



## **Assessment of the cost of providing wholesale voice call termination services on fixed networks in the EU/EEA countries – SMART 2018/0014**

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*Results of the draft cost model*

May 2019

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# Introduction

- ▶ The European Commission (hereinafter, 'EC') has commissioned Axon Partners Group Consulting (hereinafter, 'Axon Consulting') to provide consulting services in relation to the "*Assessment of the cost of providing wholesale voice call termination services on fixed networks in the EU/EEA countries – SMART 2018/0014*" (the 'Project').
- ▶ The objective of the Project is to develop a model to assess the cost of providing wholesale voice call termination services on fixed networks in the EU/EEA countries, in the context of the implementation of the Euro Rate as defined in the EECC\*.
- ▶ The objective of this presentation is to illustrate the results per country produced by the draft model submitted to public consultation, under different scenarios, for wholesale voice call termination services on fixed networks.

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Note (\*): European Electronic Communications Code

# Interpretation of the results shown in this presentation

- ▶ The EC/Axon team are sharing the following slides as part of the consultation on the fixed cost model (ending on 28 June 2019). The **results shown in the following slides are provisional** pending the comments during this consultation and any potential changes that may be made to address them.
- ▶ Once the fixed cost model is in its final form, the EC/Axon team will hold a public Workshop with stakeholders in Sep 2019 to gather stakeholders' final views.
- ▶ The Commission will use the results from this fixed cost model as one of the inputs in its delegated act on a single maximum fixed termination rate.
- ▶ The results presented in the following slides show the fixed voice termination unit cost estimates in each country under different cost modelling scenarios. At present, the Commission does not attach any greater weight to specific scenarios and, therefore, **none of the scenarios and results presented should be interpreted as having greater weight on the Commission's future legislative proposals (if any).**

## Several scenarios have been included in the draft cost model subject to consultation

Scenario	Options	Description
Core equipment unit costs	<b>Discrete Price catalogues</b>	A set of discrete configurations/capacities is available. If the capacity required falls between two configurations, the higher one must be purchased.
	<b>Continuous functions</b>	A continuous function of price/capacity is used, based on price catalogues used in previous option.
Reference operator	<b>25% Market Share</b>	The model has been designed with a modifiable parameter for the selection of market share of the reference operator.
	<b>50% Market Share</b>	
	<b>Incumbent Market Share</b>	
Demand forecasts	<b>Base Case</b>	Based on historic growth rate.
	<b>Conservative</b>	Based on historic growth rate -5 percentage points.
	<b>Aggressive</b>	Based on historic growth rate +5 percentage points.

Note: Further details about the definition of the scenarios are provided in the Annex 4 – Methodological approach document.

# The fixed voice termination results vary depending on the scenario selected

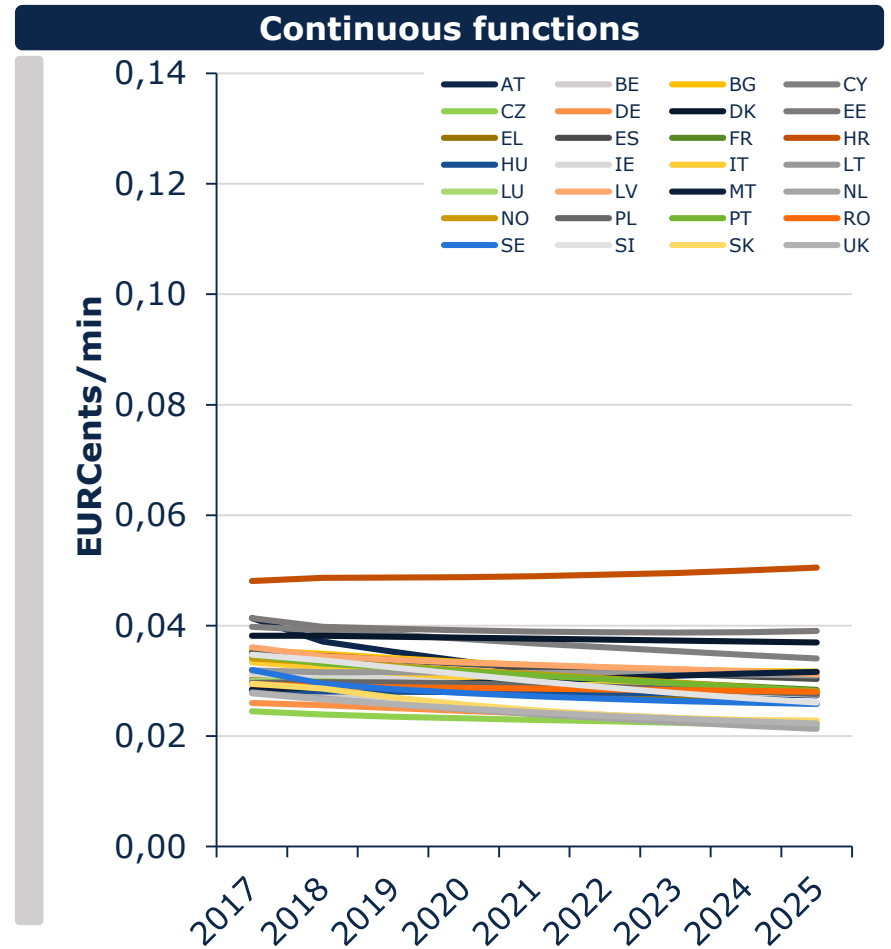
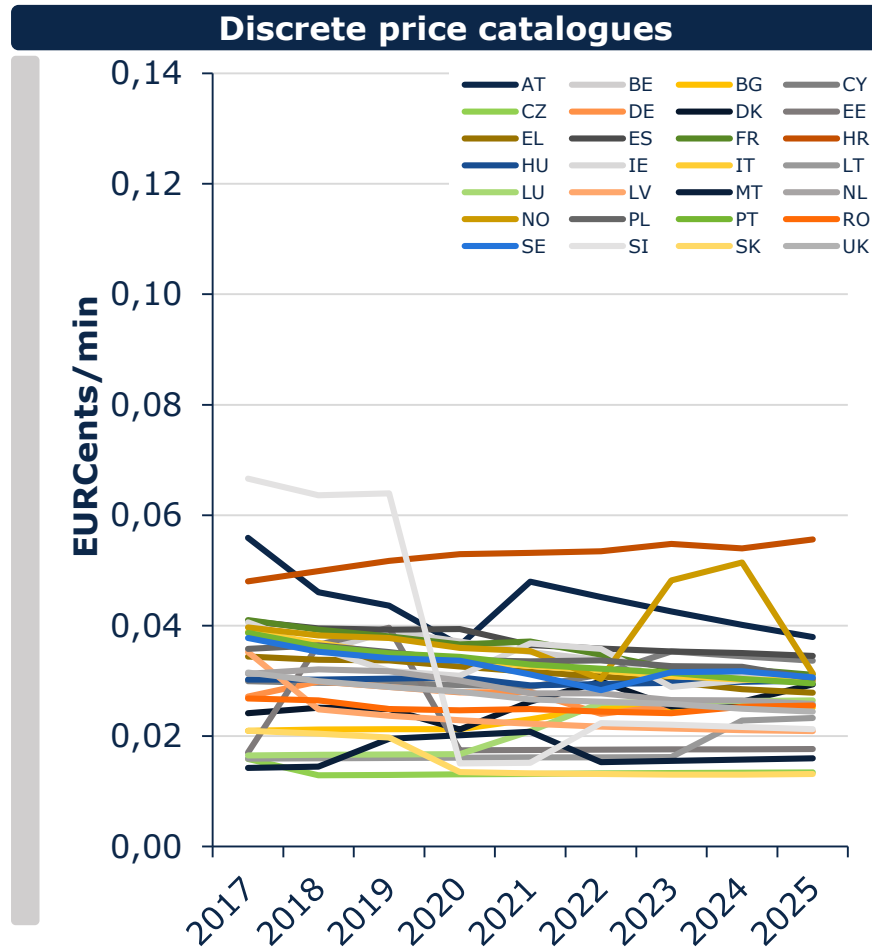
- ▶ Different scenarios lead to different fixed voice termination results. In other words, scenarios produce a range of possible results. All these scenarios have been submitted to public consultation to gather stakeholders' views.
- ▶ The next slides show the results under all combinations of available scenarios, as follows:

