

## EUROPEANS PAY OVER €10 BILLION A YEAR IN SPURIOUS MOBILE TERMINATION CHARGES

### *ECTA endorses Commission's efforts to cut rates*

**Brussels, 24 June 2008** – ECTA's competitive fixed operators today claimed that lucrative wholesale charges imposed by incumbent mobile operators for connecting calls to each other's networks are both excessive and discriminatory. As a result, European consumers are being penalised. The pro-competition group called on Commissioner Reding to enforce a cut in these charges when she publishes her proposals on termination rates later this month.

Currently the average EU mobile termination rate is nine euro cents a minute, although rates between member states and between networks vary significantly. Commissioner Reding said earlier this month<sup>1</sup> that she wants to see mobile termination rates cut to between one and two euro cents by 2012. ECTA agrees that a significant decrease is needed.

ECTA believes the current mobile termination charges are excessive, making it expensive for customers to call other networks; that these rates are not based on costs; and importantly, that they distort competition as they allow big operators to offer their large customer bases calls within their networks that do not attract termination charges, making it difficult for smaller, fixed and mobile new entrant operators to compete.

Evidence of mobile termination rates being much higher than their actual cost was revealed in an Italian antitrust procedure against Telecom Italia Mobile last year. An internal report on regulatory activities stated that they were successful in maintaining their mobile termination rates 'abundantly higher' than the real costs of termination, as a result of which Telecom Italia Mobile preserved one of its major revenue sources.

Innocenzo Genna, Chairman of ECTA, said: "Customers have for years faced excessive prices because of the very high termination rates being charged when they make calls to mobile numbers. Our estimate is that over the last ten years, across the 27 EU countries, this amounts to a total in excess of €100bn of consumers' money. The cost of termination is totally disproportionate to the costs incurred: mobile termination retail rates are on average 9-10 times higher than fixed termination rates. They also vary greatly – between two to 18 euro cents – despite very similar cost levels."

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<sup>1</sup> [http://www.ft.com/cms/s/0/7148e92c-3b3e-11dd-b1a1-0000779fd2ac.html?nclick\\_check=1](http://www.ft.com/cms/s/0/7148e92c-3b3e-11dd-b1a1-0000779fd2ac.html?nclick_check=1)

Genna added: “ECTA’s position is that all termination rates should be based on cost and currently they quite evidently are not. The large differences between on-net and off-net prices – on-net prices often are for free or very cheap – suggest that incumbent mobile operators’ costs are significantly less than their actual termination fee, since the cost of receiving a call from the same network or from another network is the same.”

In response to the concern that changes or caps to termination rates will result in an increase in mobile charges for customers, and more specifically the introduction of charges for receiving calls as well as making them, as happens in the US and other countries, Genna said, “European customers currently do not pay for receiving calls, but making calls is much more expensive than making and receiving calls taken together in the US. That is partly why in the US on average customers makes eight times as many mobile calls as in Germany, for example.”

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**About ECTA**

The European Competitive Telecommunications Association (ECTA) looks after the regulatory and commercial interests of new entrant telecoms operators, ISPs and suppliers of products and services to the communications industry.

ECTA works for a fair regulatory environment that allows all electronic communications providers to compete on level terms in order to multiply investment and innovation throughout an effective European internal market. The association represents the telecommunications industry to key government and regulatory bodies and maintains a forum for networking and business development.

ECTA member companies include operators, service providers and suppliers as well as National Associations of such which all contribute towards regulatory policy development and participate in our comprehensive range of networking events, conferences, seminars, briefings and executive meetings.