



Orange's Response to the public consultation by the Berec on Special Rate Services draft report.

10 February 2012

Executive Summary

Orange France Telecom (Orange) welcomes the opportunity to comment the BEREC report on special rate fixed and mobile voice calling to service providers (SRS).

Orange agrees with the fact that calling certain numbers may have special features and that it is up to individual NRA to decide if and where the guidance of the document is applicable on national circumstances.

Taking into account the variety of numbers and circumstances should lead to certain flexibility notably regarding pricing models and transparency. Fairness should also be a principle, such as having the same remuneration for a service independently of the network used, and having the access part being dealt with in complement.

It is mentioned in the report that the level of price are sometimes considered to be too high. This statement should at the very least be assessed carefully and should be compared with appropriate proxies such as similar activities. It should be also understood that the cost of a VAS (Value Added Service) for an operator is higher than the cost of a normal personal call. Consequently this criticism should be counterbalanced.

VAS are part of a large spectrum of offers, notably unlimited, that have not been always designed to deal with these specific calls. Consequently complementary payment should be allowed to cover these specific calls.

Orange also mentions an issue that is not considered in this report that is the misuse of the VAS numbers leading to “undue” revenues not in line with the expected use of these numbers. NRA should take care of such abuses.

2.1 – Value chain

In the value chain, there is often an intermediary dealing with the numbers and related services offered to the Service Providers (SP) that is not mentioned in the report. One can understand that, in this report, the related tasks are attributed to the OO (Originating Operator) and the related questions are out of its scope.

2.3 – Retail pricing models

As a general principle a model with two components: A+S or C+S is coherent. The value of the components can vary depending on the context and can even be equal to zero in certain cases.

Therefore, flexibility in this respect should be part of the rules in order to suit all the possible configurations in the field.

In these two-component tariffs, the value of the S part should be the same whatever network, fixed or mobile is used.

For the calls from mobile networks, in mainland France the situation is more complex than described in the BEREC document:

1) For the mobile voice calling, there is a model A+S, with A depending on the mobile offer subscribed by the client but also on the called number:

- for the calls to the service “free call” (S=0) like for the one where S = price of a SU national call and the calls to the 118, A is deducted from the package fee,
- for the other services, A is very often invoiced like a call “outside the package”.

2) For the fixed voice calling, there is an S model.

3.1 – Preliminary observations

Point 24

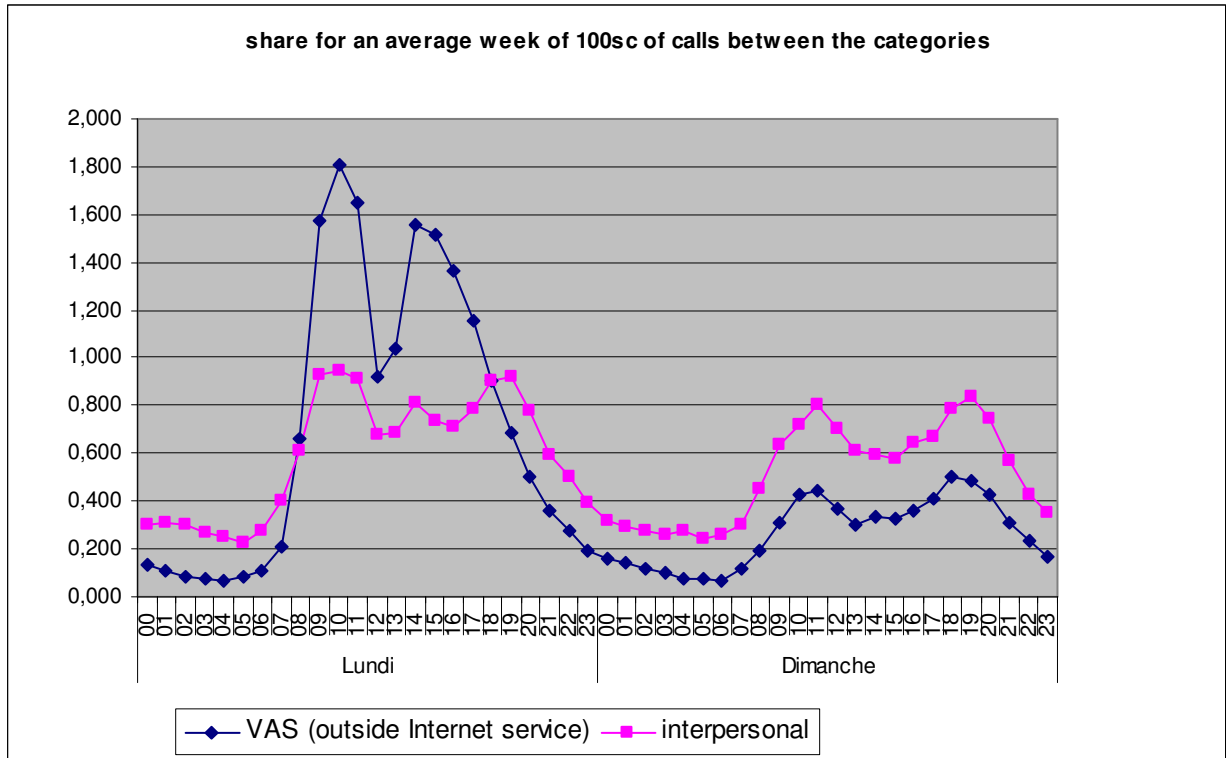
Referring to the 50% observed by Ofcom in UK, BEREC estimates that the retention rate of the OO is too high. First, it must be mentioned that this rate is not used all over Europe, notably in France the retention rate for fixed is not at this level.