Available combinations of scenarios and corresponding slides		Demand forecasts		
		Base Case	Aggressive	Conservative
Reference operator	25% Market Share	Slide 6	Slide 9	Slide 12
	50% Market Share	Slide 7	Slide 10	Slide 13
	Incumbent Market Share	Slide 8	Slide 11	Slide 14

- ▶ Note also that regarding the treatment of the Core equipment unit costs, results for the two available scenarios (Discrete Price Catalogues and Continuous functions) are presented separately in the next slides, for each of the combinations reflected in the table above.

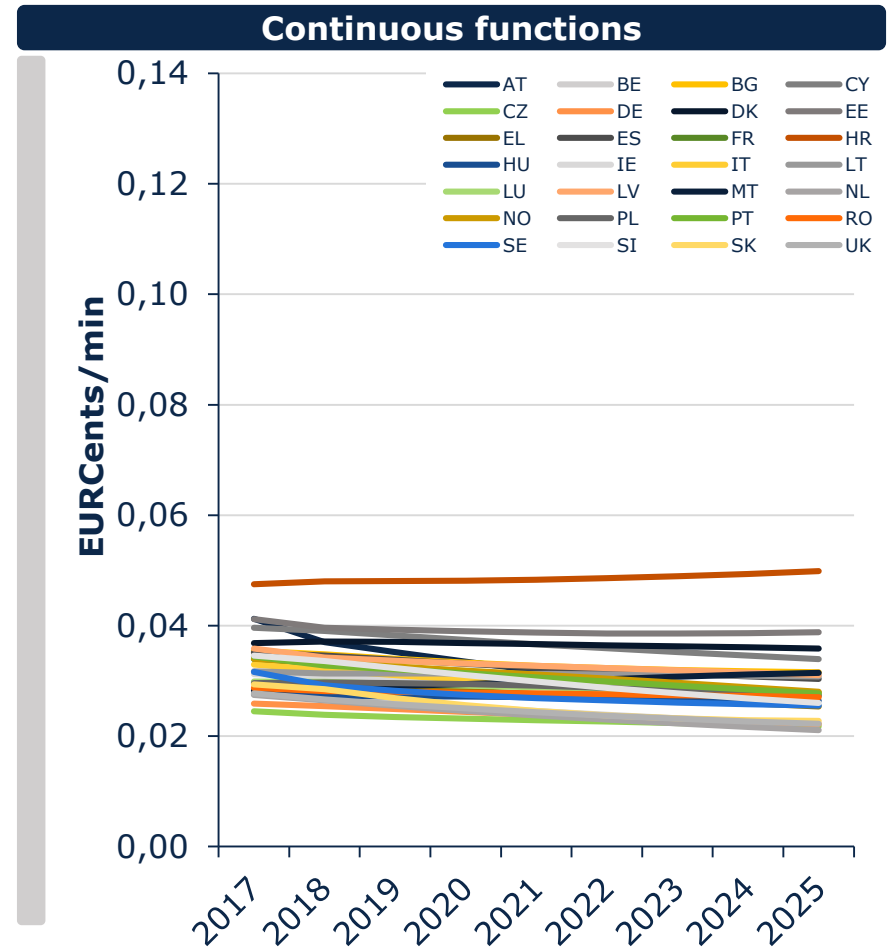
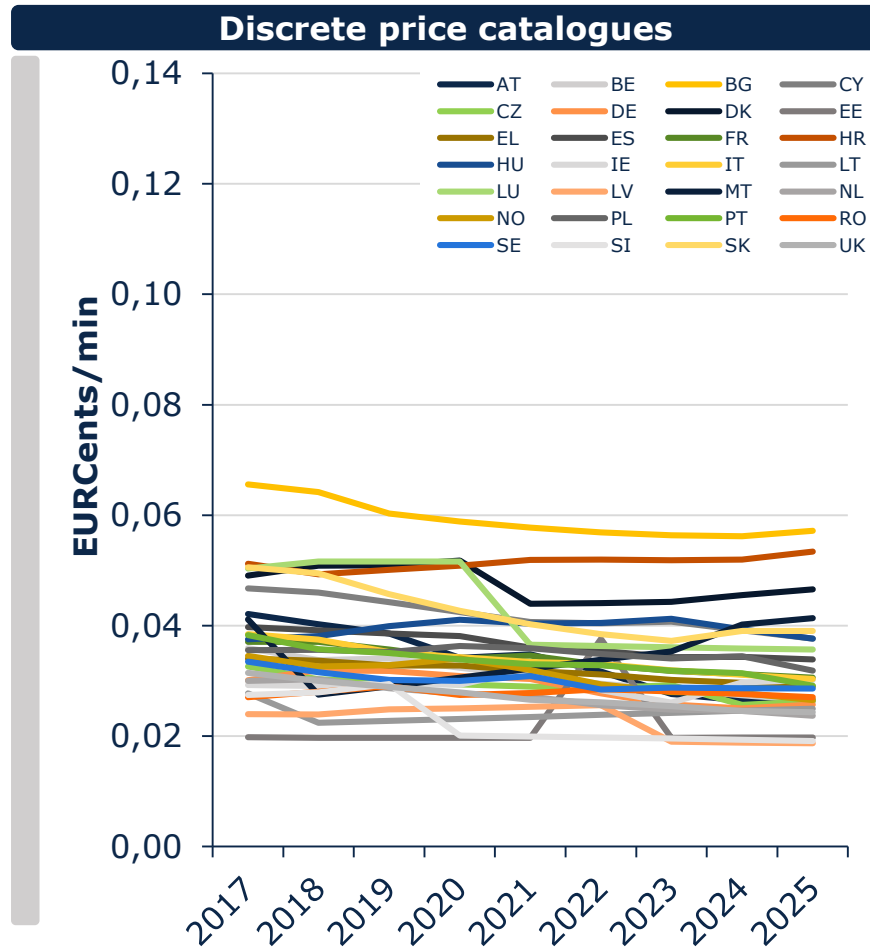
# Results for the Fixed Voice Termination Service

