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COMMUNICATIONS OUTLOOK 1999

TELECOMMUNICATIONS: Regulatory Issues

Country: Hungary

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The attached questionnaire was undertaken in preparation for the biennial OECD *Communications Outlook*. The responses provided by countries on telecommunication regulation were used to provide information supporting the analytical sections published in association with data. A similar questionnaire with responses on broadcasting regulation is also available. In some cases, data for individual firms, used to compile OECD totals, have not been published at the request of the respondent. For further information, including data, see **OECD Communications Outlook 1999** and <http://www.oecd.org/dsti/sti/it/index.htm>

TELECOMMUNICATIONS

Market Structure and Regulatory Status (Questions 1 -13)

1. Please provide details of the regulation of communication infrastructure, including the public switched telecommunication network (PSTN), provision in your country.

| Infrastructure provision for following service | Regulatory Status (e.g. monopoly, duopoly, limited number, fully open to any applicant) | Number of licensed operators (1998) |
|---|---|-------------------------------------|
| Local PSTN | geographical monopoly | 14 |
| National PSTN | monopoly | 1 |
| International PSTN | monopoly | 1 |
| Analogue Cellular Mobile (e.g. NMT etc.) | concession | 1 |
| Digital Cellular Mobile (e.g. GSM etc.) | concession | 2 |
| Other Mobile Communication (e.g. PCS, PCN, CT-2 etc.) | - | - |
| Payphones | as the local PSTN | as the local PSTN |

2. Please provide details for the major public telecommunication operator (PTO) of public switched telecommunication services in your country. (PTOs are state and privately owned entities providing public switched telecommunication services over their own infrastructure)

| Name of PTO | PTO Ownership Status (1998) (e.g. state owned/privately owned) If a balance of ownership exists please indicate the share (%) held by the government |
|---------------------------------|---|
| Hungarian Telecommunication Co. | State owned: 6.47% Private owned: 93.53% |

3. Please provide details of market share for the largest PTO in the following categories.

| | The largest PTO's share (End 1997) |
|---|------------------------------------|
| Local Access (% of access lines) | 77.5 |
| National Long Distance (% of total minutes) | 100 |
| International (% of total outgoing MiTT) | 100 |

4. Please provide details of the number of subscribers by cellular and PCN mobile communication operators.

| Name of Operator | Number of Subscribers (End 1997) |
|-----------------------------|----------------------------------|
| 1.WESTEL NMT 450 (analogue) | 79.000 |
| 2.WESTEL 900 GSM Ltd. | 362.000 |
| 3 Pannon GSM Ltd. | 264.000 |

5. Please provide a description of the most significant recent policy changes affecting the provision of telecommunications services, as well as any draft laws, or regulatory proposals to be implemented in 1998.

New legal rules for telecom regulation:
48/1997.(III.14.) Government Decree on licensing certain telecommunications services
232/1997.(XII.12.) Government Decree on a uniform communications authority and on amendment of certain pieces of legislation concerning communications
243/997.(XII.20.) Government Decree on subscriber contracts for telecommunications services
29/1997.(XII.20.) KHVM Decree on Terms and conditions of particular telecommunications subscriber contracts, associated with the protection of consumers and the quality of service, as well as the quality inspection by the authority
31/1997.(XII.20.) KHVM Decree on Usage Charges of Public Telephony Services
1/1998. (I.12.) KHVM Decree on Distribution of revenues related to telecommunication services subject to concession, on fees of leased line services utilized for the provision of telecommunication services subject to concession and on settlement of fees

In May 1998 the Government accepted its telecommunications policy for the period of 1998-2005 and disclosed it in form of 1071/1998.(V.22.) Government Resolution on telecommunications policy

6. Please provide a brief description of the responsibilities of the national regulatory authorities for public telecommunication services.

The Communication Authority among other responsibilities:

- grants licences for public telecommunications services and networks
- grants type approvals and licences for operation of equipment
- manages available frequencies of the entire civil purpose spectrum
- monitors and supervises the spectrum usage
- investigates quality of service of service from providers etc.

7. Are there any foreign ownership, size of shareholding or other ownership restrictions on individuals and corporations investing in the incumbent PTO(s) in your country?

