

Commission contests Polish proposal to set excessive fixed voice call termination rates

The European Commission has issued a recommendation asking the Polish regulator, UKE, to amend its fixed termination rates proposal and to implement new cost-efficient rates without delay and, in any event, no later than 31 October 2019.

Termination rates are the rates telecom operators charge each other to deliver calls between networks. The termination rates are included in call prices paid by consumers and business. The 2009 Commission Recommendation on Termination Rates aims bringing the rates down to a cost-efficient level that better reflect the market reality recommending as appropriate cost methodology the so called Bottom-up Long-run Incremental (BU-LRIC). Furthermore, the European Electronic Communications Code (the "Code") requires the Commission to adopt a delegated act setting a Union-wide maximum voice call termination rate (EuroRate) by 31 December 2020.

In its measure, UKE endorses the recommended cost-efficient methodology and proposes to set the termination rate according to the BU-LRIC methodology. However, the Polish regulator did not specify any concrete timeframe for its follow up decision and the date as of which the fixed termination rates based on this methodology will be finally effectively implemented in Poland.

As a consequence, according to the Commission's assessment, the rates will remain at the current artificially high level for an undetermined interim period. The current rate, in place for the last ten years, is based on an outdated costing methodology (fully distributed cost) that unnecessarily inflates the level of termination rates. As a result, fixed termination rates in Poland continue to be set at 0.4810 eurocent per minute, well above the EU average benchmarking rate of 0.086 eurocents/min.

The Commission concludes that UKE did not provide sufficient evidence showing that the notified measure complies with the policy objectives and regulatory principles of the Regulatory Framework. Getting the termination rates close to the cost-efficient level is particularly important in view of the upcoming adoption of a single maximum Union-wide fixed voice termination rate, or the 'EuroRate'.

Fixed termination rates set at efficient, cost oriented, levels will be taken into account when determining the appropriate level of forthcoming EuroRate. By keeping the rates at current level, without any adjustments to the cost efficient level, UKE de facto prevents smooth transition to the EuroRate level and does not prepare the Polish market for the changes, thus risking the turbulences at a later stage.

The Commission's request follows a three-month investigation, during which BEREC, the body of European Telecoms Regulators, expressed its support for the Commission's position. The Commission now requests that UKE amend its proposed measure so that new cost-efficient fixed termination rates are implemented without delay and in any event no later than 31 October 2019. Until such time, UKE should set the fixed termination rates by reference to the benchmark of average cost efficient rates as calculated by other EU National Regulatory Authorities (NRAs).

In case UKE, after having taken the utmost account of the Commission's recommendation, does not decide to amend its draft proposal, it has to provide a valid justification.

Related topics

Article 7

Improving connectivity and access

Telecom laws

Source URL:

<https://digital-strategy.ec.europa.eu/news/commission-contests-polish-proposal-set-excessive-fixed-voice-call-termination-rates>