Market Share 25% - Base Case scenario



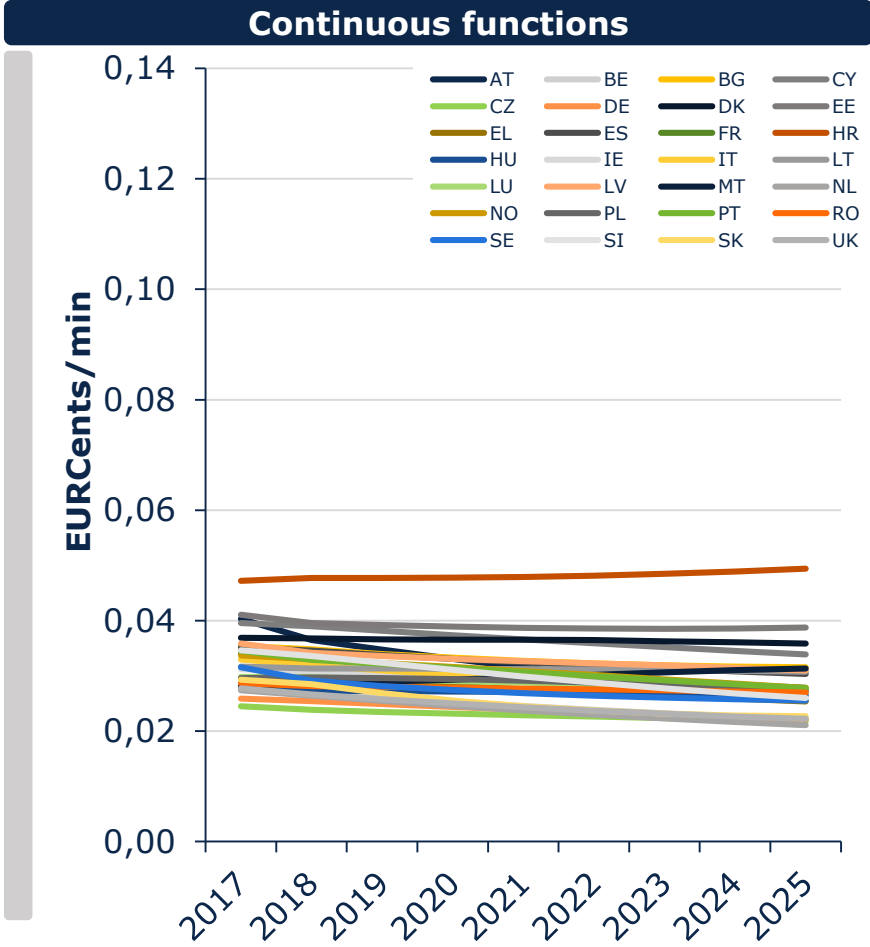
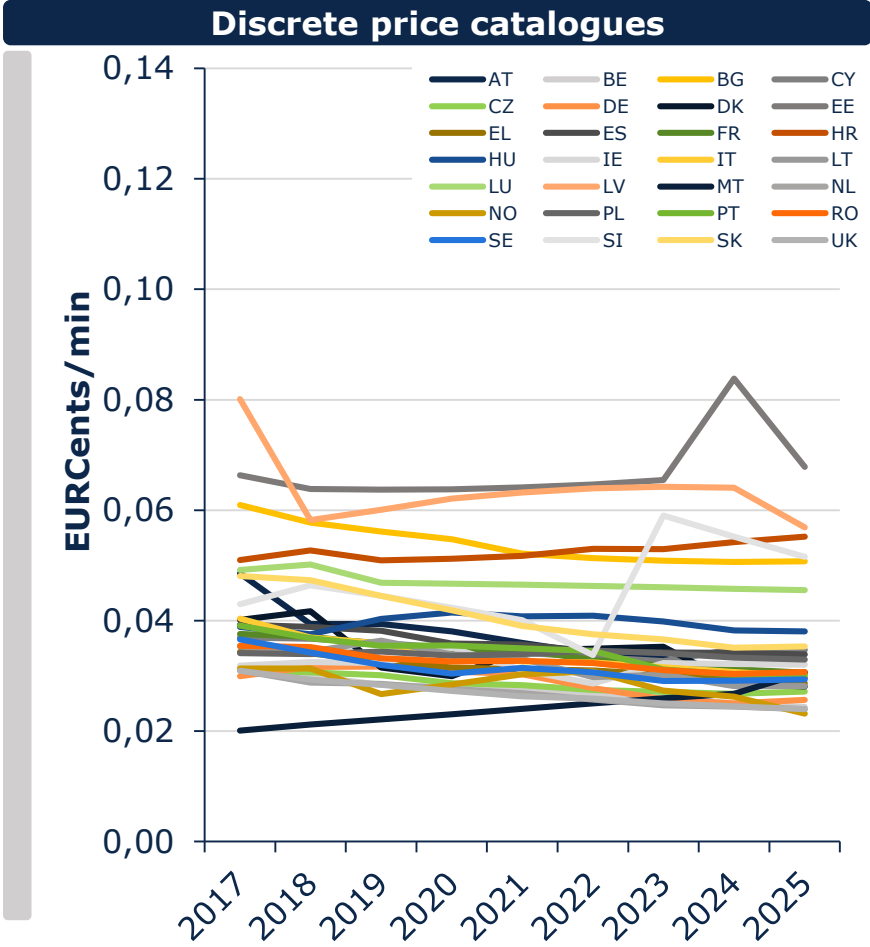
# Results for the Fixed Voice Termination Service

