

ORGANISATION DE COOPÉRATION ET DE DÉVELOPPEMENT ÉCONOMIQUES



ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT

## **OECD COMMUNICATIONS OUTLOOK 2001 Telecommunications**

**Country: HUNGARY**

**Date completed: 13.06.2000**

## TELECOMMUNICATIONS - REGULATORY ISSUES

### Market Structure and Regulatory Status (Questions 1 -10)

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, certain number, fully open to any applicant)	Number of licensed operators (2000)
Fixed PSTN (Local, National and International)	<ul style="list-style-type: none"> <li>- Local: certain number (concession bound)</li> <li>- National long distance and International: monopoly of Matáv (incumbent operator); concession bound. Exclusive rights of Matáv for both national long distance and international expire at the end of 2001.</li> </ul>	14
Network infrastructure capacity (Includes only companies not licensed to provide voice services)	-	-
Analogue Cellular Mobile (e.g. NMT etc.)	Certain number (concession bound)	1
Digital Cellular Mobile (e.g. GSM, PCS etc.)	Certain number (concession bound)	3
Wireless local loop (fixed wireless)	Certain number (concession bound; same companies as PSTN providers)	
IMT-2000 Operators (i.e. UMTS and 3 <sup>rd</sup> Generation)	None (no service available yet)	0

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 (2000) (e.g. state owned/privately owned) If a balance of ownership exists please indicate the share (%) held by the government
MATÁV Hungarian Telecommunications Company Ltd.	Privately owned. Shareholders: - MagyarCom (holding company of Deutsche Telekom and Ameritech): 59.53% - Publicly traded: 40.47% - 1 Golden Share owned by the Hungarian State

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

	The largest PTO's share	
	End 1998	End 1999
Local Access: % of access lines	80	80
Local Access: % of local calls	80	80
National Long Distance (% of total minutes) <sup>1</sup>	100	100
International (% of total outgoing MiTT)	100	100
Internet Subscribers <sup>2</sup>	n.a.	n.a.

1. If % of minutes is not available, please indicate the % of revenue

2. If share of subscribers is not available, please indicate number of Internet subscribers for the PTO.

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

Name of Operator	Number of Subscribers (End 1999)
1. WESTEL 900	842 000
2. PANNON GSM	661 000
3. VODAFONE	19 000
4. WESTEL 450	98 000
5.	

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 2000 to 2001.

Please provide details:

1. The Unified Act on Communications is under preparation, it is intended to be submitted to the Parliament for vote in 2000.
2. The Act on Cable Television is under preparation.
3. A Ministerial Decree for the implementation of the R&TTE Directive will enter into force as of 1 July 2000.
4. The Act on Electronic Signatures is under preparation.
5. The exclusive rights of Matáv (incumbent operator) for local long distance and international calls expire at the end of 2001.

6. Please provide a brief description of the responsibilities of the national regulatory authorities for public telecommunication services. Please highlight any changes over the last 12 months.

Please provide details:

Communication Authority, Hungary (HIF) has the following tasks, which can be grouped into three areas:

**1. regulatory activities:**

- the integrity of telecommunications networks
- quality assurance
- standardisation
- frequency management
- numbering and addressing
- infocommunications security
- postal regulation
- economic and legal regulation
- market monitoring

**2. authoritative activities:**

- licensing and supervision
- regional inspection
- complaints and appeals

**3. background support for basic activities**

- measurements
- international co-operation

HIF was working under the supervision of the Ministry of Transport, Communications and Water

Management (KHVM) until 1 June 2000. As of this date, the Ministry has been split and the supervision of the Communications sector now belongs to a newly established Government Commission for Informatics.

**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? No**

If 'yes', please provide details:

No restriction.

**8. Are there any communication infrastructures or services (e.g. mobile, cable television, terrestrial broadcasting, satellite broadcasting) that PTOs in your country are not permitted to provide directly? In addition, please specify any restrictions on PTOs investing in companies that provide such infrastructure or services. Please include information on requirements by the incumbent PTO to divest cable networks.**

Please provide details:

According to the amendment of the Act on Telecommunications:

- No telecommunications organisation or enterprise in which a telecommunications organisation directly or indirectly has significant influence, can establish, lease or obtain in any other way rights of disposal over wired (cable) network suitable for program distribution, parallel with its own public telephone network or with public telephone network of any of enterprises defined above, except settlements with number of inhabitants under thirty thousand.
- A telecommunications organisation performing program distribution as well as those performing public cable program distribution or enterprises in which they have significant influence directly or indirectly, may provide program distribution service or acquire service licence pursuant to the Act on Telecommunications, only if they are certified by the competent authority that the reception area of their cable distribution enterprise does not exceed even jointly the limit related to the reception area of the service stipulated in the Act on radio and television broadcasting.