Second, it must be reminded that these retention rates remunerate the OO:

- on the one hand through a commercial fee for all the services rendered by the LLO (Local Loop Operator) (invoicing, customer care...) in order to allow the SP to commercialise its services. To comment on the fact that this service is expensive or not, its commission fee should be compared with the one of other intermediaries for the provision of comparable services on other media (Appstore for example) that is around 30%,
- on the other hand for the call conveyance related to the service providers up to the operator that collects these calls.

As opposed to what the report states, at least in France, a VAS call is structurally more costly than an interpersonal call notably due to the concentration of the calls (picks).

The diagram below shows that the VSA calls are around twice more concentrated than the normal calls.



One can consider that the standard call to an interpersonal number of another operator's client cost, for the LLO, is roughly equal to: the cost of the conveyance of the call in the LL of the caller operator up to the interconnection point with the LL of the calling party operator plus the TR (Termination Rate) (that will be at the incremental cost in 2013).

Taking into account the concentration issue, the complete cost supported by the OO for the conveyance of the call to a VAS is roughly twice the cost for a normal call, consequently when the TR is added; the total cost is definitely higher than that of an ordinary call.

Furthermore, the cost of conveyance is higher for the mobile operators (cost of radio local loop higher) than for the fixed operators; meaning that one shouldn't be surprised in having a higher retention rate for the mobile OO than for the fixed ones.

3.2 – Root causes and problems

About the fact that service providers would not have any mean to put pressure on the OO, BEREC should take into account the fact that other media permitting VAS exist today and that the pressure on the local loop operators exist due to the competition of these other media and the possibility for the service providers to leave the operator for one of them.

5.1 – Possible wholesale and retail measures

Point 49:

The system that is the correspondence between tariff and number format (080N) presented in the report has a major drawback for the SP. If the SP, known by the customers through the dedicated number wants to:



- provide an “enriched” service with higher added value than the current service and wants to be remunerated for it,
- or to lower its prices,

it will have to change its number with the risk of loosing the relation with its customers.

Instead, we recommend allowing tariff changes for a given SRS Number (this looks like a number portability, not from one operator to another, but from one tariff level to another).

5.2.1 – Category 1

Cf comments in 3.1

5.2.2 – Category 2

Point 57:

In the proposed model, a specific case must be considered.

Customers subscribe to offers that include some specific rates for specific time slots for interpersonal calls (for instance unlimited calls). These offers are built without integrating the fact that these time slots could also concern calls to VAS with their specific characteristics.

In these conditions, it seems that a half-way mechanism – between the current system and C at the ordinary call tariff - could be considered where C would not be seen as having the nature of an interpersonal call. Then the operator would have incentives to invoice C for a VAS call at the same price as a personal call except in case of specific time slot tariff or unlimited ones. In this last case the operator could also avoid to invoice at a higher price than package price for normal call.

Furthermore, as already mentioned, the cost for a call to a VAS being different from the cost incurred by the LLO for a normal call, the introduction of a complement for all the calls for which the LLO does not invoice the call origination fee, must allow the operators to compensate the specific profiles effect of the call to these VAS number.

Point 62:

For the incoming calls from abroad, BEREC suggests that adopting a C+S model (with C = national call price or international) would lead to a more homogeneous treatment of the VAS whatever their origin would be.

According to current practices we have some doubt about it. Concerning international there is no payback mechanism for the VAS. The only principle is cascading invoicing along with a tariff including transit fee and TR (one price with no detail). If the VAS number is opened from abroad it is seen as a standard number with the related tariff.

All the international invoicing relies on the numbering plan of each destination.

Some countries have implemented VAS numbering plan layers or “premium” with higher tariffs justified by a high TR in the specific layers. For example, Austria has a layer “Austria VAS” – 0.1760€/min while “Austria Fixed” is at 0.0107€/min.

In France, the entire layer +33 8 is invoiced at the standard price of fixed.

Point 65: Cf 5.2.2/62

The LL operator remuneration should include:



- a C defined above (cf 5.2.2/57)
- a commercial margin invoiced to the SP that could be linked to the service price
- a VAS charge as already explained (+ an originating rate for services where C=0 and S=0).

5.4 – Conclusion

Point 73

For the call to the free numbers (the caller pays the fee) the originating rate should be reasonable but not cost oriented.

Specific issue: misuse of Premium rate numbers:

There is a specific problem faced by operators that should be taken in consideration by NRAs as described hereafter.

An operator (let's take O country A as example) allow the access to Premium Rate Numbers (PRN) to roamers on its network (let's take O country B roamers as example).

OA invoices to OB the wholesale rate equal to 3€/min and then pays the PRN owner 2€/min. (the figures used here are just examples; the real ones could be even higher).

OB systems are not up to date (meaning they are not aware of all the PRNs active in A, it is an almost impossible task) and the retail roaming tariff paid by a OB roaming operator is equal to 0.5€/min (to make it simple, but it could be even lower because of regulated rate).

If an OB SIM card generates 100 minutes towards a PRN, OB will get 50€ from its customer, will have to pay 300€ to OA and OA will have to pay 200€ to the PRN's owner.

The PRN's owner is of course at the same time the OB SIM card owner, who spent 50€ in B to receive 200€ in A.

Currently, the National Regulator in A is supporting all the PRN's owners, and is forcing the MNOs to pay the traffic to them (the explanation being to protect small operators towards big MNOs).

The NRAs should oblige the MNOs and the smaller PRN's owners to insert in their bilateral contracts that in case of abnormal traffic patterns, the MNO is entitled to retain payments, so that the revenue chain of the misuse of PRN is broken.

Besides and to reinforce the measures needed to minimize irregular traffics, the NRAs have to authorize operators to suspend interconnection when irregular traffics happen. A strict regime of fines should be considered when numbers – as a scarce resource – are not used according to the reason they were assigned to.