Market Share 50% - Base Case scenario



# Results for the Fixed Voice Termination Service

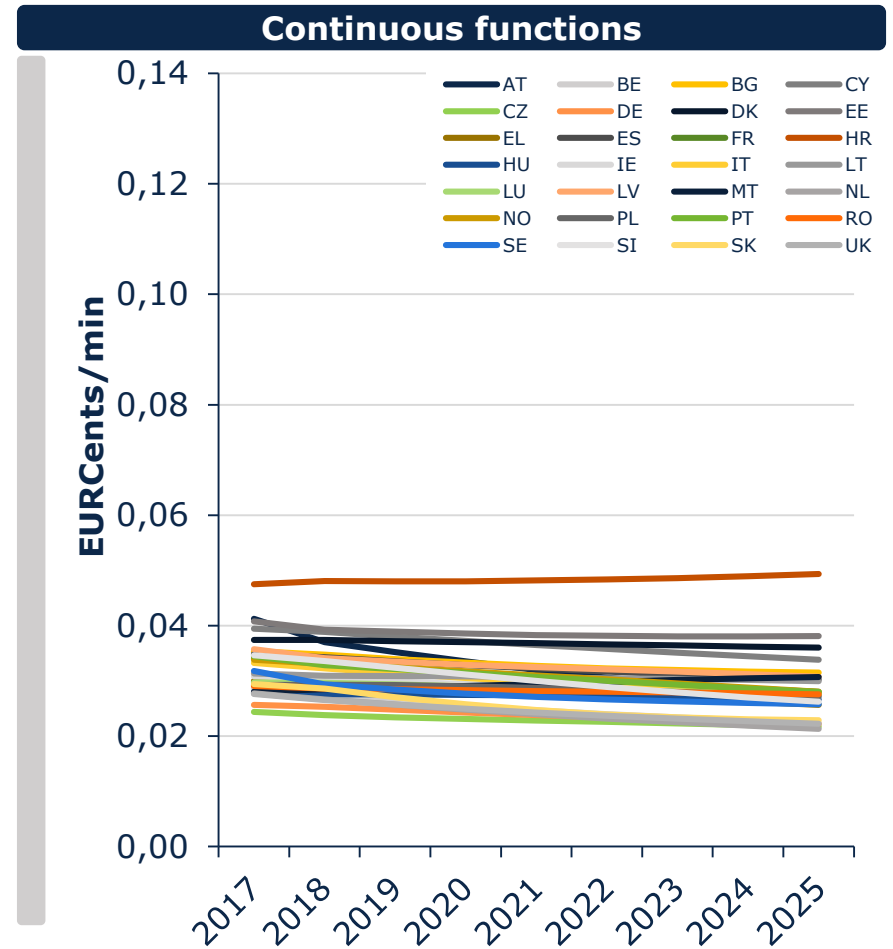
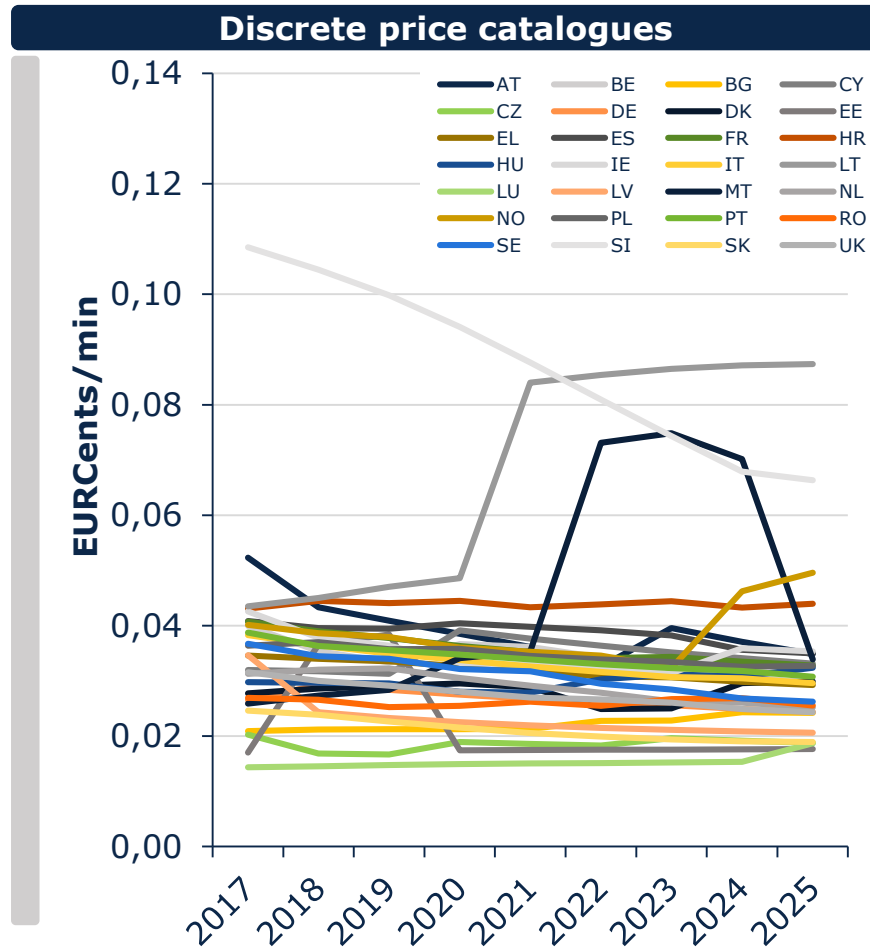
Incumbent Market Share - Base Case scenario





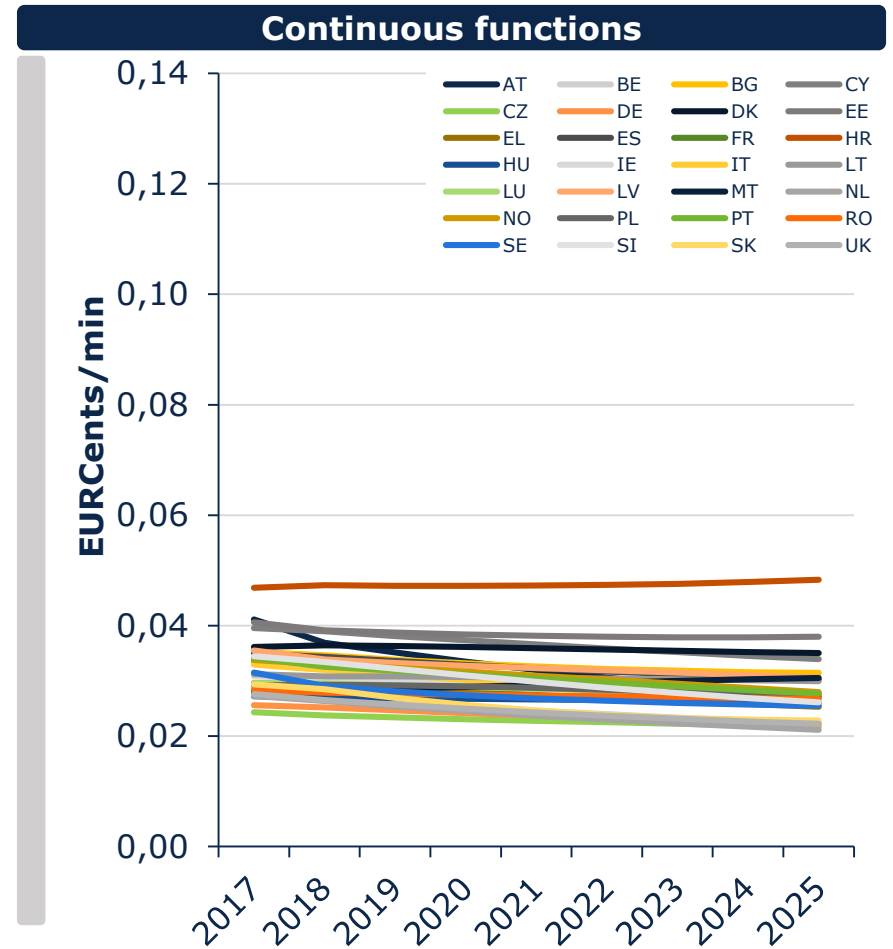
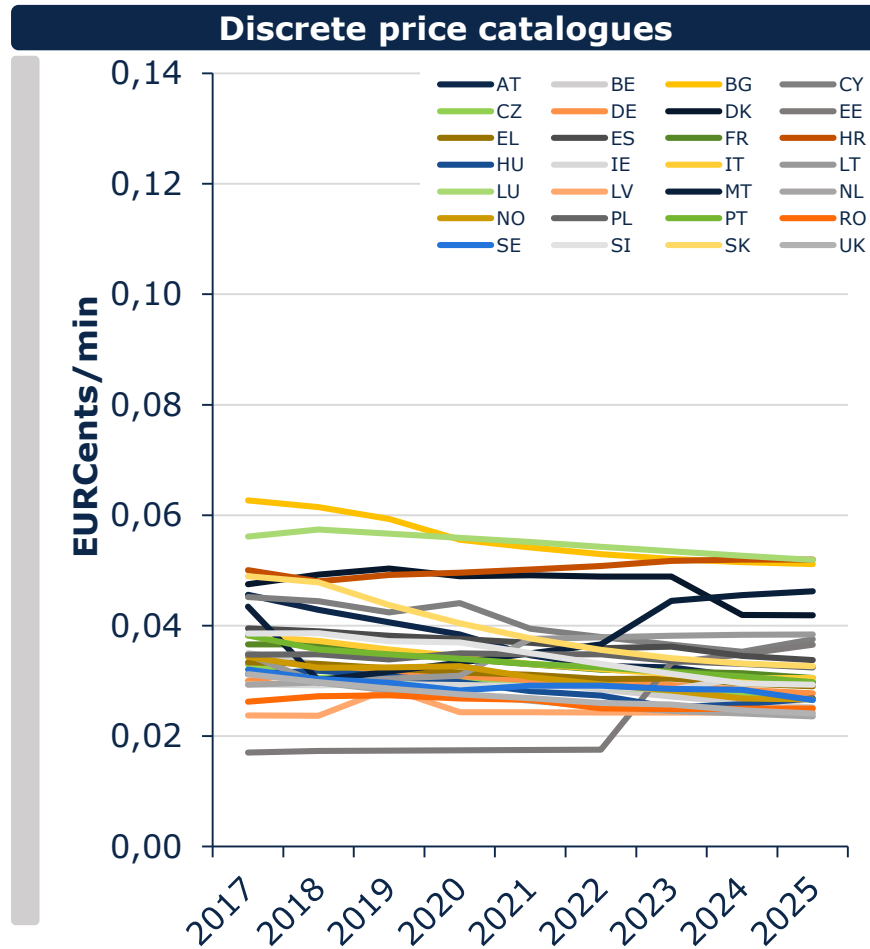
# Results for the Fixed Voice Termination Service

