

Tariff Outlook 11th December 2008

Message from the editor

Welcome to Tariff Outlook, a twice monthly newsletter brought to you by Teligen, the tariff and price benchmarking experts.

To make sure that Tariff Outlook is still relevant to your needs and to comply with relevant regulations, we do need to ask you to reconfirm your interest in continuing to receive this complimentary newsletter. Registration is fast and simple and should take only a minute of your time.

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In this Tariff Outlook we explain to you how the mobile operators are passing on the reduction of the VAT to 15% to their customers. The French regulator has pleased consumers with a considerable reduction in the mobile termination fee and Virgin in the UK is trying to encourage customers to use the Internet on their mobiles with a tempting offer. Finally, Icelandic consumers are feeling the pinch with another increase in PSTN charges.

This is the last Tariff Outlook for this year. We send all our readers our best season greetings and a happy new year in 2009. We look forward to updating you with new tariff stories in the New Year.

This Week's Top Stories...

- **Iceland – Vodafone Increases Monthly Rental**
- **UK – Government Reduces VAT to 15%**
- **France – Regulator Reduces Mobile Termination Fees**
- **UK - Virgin Mobile Offers Unlimited Mobile Web For 30 Pence A Day**
- **EU To Cap Data Roaming Charges**

If these stories, or any others featured in our newsletter are of interest, further details of the tariffs and services can be found in our comprehensive subscription based databases, the T-Products. Go to: <http://www.strategyanalytics.com/teligen.html> for further details and request a copy of our demo CD. Our continuing aim is to provide you with up to the minute pricing news and tariff developments. That being said, Tariff Outlook not only serves as an opportunity for us to communicate with you on a regular basis but equally for you to tell us what you think. As such, we would really appreciate any feedback you may have that will help us deliver a newsletter that provides you with real value.

Please feel free to contact us either to obtain further information about any particular story or to give us your feedback.

We look forward to hearing from you!

Jóhanna Helgadóttir – Senior Consultant

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To find out more or to request a demonstration, http://www.teligen.com/t_basket.asp

PSTN

Iceland – Vodafone Increases Monthly Rental

In the beginning of October 2008 Vodafone, the second biggest operator in Iceland, introduced new PSTN tariffs. Now Vodafone customers have a choice of four offerings; the Homephone, the Nice Homephone, the Cool Homephone and the Super Homephone. Depending on which package customer choose the packages include national calls, mobile calls and international calls.

Now, a month down the line, Vodafone has increased the monthly rental on these new tariffs. As well as increasing the monthly rental Vodafone has increased the call set up charge by 16.9%.

Teligen Comment

Vodafone's new tariff offers.

Monthly rental	Included/ month	October 2008 ISK/ Month	November 2008 ISK/ Month
Home Telephone	N/A	1,590	1,445
Nice Homephone	Free fixed calls(1)	3,499	3,580
Cool Homephone	Free fixed and mobile calls(1)(2)	5,489	5,570
Super Homephone	Free fixed, mobile and international calls(1)(2)(3)	7,479	7,560

1) Calls to all fixed networks

(2) Calls to all mobile networks up to ISK 6000

(3) Calls to countries in Zone 1 (see below) up to ISK 6000

Siminn's PSTN residential tariffs

Packages	Fixed	Mobile Minutes	SMS	ISK/ Month
	minutes(1)			
Residential standard	N/A	N/A	N/A	1,595
Good – Góður	200	20	Unlimited	2,140
Better – Betri	300	40	Unlimited	2,640
Best – Bestur	500	60	Unlimited	3,140
Premium - Langbestur	Unlimited	80	Unlimited	3,640

Notes

(1) Inclusive fixed minutes can be used for national calls and cannot be used for dial-up Internet usage.

We commented in this newsletter a month ago that Siminn, the ex Icelandic incumbent, had increased its prices to residential customers and predicted that Vodafone would follow suit. The increase on all the four packages that are offered is between 1% and 5%. The call set up charge increased from ISK 4.9 to ISK 5.9 which is a 16.9% increase.

Vodafone is trying and succeeding in slowly cutting into Siminn's huge market share in the Icelandic residential market. Icelandic consumers are very loyal and probably also have the attitude that changing operators is a big undertaking. Therefore, for Vodafone this has been a real uphill struggle.