**9. What selection procedures are used to grant licences for new Wireless Local Loop (WLL) and IMT-2000 services? (e.g. spectrum auctions, calls for tenders, government appointments, licence on request)?**

Please provide details:

- The concession companies – which have right to provide public telecommunication services – have right to establish fixed WLL and use the designated frequency band(s).
- The spectrum auctions will be used as the selection procedures to grant licences for IMT-2000 services.

**10. 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.**

Please provide details:

The Hungarian Communication Authority has issued several VoIP service licences. However, according to the real experiences, virtually no voice telephony is provided over the Internet network. There are some service providers (including the dominant telephone service provider MATÁV Rt.) who provide voice telephony service using Internet protocol (TCP/IP) over separate parts of their networks at a cheaper price. It is used mainly for international telephony.

Considering that the MATÁV's concession agreement ensures exclusive right for the MATÁV's international and national long distance telephony service, the Hungarian regulation allows the use of IP telephony under the condition that the VoIP service should be provided on a lower level of quality. Namely, the VoIP transmission should be realised with a delay of min. 250 ms and the probability of packet losses offered to the subscriber may not be better than 1%. This restriction applies to the VoIP provided over a public access network (PSTN or PLMN) either on the caller side or on the called side or both.

If a company wishes to provide voice telephony services really over the Internet omitting any path of PSTN or PLMN, Hungarian regulation makes no difference between the VoIP and the normal data communication that is fully liberalised.

## **Pricing (Questions 11 -12)**

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

Please Provide Details:

In Hungary, official prices has been set by the Ministry of Transport, Communications and Water Management (KHVM) for public telephone services in decree 30/1993. (XI.23.) KHVM (and its amendments introduced since that time), while “price-cap” type price regulation is in force since 1994.

$$P_{(t) \max} = \text{Index} - x,$$

that is: Aggregated fee maximum = consumer price index – productivity factor

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

Low User scheme:

in year 2000, provided by all PSTN telcos:

- lower subscription fee (i.e.: HUF 1 200 + VAT (25%))
- calling and call set-up charges twice as much as the listed charges
- but: 66,7% discount up to HUF 400 + VAT (25%)

Internet Access Discount Scheme:

(Additional pamphlets from the PTO in English or French, or with the main points translated into one of these languages, would be most appreciated. Please provide data in local currency).

Note: Low user schemes is a term sometimes applied by PTOs to schemes designed for segments of the community that are financially disadvantaged. 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.

## **Numbering/Domain Names (Questions 13 - 14)**

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

Please provide details:

1. Numbering policy is based on the Act No. LXXII of 1992 on Telecommunications. Numbering resources are managed in accordance with the Government Decree 232/1997. (XII.12.) on the Communications Authority (see Article 3. (3) (c)). The Communications Authority acts as the National Regulatory Authority in Hungary

2. At present Numbering of PSTN/ISDN and PLMN networks is regulated by the Numbering Plan issued as the Ministerial Decree 7/1999. (II.19.). The length of national significant numbers is 8 (eight) for the PSTN/ISDN and 9 (nine) for the PLMN/GSM networks.

2.1 The Communications Authority assigns numbering resources for the Service Providers according the following main rules:

- short numbers (1XX, 1XXX) - individually;
- subscriber's numbers in the Budapest PSTN/ISDN local network - by groups of 10 000 numbers,
- subscriber's numbers for the other parts of PSTN/ISDN network - by groups of 1000 numbers,
- subscriber's numbers for the PLMN networks - by groups of 100 000 numbers.

2.2 Since the dominant PSTN SP has exclusive rights for national long distance services for PSTN as well as PLMN subscribers, neither carrier selection nor pre-selection has been introduced yet. However, short numbers "15XY" are reserved for carrier selection code and will be used for this purpose after long distance carrier liberalisation has taken place 01. Jan. 2002.

2.3 Complying with EC Directives, number portability in PSTN local areas is planned to be implemented when Hungary becomes a Member of the European Union. A closer deadline depends on the willingness of the local and long distance operators. Geographical portability and mobile portability can be implemented after the change of the national numbering plan.

3. In 2000 a major change in numbering policy is going to take place. A Governmental Decree on the management of numbering and naming resources (identifiers) and two accompanying Ministerial Decrees (a) on the fees to be paid for reservation and use of identifiers and (b) on the plan of identifiers for public telecommunication networks are in the phase of approval. This plan of identifiers covers several additional numbering/naming resources to those mentioned in Part 2 above.

4. As regards the future the Communication Authority plans to introduce a 9-digit closed numbering scheme (without any national prefix) around 2005 provided that the necessary technical conditions will be realised by then (databases, intelligent routing of calls etc.). It also

plans to restructure the Hungarian numbering plan according to the harmonised scheme elaborated by ETO for ECTRA.

**14. Which organisation is responsible for the administration of your Internet country code top level domain names.** (An example of a country code top level domain name is .be for Belgium). Please provide any details of any recent policy initiatives relating to country code domains.

Please provide details:

The administration of the domain names under the top-level Hungarian country code (.hu) is performed by the **Internet Service Providers Committee**. Its members are the service providers that carry out the tasks related to registration.