## Market Share 25% - Aggressive scenario



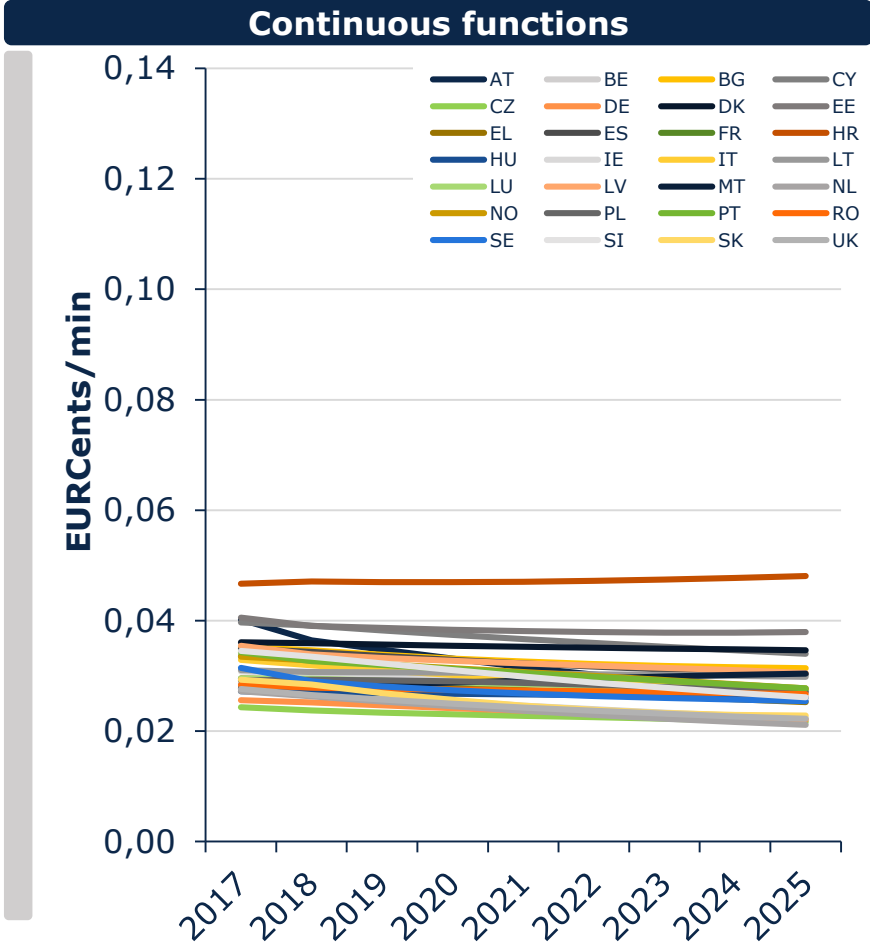
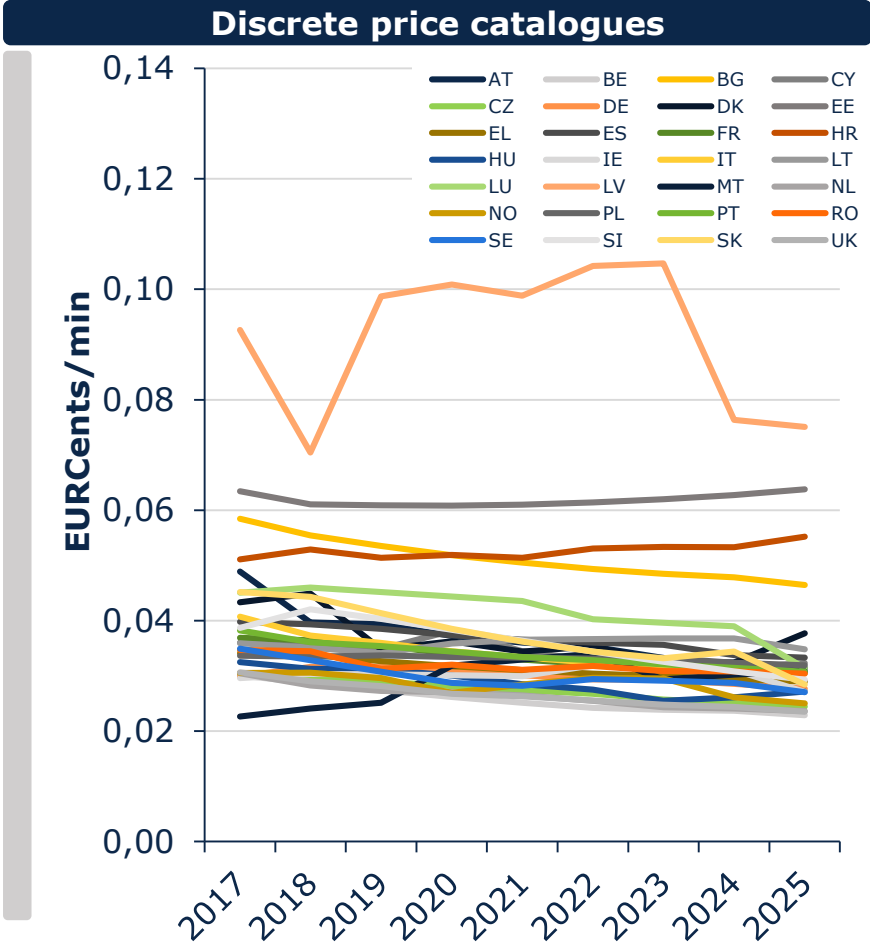
# Results for the Fixed Voice Termination Service

