

Consultation questions

Question 1 (*Section 1*): Do you agree that in a multi-service NGN environment, in which different services use a shared transport layer, different interconnection regimes for different services could create arbitrage problems? If yes, could you describe the problems that you foresee or that have already occurred. If no, what prevents these arbitrage problems in your view?

Question 2 (*Section 1 & 2.2*): What is the influence of the separation of transport and service for the interconnection regime and in particular the charging mechanism and in what way are NGNs and BaK related?

Question 3 (*Section 3.2*): How would you define the boundary for the application of BaK and where should it be located (i.e. points of interconnection where BaK is applicable)?

Question 4 (*Section 4.2*): What is your conclusion on the relationship between the charging mechanism and penetration, usage and price level?

Question 5 (*Section 5.1.3*): How does BaK affect regulatory certainty and the risk of legal disputes?

Question 6 (*Section 5.2.1.3*): How do different wholesale charging mechanisms impact on the number of unwanted calls? Do you expect (other) effects on consumers/consumer groups? Where possible, provide a quantitative assessment of the expected effects.

Question 7 (*Section 5.2*): How do you assess the quantitative relevance of call and network externalities?

Question 8 (*Section 5.3.5*): How would your business be affected by a move from CPNP to BaK? Please explain the expected impact on prices, volume of supplied services and profit.

Question 9 (*Section 6.1*): Do you agree with the conclusion that operators/users in the BaK domain will subsidise traffic coming from outside the domain (regardless of the legal aspect)? Are there any mechanisms to prevent this and how will they work in your view, in particular to avoid arbitrage?

Question 10 (*Section 6.3*): Do you see any implementation problems for a migration period towards BaK? How could such problems be addressed?

Question 11 (*Section 7*): Does the draft CP miss any other relevant issues?

Question 1 (section1) In multi-service NGN environment, in which different services use a shared transport layer, different interconnection regimes for different services could co-exist without arising arbitrage problems. Arbitrage problems can potentially arise under any interconnect regime. We foresee that CPNP problems maybe related to settlement issues between the operators whereas BaK problems could be associated with quality of service. Quality of service is considered to be more important factor for the mobile consumer compared to the settlement issues in between the operators.

Question 2 (Section 1 & 2.2): The separation of transport and service highly influences interconnection regime charging mechanisms and involves the complexity in acknowledgment of service delivery. NGNs and BaK are related in a way that charging mechanisms in interconnect settlements between the operators are not applied. However BaK does not prevent quality problems because service delivery acknowledgment in case of separated transport shall be more complicated.

Question 3 (Section 3.2) ... We propose to define that the boundary for the application of BaK is associated with data traffic (excluding SMS and MMS).

Question 4 (Section 4.2): Interconnect rates for mobile traffic in Lithuania is on the average level compared to interconnect rates in other European countries. Today mobile penetration in Lithuania is exceeding 140%. Mobile penetration rate in Lithuania is one of the highest penetrations in Europe. The price level for mobile communication is, on the contrary, one of the lowest in Europe. Under these circumstances it is impossible to draw the conclusion that penetration, prices and usage are positively related to BaK.

Question 5 (Section 5.1.3): Regulatory certainty would be positively effected by BaK because NRA's would be released from determination of appropriate interconnect price level in each market. BaK should lower the risk of legal disputes in the area of settlements between the operators but increases the probability of disputes between the operators and consumers due to the issues related to quality of service. BaK would increase regulatory involvement in solving disputes between the operators and consumers.

Question 6 (Section 5.2.1.3): CPNP wholesale charging mechanisms prevent the number of unwanted calls in case wholesale cost is incorporated into the prices for the consumers. BaK mechanism may have adverse effects depending on the allocation of network cost: if the cost burden is allocated on the consumer prices the number of unwanted calls decreases; if an operator decreases consumer price after elimination of CPNP element, the number of unwanted calls is likely to increase. Effect on consumer group would largely depend on the price deviation provoked by BaK. Net receivers under CPNP regime might be forced to increase consumer prices after BaK introduction, net payers are likely to decrease consumer prices, consecutively increasing the number of unwanted calls.

Question 7 (section 5.2): The quantitative relevance of call, and network externalities are positively related with termination rates under CPNP regime and negatively related to BaK.

Question 8 (section 5.3.5): We do not expect that the move from CPNP to BaK would have a major influence on volume of supplied services. It may impact the development of new services because decreasing profits would minimize the opportunities to invest into the development of new products and quality assurance tools.

Question 9 (section 6.1): We fully support the conclusion that operators/users in the BaK domain will subsidize traffic coming from outside the domain. The mechanism to prevent the subsidies is not known to us.

Question 10 (Section 6.3): The migration from CPNP to BaK should be gradual and announced well in advance in order to incorporate BaK effects into the activity plans of operators and avoid price distortions in the market.

Question 11 (Section 7): we would like to draw the attention of CP that in the mobile industry BaK will drive the revenues streams down may negatively influence consumer pricing as well as the investments into the new product development and quality assurance. Therefore we do not support BaK initiative.