Of course it depends on what each customer is looking for but Siminn is still more competitive when it comes to monthly rental and what is included. But current Vodafone customers will be pleased to see these additional offers and this will also appeal to Siminn customers who are keen to leave Siminn for whatever reason.

Vodafone was bound to come up with a new offering to its residential customers. Its rival Síminn overhauled its tariffs a while ago after being ordered to do so by the national regulator.

Síminn's position in terms of tariff offerings is still stronger than that of Vodafone's. But Síminn is bound to react to this move. Another competitor that is quietly and slowly adding to its customer base is Tal. Tiny compared with the big two but still seems to be taking its customers from former Síminn customers.

The Icelandic telecoms regulator published a market report earlier this week where both Síminn and Vodafone dominate the market, in fact Síminn has 71.8% market share. However, Síminn's market share has been dropping these last three years. In the first half of 2006 Síminn's market share was 83.6%. Vodafone, however, increased its market share between 2006 and 2007 from 16.4% to 23%. In 2008 Vodafone's market share fell slightly by 0.2%. In 2007 after a merger of two small competitors Hive and Sko, Tal was created. Immediately the new company took 3.4% and in 2008 its share has gone up to 5.4%, it seems that Tal has taken its market share from Síminn.

Vodafone will no doubt be thinking of the next moves to make to try and grab more of Síminn's 71.8% market share. It is hard to say what the next moves will be especially with the current economic situation in Iceland. However, if anything Vodafone will try and appeal to new customers with more inclusive minutes.

Teligen monitors price developments of this sort in its T-World Fixed product http://www.teligen.com/t_world_fixed.asp with monthly updating

Jóhanna Helgadóttir – Senior Consultant

Mobile

UK – Government Reduces VAT to 15%

The UK Government has announced a cut in the VAT rate. As of the 1st of December 2008 till the end of the 2009, VAT will go down from 17.5 to 15%. This reduction is the result of the deep economic crisis that has been in these recent months.

As a consequence all the prices of the different services have decreased as this new percentage has been applied to the phone tariffs too. Pay monthly customers will see the saving on their bills, while to pay as you go customers will be given an extra credit based on how much they top-up.

Teligen Comment

The table shows the benefits for the pay as you go consumer

<i>TOP UP AMOUNT (GBP)</i>	<i>ADDITIONAL CREDIT WHEN TOPPING-UP (GBP)</i>
<i>5</i>	<i>0.13</i>
<i>10</i>	<i>0.25</i>
<i>15</i>	<i>0.375</i>
<i>20</i>	<i>0.50</i>
<i>25</i>	<i>0.625</i>

30	0.75
40	1
50	1.25
75	1.875

The mobile operator decides whether to round up or down to the nearest minute. For example T-Mobile and O2 round it down, while Vodafone rounds it up.

It also varies when the operator decides to credit the additional amount. Again, T-Mobile, credits the additional amount into the allowance of customer for the following month. The additional credit depends on how much the customer topped up the previous month. Other networks, like O2, credit it after each top up.

Teligen monitors price developments of this sort in its T-World Cellular product http://www.teligen.com/t_cellular.asp with monthly updating

Astrid Casali – Junior Tariff Analyst

France – Regulator Reduces Mobile Termination Fees

On December 2nd Arcep, the French telecoms regulator, announced that it is reducing the mobile termination fee. The decision runs from 1st July 2009 through to 31st December 2010.

There will be two sets of decreases during the period. From 1st July the following reductions will happen. Orange and SFR sees a reduction from EUR 0.065 to EUR 0.045, Bouyges decrease is EUR 0.085 to EUR 0.06. The second decrease takes place on 1st July 2010 and Orange and SFR go down to EUR 3 and Bouyges to EUR 0.04.

Teligen Comment

This is naturally good news to the French consumer. But it is to be expected that the French operators are not all too happy about this development. Apparently both Orange and SFR are planning to oppose this move strongly. SFR is considering appealing to the Conseil d'État.

Jóhanna Helgadóttir – Senior Consultant

UK - Virgin Mobile Offers Unlimited Mobile Web For 30 Pence A Day

From 8th December, Virgin Mobile will offer its UK contract and pre-pay customers 'unlimited' mobile internet access via the handset for 30 pence a day. There will be a fair use policy of 25MB, and after reaching this limit customers will be charged GBP 2 per MB.