## Market Share 50% - Aggressive scenario



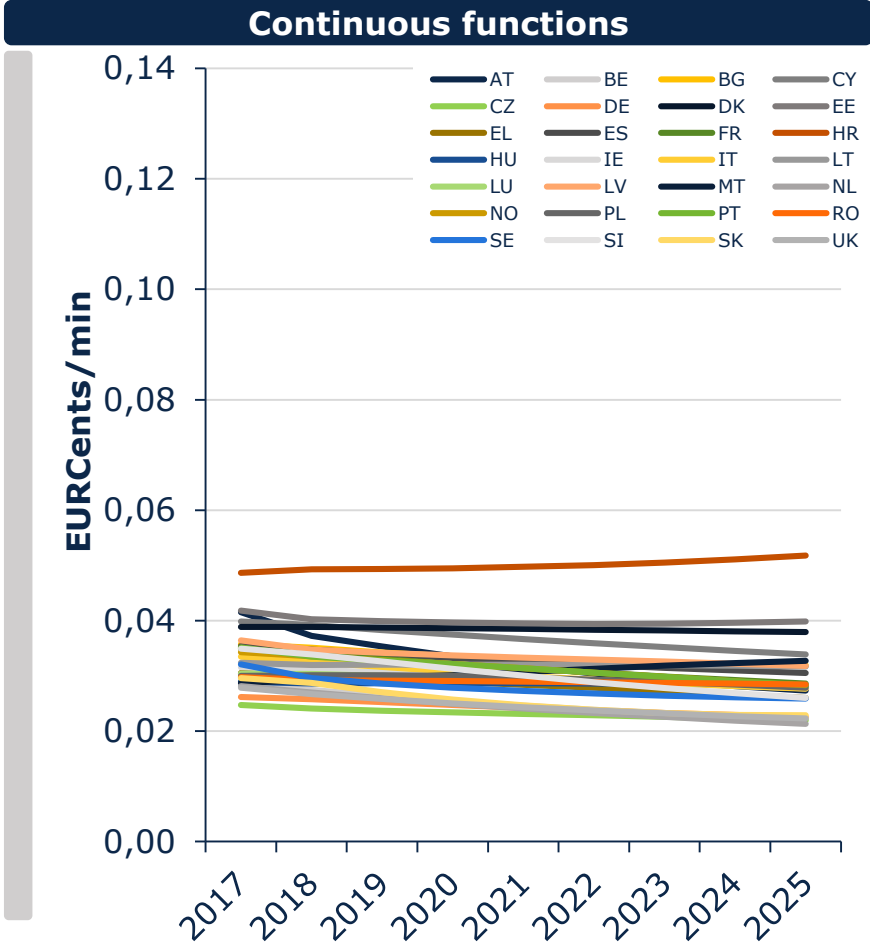
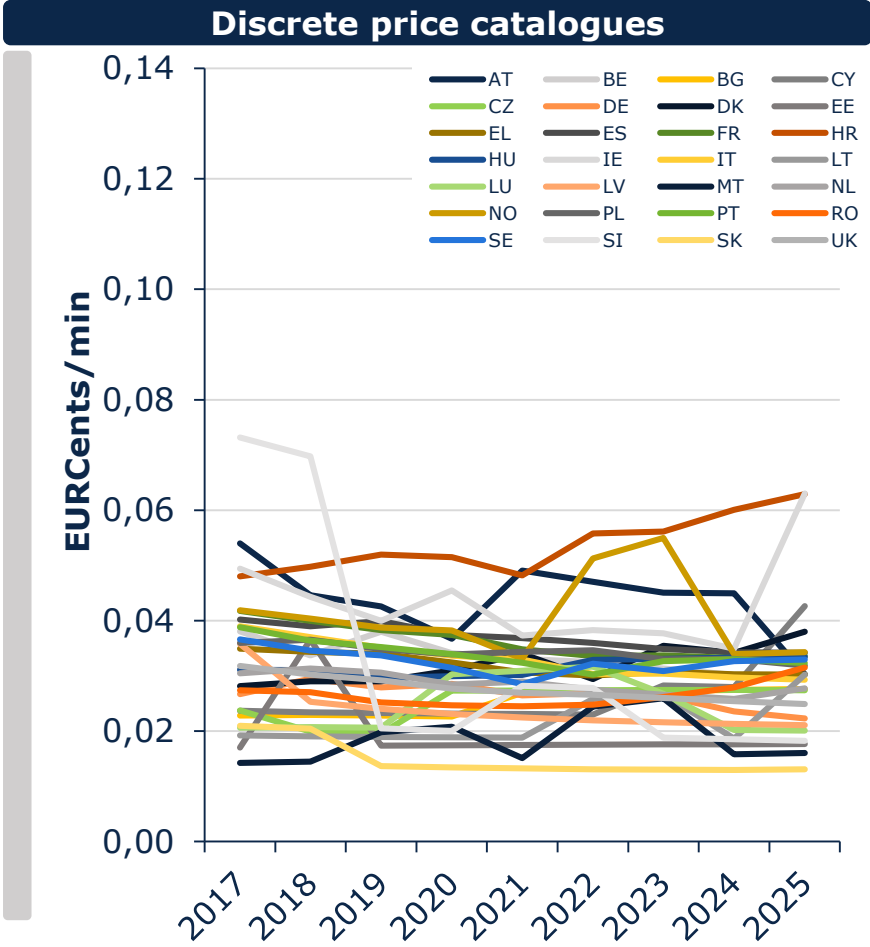
# Results for the Fixed Voice Termination Service

