

E.11. TELECOMMUNICATIONS PRICING

■ The OECD undertakes three comparisons of mobile prices for users with low, medium and high volumes. The comparison is based on the least expensive offer available in each country for a same “basket” of telecommunication services over a one-year period. In May 2007, the least expensive mobile basket for low-usage offers, measured in USD purchasing power parity (PPP), were in Denmark, Sweden, Norway and Finland. Luxembourg, the Netherlands and Germany also have relatively low prices. Japan has the most expensive low-usage basket but the high prices are partially due to a lack of prepaid calling plans, which tend to be the least expensive offers in this category.

■ In ten OECD countries, access to low-usage baskets is offered free of charge; in these countries, however, usage charges are significantly higher. Sweden is the only country combining no fixed charges and comparatively low usage charges. The Netherlands is the only country with no usage charges for low-usage baskets.

■ Over the last few years, the capacity (speed) of top-range broadband offers has increased dramatically in many OECD countries while subscription costs have fallen. In some cases, Internet service providers have kept prices constant but increased broadband speeds. The lowest prices for a monthly subscription with an entry-level 256 kbit/s connection were in Sweden, Denmark and Switzerland, while Turkey and Spain registered the highest prices.

■ Evaluating monthly subscription ranges alone neglects the differences in prices for bandwidth. Countries can also be compared by the price per Mbit/s that users pay for connectivity.

■ The least expensive per Mbit/s charges are typically over fibre. Japan, Sweden, Korea and Finland have the lowest prices per Mbit/s in the OECD area. Operators in each of these countries offer broadband speeds up to 100 Mbit/s over fibre and the prices per Mbit/s are between USD 0.22 and 0.59 (PPP). France has the least expensive bandwidth over ADSL for which subscribers pay USD 0.82 (PPP) per Mbit/s.

■ The most expensive entry-level charges per Mbit/s are in the Turkey, Greece, Mexico, Hungary and the Czech Republic. Turkey is by far the most expensive at USD 81 (PPP) per Mbit/s.

■ The three residential fixed-line baskets examine the price of low, medium, high calls over a one-year period. The most expensive medium-usage baskets are in Poland, the Czech Republic and Hungary while the least expensive are in Canada and the United States. Ireland, Korea and Denmark also have relatively low prices.

■ The variation in prices among countries is significant as well. For instance, the price of the same basket of medium-usage calls in Poland is more than three times higher than in Canada.

Sources

- OECD, *Communications Outlook 2007*, OECD, Paris.
- OECD, Telecommunications database, May 2007.
- OECD, Reports on telecommunications policy, 2005, available at: www.oecd.org/sti/telecom.

The OECD telecommunication price baskets

The OECD has eight baskets for the comparison of telecommunications prices across OECD countries, according to network and usage type. These baskets are developed with input from member countries and telecommunications operators in an effort to produce the most “representative” consumption basket for the entire OECD area.

Five of the baskets are dedicated to fixed-line telephony (business and residential use), and the other three are for mobile. The three residential fixed-line baskets examine the price of 600 (low), 1 200 (medium), or 2 400 (high) calls over a one-year period. The two business baskets are broken down into usage patterns common for small offices/home offices (one user) and a larger consumption pattern found in small and medium-sized enterprises (assumed to have 30 employees). Finally, the three mobile baskets measure prices for users with low (360 voice calls, 396 SMS messages and 8 MMS), medium (780 calls, 600 SMS messages and 8 MMS messages) and high (1 680 voice calls, 660 SMS messages and 12 MMS) volumes.