The new tariff coincides with the launch of Virgin's new mobile Web portal, which provides links to branded content including news, music and games, and incorporates Yahoo's mobile search service.

Teligen Comment:

With this move the Company is attempting to encourage users to access its own mobile portal, but customers will also be able to visit any other website from their mobile phone. Research from GfK Research panels in September 2008 revealed that only 7% of mobile phone users in the UK currently access the web from their mobile. The table below shows that Virgin is now up to three times cheaper than most other networks and is clearly hoping this will increase the mobile data consumption of its customers.

Charges for casual internet browsing on handsets:

		PM or PAYG	Cost	Fair Usage	Other
T-Mobile	Casual User	PM & PAYG	GBP 0.73 per KB (GBP 0.75 per MB) capped at GBP 1 per day	40 MB per day	Use over 40 MB charged @ GBP 0.73 per MB
Vodafone	Casual User	PM & PAYG	GBP 2 per MB capped at GBP 1 per day	15 MB per day	Use over 15MB charged @ GBP 2 per MB
Orange		PM	GBP 3 per MB capped at GBP 1.50 per day	25 MB per day	Use over 25MB charged @ GBP 3 per MB
		PAYG	GBP 3 per MB capped at GBP 2 per day	25 MB per day	Use over 25MB charged @ GBP 3 per MB
3		PM	GBP 2 per MB		
		PAYG	GBP 1 per MB		
O2		PM	GBP 3 per MB capped at GBP 1 per day	Unlimited	
		PAYG	GBP 3 per MB		
Virgin			GBP 0.30 per day	25 MB per day	Use over 25MB charged @ GBP 2 per MB

Angela Toal – Tariff Analyst

EU To Cap Data Roaming Charges

There was some good news for mobile roamers this week as Viviane Reding, the EU Telecoms Commissioner announced new proposals that will see a drop in the charges mobile phone companies make in roaming fees. It is hoped that the maximum cost of a text will drop from the European average of EUR 0.29 to EUR 0.11 and that wholesale roaming data charges be capped at EUR 1 per Mb.

The ministers also voted to extend the duration of current regulation on voice roaming by three more years from 2010 to 2013 and to reduce roaming call prices from EUR 0.46 to EUR 0.43 by next July. The commission has also proposed that users will be charged by the second on any roaming calls made. Users are currently charged by the minute with the price rounded up to the nearest minute.

Teligen Comment:

Consumers have been paying excessive charges for texting and data roaming. Since the capping of the call charges in August 2007, mobile operators have seen their roaming revenues drop and have therefore continued to keep roaming data charges very high. Many consumers have been stung by the excessive data roaming charges and the operators are not always clear about the usage charges.

Consumers will welcome this move by the EU and this will inevitably see a big increase in data roaming and texting.

European mobile operators have been given numerous warnings by the EU to cut the cost of roaming. But if history is any guide, expect the European operators to be making a lot of noise about how data costs have already come down a lot in the last couple of years.

When the EU capped roaming calls there was a massive uprising by the operators where they objected about this intervention by the EU. Reding, however, is steadfast in her battle for the EU consumer.

It will be interesting to see what the operators pull out of the hat now in terms of where they will make up the shortfall. This will impact their revenues as these charges were very profitable. In fact many consumers did not know about these high charges and thus carried on using the service. Since roaming calls were capped in the EU, charges for roaming in non-EU countries have subsequently risen. It is therefore likely that the operators will eventually follow suit with roaming data charges.

The EU is keeping a close eye on the mobile market and any move by the operators will be scrutinised. Under the leadership of Vivien Reding the Commission has tackled the excessive roaming call charges incurred by the operators in the EU. With this announcement on the data roaming Reding is following through the work she started with the roaming calls. Important also is her proposal to bill roaming calls by the second instead of rounding up to the next minute, that is set to be Reding's next battle.

This proposal now goes for the European Parliament but is expected to pass easily.

Bernadette Finn – Associate Director

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T-World Total is the most advanced information system and calculation tool of its kind. It will answer your questions about tariffs, their structures and levels. It will allow you to compare prices among operators and countries in customisable list formats. In addition it has an in-built Analyser, with an integrated global location database. It allows the user to show price developments of a call with duration, or a circuit with distance and it also allows easy calculation of national distances and corresponding circuit prices. With so much to offer this makes T-World Total the only choice for your market intelligence needs.

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