## Incumbent Market Share - Aggressive scenario



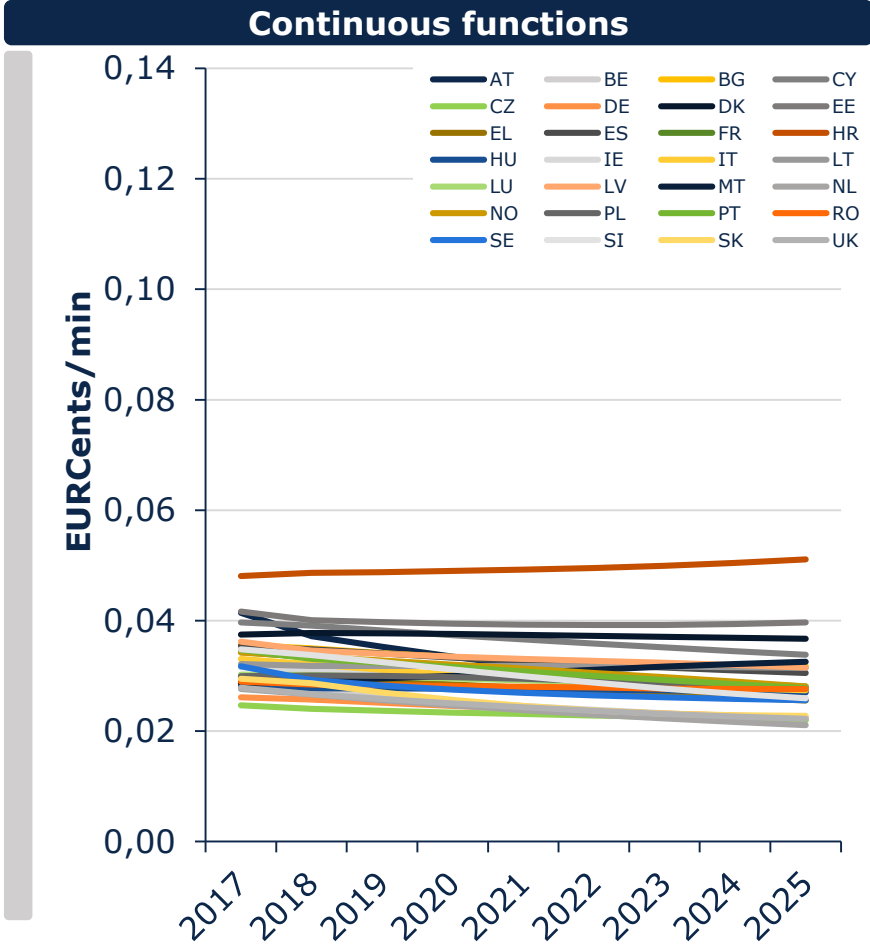
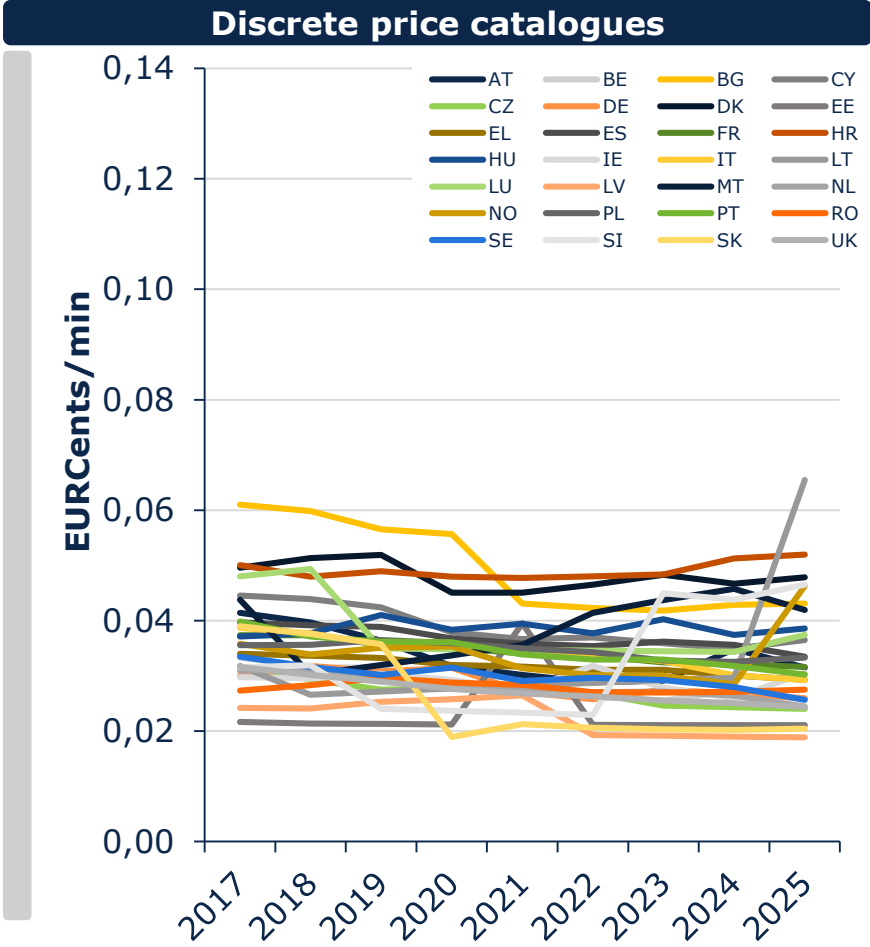
# Results for the Fixed Voice Termination Service

Market Share 25% - Conservative scenario



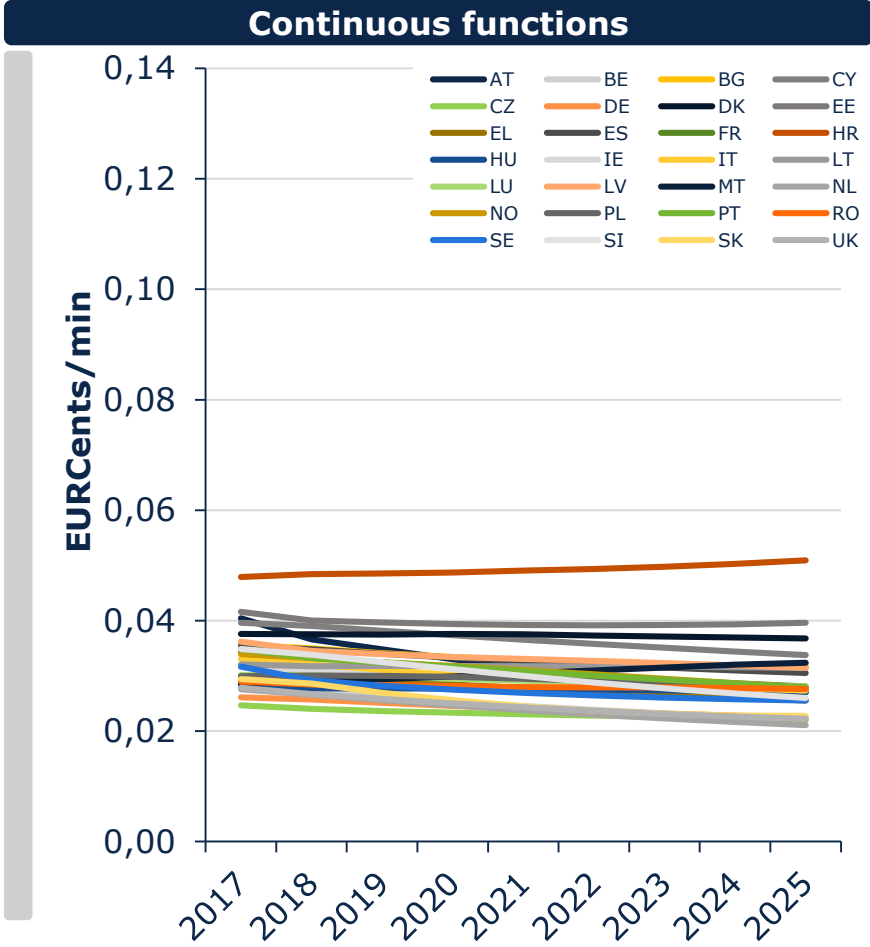
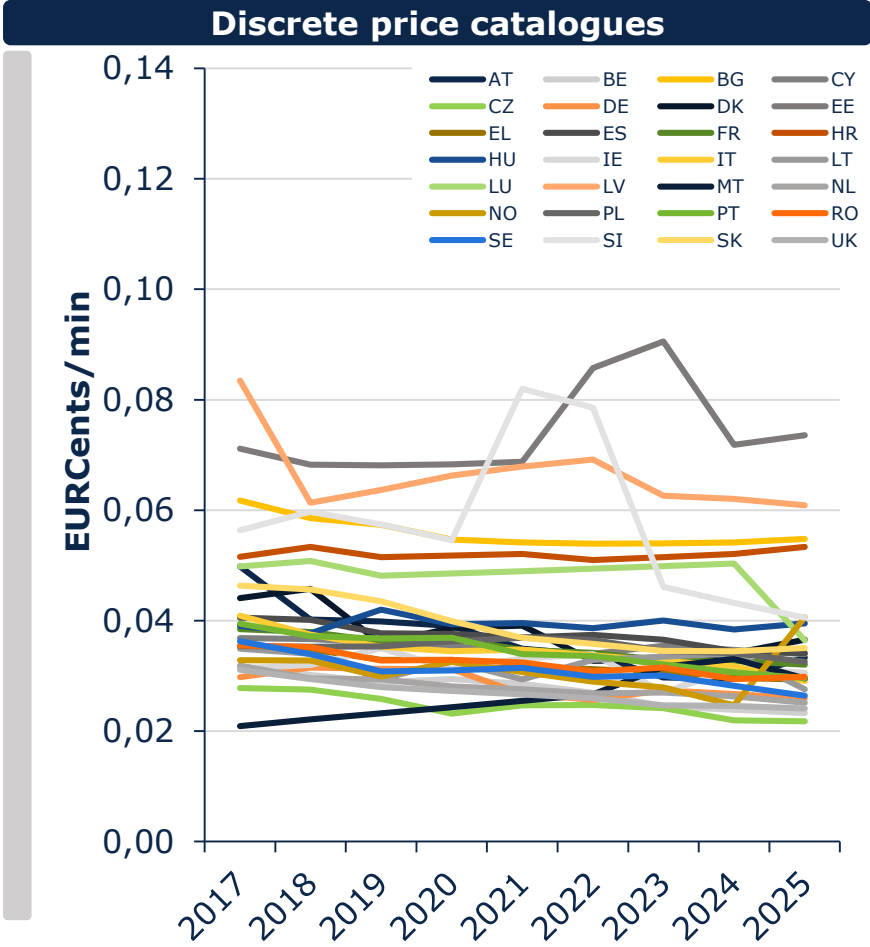
# Results for the Fixed Voice Termination Service