Under the *Registration Rule* the pre requisite of the registration of domain names is that the expectations of form related to the domain names and the technical operation of the domain should be fulfilled.

Domain names are distributed in chronological order of the applications – on preferential basis - having made the applications public. Ownership priority – within the publication period – is given exclusively to the names and lines of characters that are registered by the Registration Court or accepted as trademarks by the Hungarian Patent Office.

Other rules that restrict the free choice of domain names are as follows:

- Proprietary names (e.g. com, ftp, info, mil, mail net, org, www etc.), identified separately, one by one, cannot be chosen as main domains (directly under .hu).
- The name applied for cannot be presumably unlawful, scandalous, frightening or misleading.
- Settlement names as main domains can be chosen only by municipalities as well as country names solely by the given country representative.

In case of disputes related to the choice of names, parties can apply to the ad hoc Arbitration Court. The applicants assume to accept the legal proceedings of this body at the time of their applying for a domain name.

Suspension or withdrawal of the registered domain name by the Registrant is regulated in the Registration Rule.

The amount of the registration fee is based on a free agreement between the parties.

## **Interconnection (Questions 15)**

### **15. Interconnection between fixed networks.**

	<b>Yes /No</b>	<b>Details</b>
Are PSTN interconnect or access charges a matter for commercial agreement between operators? And if so, is there provision for arbitration and by whom?	No	In practice, the Interconnection fees are determined as the result of negotiations, consultations between service providers, the Communication Authority (HIF), the Ministry of Transport, Communications and Water Management (KHVM), the Hungarian Competition Office (GVH), and the Ministry of Finance. Interconnection fees shall be defined depending on whether the concerned service provider provides originating or termination, irrespective of telephone charges of service providers, under the provisions stipulated in Decree 1/1998. KHVM, Government Decree 158/1993. (XI.11.) Korm., and Decree 6/1999. KHVM, respectively.
Is there a requirement on the incumbent to publish the rate for PSTN interconnect or access charges?	Yes	According to the provisions of the Ministerial Decree 1/1998. KHVM, and its amendments.
For the purpose of establishing interconnect or access charges is accounting separation used?	No	
Once the interconnection or access charge of the incumbent has been established, is it available as a standard rate for other service providers (including other PTOs and resellers)?	No	
Does regulation specify that competitive service providers can collocate facilities on the same site as incumbent PTOs? (Please indicate whether resellers and Internet Service Providers can collocate equipment under the same terms and conditions as PTOs without being designated as a PTO?)		Not regulated for the time being.
What kind of interconnection accounting methodology (e.g. LRIC, FDC, etc.) is used for calculating the incumbent's interconnection charges?		None for the time being. Methodology to be used is currently under preparation.
Is carrier pre-selection implemented? If so, please describe the coverage of carrier pre-selection (e.g. local, long-distance and international).	No	

## 16. Fixed to Mobile Network Interconnection

	Details
Are termination rates to mobile networks published?	Yes, by Decree.
How are the termination rates for fixed-to-mobile calls determined in your country (e.g. commercial negotiated between operators, determined by mobile operator or other)?	Mobile operator sets the calling charges and gives the originating fee to the fix operator, keeping the rest of the charge.
Are these rates subject to any regulation (e.g. must they be cost orientated if operators have significant market power)?	No.

## Unbundling (Questions 17 -18)

**17. Please describe initiatives for local loop unbundling and indicate when unbundling policies were put in place or the expected date of implementation.**

Please provide details:

Obligation concerning local loop unbundling will be stipulated in the Unified Act on Communications. The Act will enter into force in 2001 or 2002.

**18. Please provide the prices for access to unbundled local loops and specify the service on offer (e.g. raw copper, DSL subscriber line).**

Please provide details:

No such service is available for the time being.

## **Consumer Issues (Questions 19 -20)**

**19.**

	<b>Details</b>
In the context of universal service policies, which elements of telecommunication service are considered as part of universal service in your country?	Universal service obligation will be introduced by the Unified Act on Communications under preparation. The Act will also determine of the compensation methodology.
Please provide details of any explicit funding mechanism for addressing universal service and its coverage (this can include initiatives related to infrastructure in respect to addressing digital divide issues).	
Is the cost of providing universal service calculated? If so please provide the latest annual costing.	
What percentage of telephone subscribers do not have access to an Internet service provider's point of presence with a local call?	n.a.
What is the average monthly online time for a subscriber to the largest PTO's Internet access service (e.g. number of hours).	n.a.
What is the average household consumption expenditure of telecommunication services in your country? Please provide the data in local currency and specify the year of the survey. Please indicate which of the following telecommunications services are included or excluded -- fixed PSTN services, cellular mobile services and Internet access -- or provide a definition of the indicator used in your country.	n.a.

**20.**

	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>
Please report any estimates of the potential coverage of access lines with DSL by the end of the following years (as a % of total subscriber lines) by the incumbent(s):	There are no such estimates for the time being.			