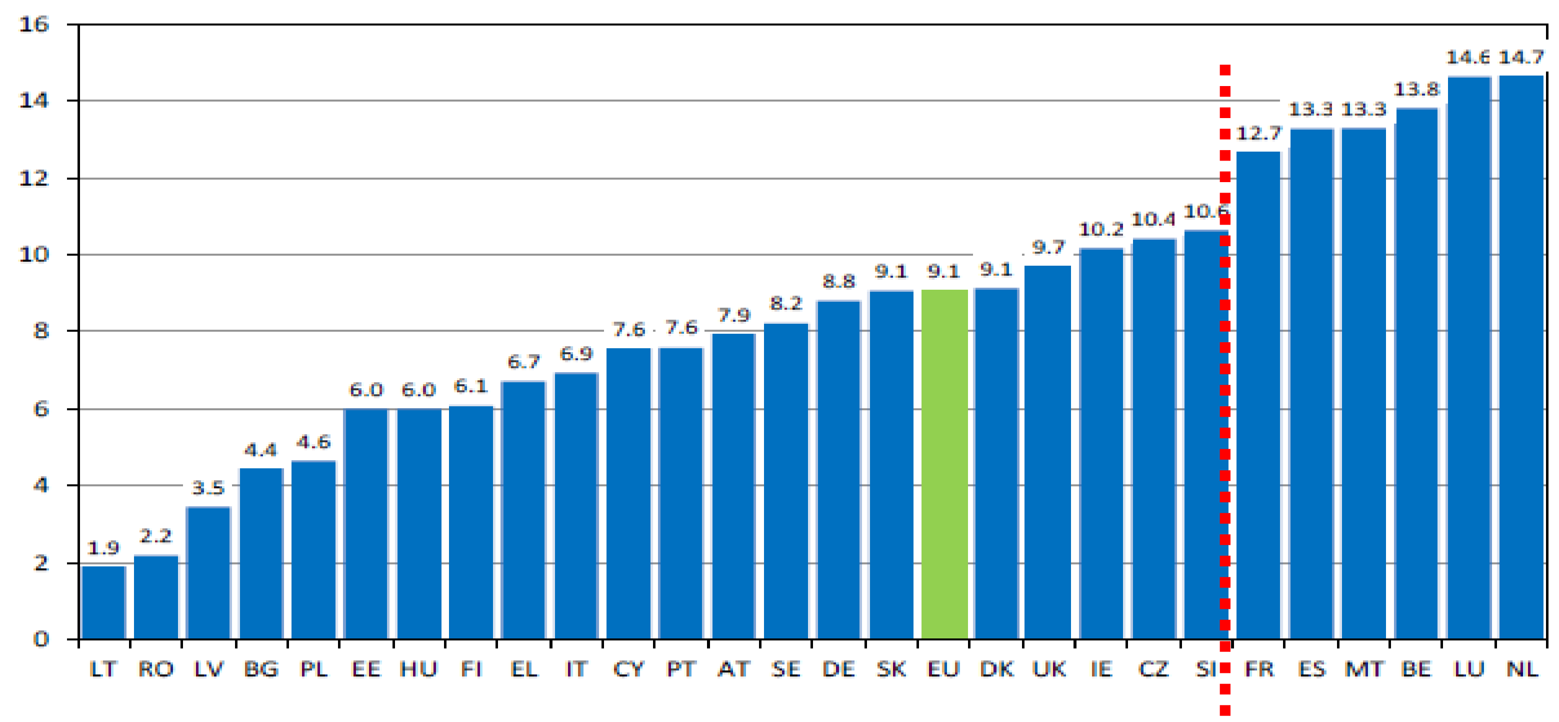


EU average: 36%-30% - 34%

Retail mobile market – International comparison

✓ **But prices seems to be above the average EU price, although available data are rather old:**

Average revenue per minute (in €-cents) in mobile communications, 2011



Spain 2013 – 10,82 c€/min

2. WHOLESALE MARKET EVOLUTION

Wholesale level – Infrastructure competition

- ✓ At national level, new spectrum allocation has not changed infrastructure competition:
  - ✓Three independent operators with national network.
  - ✓Other operators need wholesale access to maintain their retail activities:
    - ▪Yoigo's frecuencies (1.800 MHz), although national, are not suitable to achieve national coverage due to higher costs of deployment (competitive disadvantage).
    - ▪Regional operators cannot, even jointly, achieve national coverage.
- ✓ Operators did not bid for a package of 2x4,8 MHz in 900 MHz band (available in 2015) and 50 MHz in 2,6 GHz TDD.
- ✓ Also, at regional level, one region was not assigned to any bidder (Extremadura).