Market Share 50% - Conservative scenario



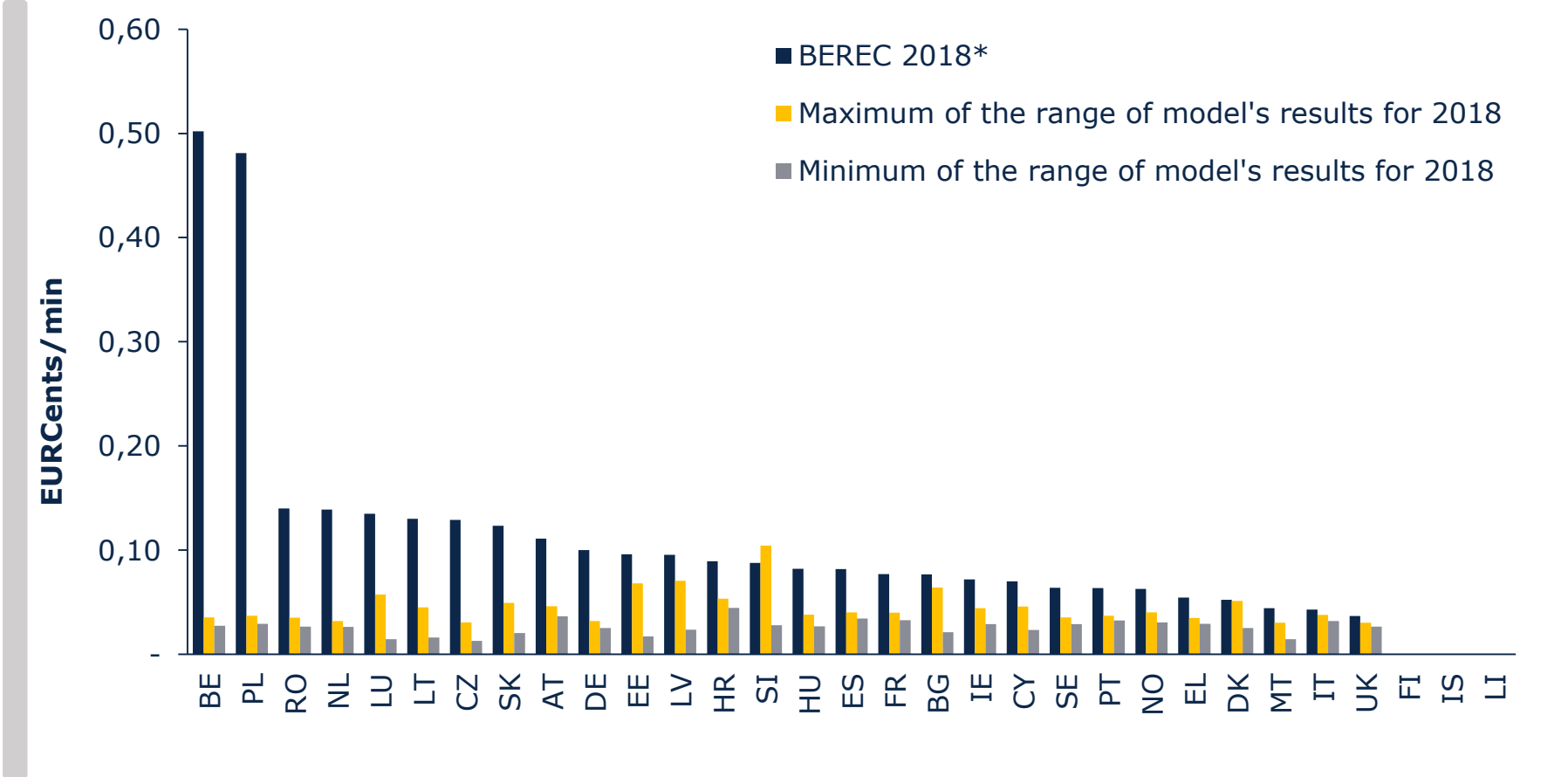
# Results for the Fixed Voice Termination Service

## Incumbent Market Share - Conservative scenario



# Results produced by the model are in comparable levels to rates reported by BEREC (i.e. FTRs set by the NRAs)

## Comparison of the model's costs with fixed termination rates reported by BEREC



\*Extracted from BEREC's termination reports. It includes information up to 1 July 2018.



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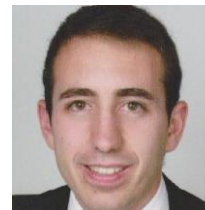
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