There is no legal restrictions on foreign or private ownership of PSTN infrastructure. Concession contracts may define a minimum domestic share but the Minister can grant an exemption

8. Are there any communication infrastructures or services (e.g. cable television, terrestrial broadcasting, satellite broadcasting) PTOs in your country are not permitted to directly provide? In addition, please specify any restrictions on PTOs investing in companies that such infrastructure or services.

There is no restriction on telecommunications networks, but the services are regulated. There are three types of telecommunication services:

1. services which can be provided by concession companies exclusively based on contract on concession:
 - public telephony service
 - public purpose mobile radio-telephony service
 - nation-wide public purpose paging service
 - nation-wide and regional distribution and broadcasting of public service radio and television programmes
2. public telecommunication services which can be provided based on a licence issued by the Communication Authority
3. non public telecommunication services which do not require any licence but the operators have an obligation of notifying the Communication Authority about starting the provision of the services.

Concession companies have right to provide public telecommunications services based on a permit upon notifying (general permit) except for CATV services. Concession companies shall apply for a licence to provide CATV services.

9. Is the incumbent PTO(s) in your country allowed to provide mobile communication services?

If 'yes', is there a requirement for accounting separation between the PTO's mobile and fixed operations?

Act LXXII of 1992 on Telecommunications states that public mobile communications services can be provided based on a concession agreement (contract). A separate concession company must be established in order to provide "concession services". It means that no existing company can provide mobile communication services.

In two of the three mobile companies the incumbent PTO has majority of shares.

10. What selection procedures are used to determine licenses for new PTOs (e.g. calls for tenders, government appointments, license on request)?

Public telecommunication services can be provided based on a licence. Service licences are issued by the Communication Authority based on rules laid in 48/1997. (III.14.) Government Decree on licenceng certain telecommunication services.

11. Please specify any restrictions or obligations imposed on new competitive network suppliers?

There is no restriction on network building and network ownership. The services, however, provided on these networks are regulated. There are exclusive rights (concessions) for providing some public telecommunications services (e.g. local, domestic long distance and international voice telephony services). No competition on this market can take place until exclusive rights expire (01.01.2002).

12. Are there any restrictions on the use of leased lines nationally or internationally (including resale)?

The telecommunication infrastructure (right to build, ownership etc.) is fully liberalized. Some services provided on telecommunication networks are regulated. There is no restrictions on leased lines except for those used for providing public telephony services. Resale is not permitted for public telecommunication services.

13. Under the communication regulation existing in your country how would national and international voice telephony services provided over the Internet, by entities other than a PTO, be defined and treated? Please mention any restrictions or obligations that may apply.

Considering the bandwidth of existing Internet access lines Communication Authority, Hungary (CAH) deems that the real-time voice transmission can not be provided an Internet packet switched network. However, the CAH is studying the issue and will elaborate a national recommendation for the future.

Pricing (Questions 14 -15)

14. What, if any, conditions are applied to the tariffs set by PTOs? (Please include any price control information such as price caps and specify for which service they apply).

Prices for public telephony services* (access, line rental, local, domestic long distance and international calls) are set by the Minister of Transport, Telecommunication and Water Management in accordance with the Minister of Finance under a price cap formula. Service providers are allowed to form baskets of services (bundling) offered to their consumers.

* voice telephony services provided on fixed network

15. If communication discount schemes are available in your country please provide information on one or more popular schemes applicable to residential users, dial-up Internet access users and a low user scheme from the incumbent PTO. In the space below please indicate the main features:

Residential User Discount Scheme:

- Instalment on non-recurring access fees
- Discounts for the 2nd, 3rd etc. lines
- Free digifon services for the first 3 months (MATÁV)
- Students' voice mail services (DÉLTÁV)

Internet Access Discount Scheme:

In the night period (from 10 pm to 5 am) a consumer shall pay only for the first 53 minutes of each call (MATÁV).

Low User Scheme:

Note: Residential user refers to an average consumer's home telephone service. A dial-up Internet user refers to a consumer accessing the Internet via a PC with a modem over the local public switched telecommunication network. Low user schemes is a term sometimes applied by PTOs to schemes designed for segments of the community that are financially disadvantaged.