A complete

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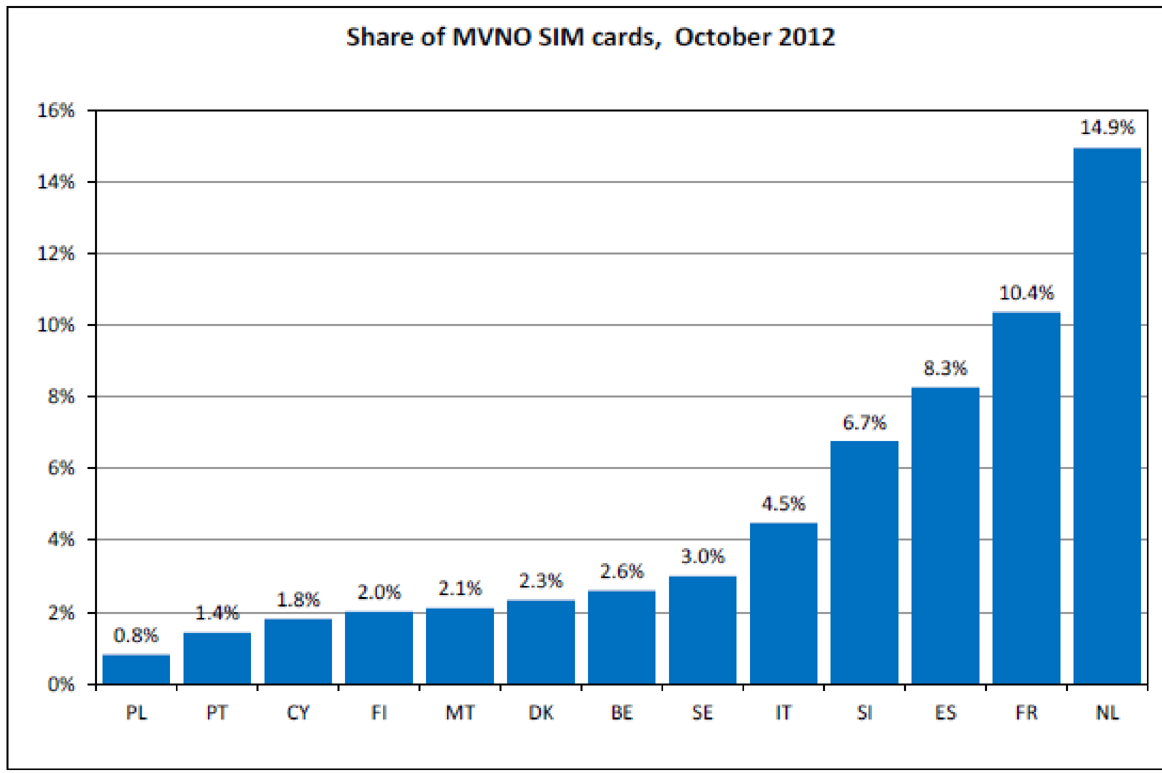
Wholesale level – Agreements of access and call origination

- ✓ Since 2006, MNOs have concluded several wholesale agreements with durations between 3 and 5 years.
- ✓ Generally, agreements exclude the possibility of anticipated termination of the contracts (in such cases, penalties are envisaged).
- ✓ An automatic renewal clause is included, although agreements can be concluded in advance.
- ✓ Some agreements have been renewed during this period without regulatory intervention, although some complains appeared in relation with prices.
- ✓ In some of them, contracts will be revised in case contractual balance between the parties is substantially modified (including regulatory changes).

In any case, RD 458/2011 included the obligation to provide wholesale mobile access to those operators with 10 MHz or more in the band of 900 MHz.