Numbering/Domain Names (Questions 16 - 17)

16. Please describe the numbering policy in your country. Please mention the responsible authority and whether portability has been introduced and for which services (e.g. 800 numbers, cellular numbers, local PSTN numbers).

The Communications Authority, Hungary is responsible for numbering in Hungary. The incumbent operator (MATÁV) has exclusive rights for providing long distance service (in the whole country) and local telephony service (in many local telecommunication areas) until the end of 2001. Therefore competition will start up after 01.01.2002. This means that the number portability for both fixed and cellular networks, and for all services (freephone, premium rate etc.) can be introduced after the above mentioned date.

17. Have there been any recent government policy initiatives in your country in respect to the administration of Internet top level domain names. (An example of a top level domain name is .be for Belgium).

Nowadays there is a private company managing the domain names. It is in touch with the international domain name management. The Communication Authority, Hungary has no intention to withdraw the mandate of that company but plans to supervise its activity.

Interconnection (Questions 18 - 21)

18. Are PSTN interconnect or access charges a matter for commercial agreement between operators and if so is there provision for arbitration and by whom? Is there a requirement to publish the rate for PSTN interconnect or access charges? Yes/No
If 'yes' please provide a schedule of interconnection charges for the PSTN.

Charges for interconnection are set by the Minister of Transport, Telecommunications and Water Management in accordance with the Minister of Finance.

Call origination and termination in fixed network: 8.14 HUF/min. Call origination and termination for fixed-mobile (and vice versa) calls (share of fixed service providers): 7.14 HUF/min.

19. For the purpose of establishing interconnect or access charges is accounting separation used?

No accounting separation requirement for establishing interconnect charges.

20. Once the interconnection or access charge has been established is it available as a standard rate for other service providers (including other PTOs and resellers)?

Charges for interconnection are disclosed in a Ministerial Decree every year.

21. Does regulation specify that competitive service providers can co-locate facilities on the same site as incumbent PTOs? Please indicate whether resellers and Internet Service Providers can co-locate equipment under the same terms and conditions as PTOs without being designated as a PTO?

If such a construction/facility cannot be implemented in any other manner due to technical or economic reasons, the Communication Authority, at a request of a public service provider, may establish easement or other right-of-use or right-of-way.

Information for Updating OECD Tariff Comparison Baskets (Question 22)

22. Please provide the following information for your largest PTO.

| | | |
|--|--------------|-----------------|
| What is the average duration of a local call (i.e. average time of a call in the lowest tariff band for PSTN)? | | |
| What is the proportion of calls that fall within your lowest tariff band (i.e. local calls) as a percentage of total national calls? | Business (%) | Residential (%) |
| What percentage of calls from the fixed network (PSTN) terminate in mobile networks (e.g. analogue and digital cellular networks)? | Business (%) | Residential (%) |
| What percentage of total leased lines (i.e. leased circuits) are local (i.e. 2 km or less)? | | |

Universal Service/Consumer Issues (Questions 23 -25)

23. In the context of universal service policies which elements of telecommunication service are considered as part of universal service in your country?

Public telecommunication service providers are obliged to make a contract with consumers if they so require. There is a time limit for fulfilling consumer request to link them to the network. PTOs have the obligation to operate public payphones on their territory (1 payphone for 500 inhabitants).

24. Please provide details of any explicit funding mechanism for universal service and its coverage.

No existing USO funding mechanism.

25. With what institutions other than telecommunication service providers can customers lodge complaints regarding these operators? (e.g. regulators, ombudsman, Ministry, etc.) Is there a requirement for annual reporting of the number of consumer complaints? If so how are complaints measured and reported.

Customers can lodge complaints regarding telecommunications operators with

- Communication Authority
- Ministry of Transport, Telecommunications and Water Management
- Consumer Protection Inspectorate
- Consumers' Panel of Telecommunications Forum for Reconciliation of Interests
- Ombudsman

Reporting the number of consumer complaints forms a part of annual statistical obligations of each state administration organization.