Uncertainties

- ✓ However, market figures indicate that MVO could not be effectively established in the Spanish market:
  - ✓**MVO exhibits still low market shares (0,9% Lebara). In terms of turnover, this market share is even lower.**
  - ✓**Market share of EU Members: NL (**



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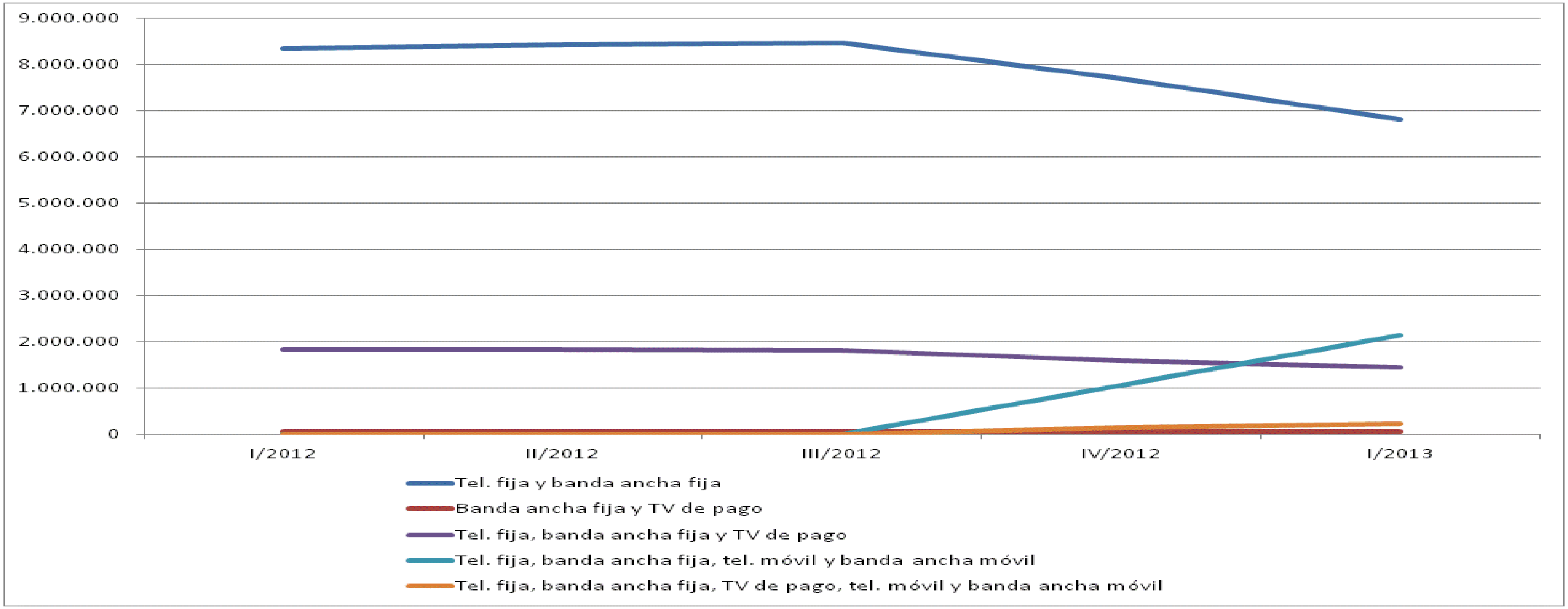
Uncertainties

- ✓ **Given the above, market mechanisms could not assure the effective entry/sustainability of MVO.**



The challenge is therefore to assure their access to wholesale services if market 15 obligations are withdrawn.

Joint SMP analysis – 2011 conditions: Wholesale Level

✓ At wholesale level, market 15 regulation removed the focal point and retaliation mechanism. Moreover, Yoigo has effectively entered in the market

Conditions established in 2006:	Assessment
Retail level	
1. Parallel commercialization strategies	X
2. High profitability rates	?
Wholesale level	
3. Focal point (refusal to supply)	✓ X
4. Retaliation mechanism	X
5. Absence of potential competition (Yoigo)	?

✓ However, the EC in the merge of the 3rd and 4th operator in Austria imposed a wholesale obligation.