



Executive Summary

Summary of the National IT and Telecom Agency's 'Analysis of prices and costs for mobile data services abroad'

The EU Roaming Regulation, which entered into force in 2007, contains an obligation on the Commission to evaluate, before the end of 2008, whether the Regulation should also cover mobile data services (SMS, MMS and other data services). Initially, these services were exempted from the scope of the Regulation, as there was no sufficient basis for determining if the prices for these services were too high and if so, whether the problem was at the wholesale and/or retail level.

With a view to providing a basis for assessing if regulatory intervention is needed, the National IT and Telecom Agency has carried out an analysis of the roaming services SMS, MMS and other data services.

Results of the analysis

Overall, the analysis shows that the prices for sending an SMS, an MMS, or using other data services when located in another EU country are very high, both in relation to national prices and the real costs of providing the services. Both at the wholesale level and the retail level, the prices charged are far in excess of costs.

Below is a brief review of the conclusions.

➤ *SMS*

Today it costs 33.6 eurocents to send an SMS from a mobile telephone when located abroad¹. For comparison, it costs less than 3.4 eurocents to send an SMS at home in Denmark. So it is more than ten times more expensive to send an SMS from another EU country than to send an SMS in Denmark. This large price difference is in no way justified by differences in the costs involved in producing the services.

When a Danish customer sends an SMS from its mobile telephone abroad, the Danish telecommunications company will pay an average of 17.2 eurocents to the foreign mobile company for borrowing the telecommunications network. The analysis shows that the foreign company's real cost of letting a Danish mobile customer use the network for sending an SMS is less than 0.7 eurocents.

Also the Danish telecommunications company is charging excessively for delivering the service to the customer. On average, the Danish telecommunications company is adding about 9.7 eurocents on top of the price to cover its own costs and make a profit on the product.

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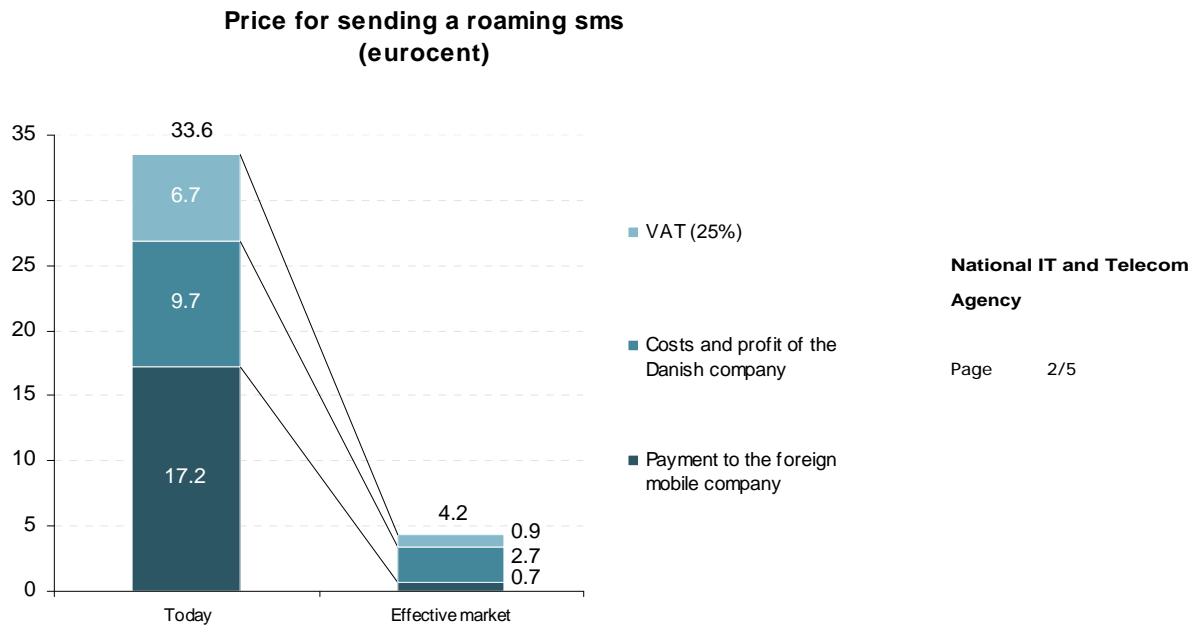
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¹ All figures have been converted from Danish kroner to euro according to the average exchange rate of the 1st quarter of 2008. The exchange rate used is: 1 euro=7,4534 DKK.
Source: The European Central Bank.

The analysis shows that if the Danish company only added 2.7 eurocents on top of the price, this would be able to cover the real costs of the company and ensure a reasonable profit at the same time.

So in an effective market with more reasonable profits, a product that costs 33.6 eurocents today, including VAT², would not need to cost more than 4.2 eurocents including VAT.



➤ **MMS**

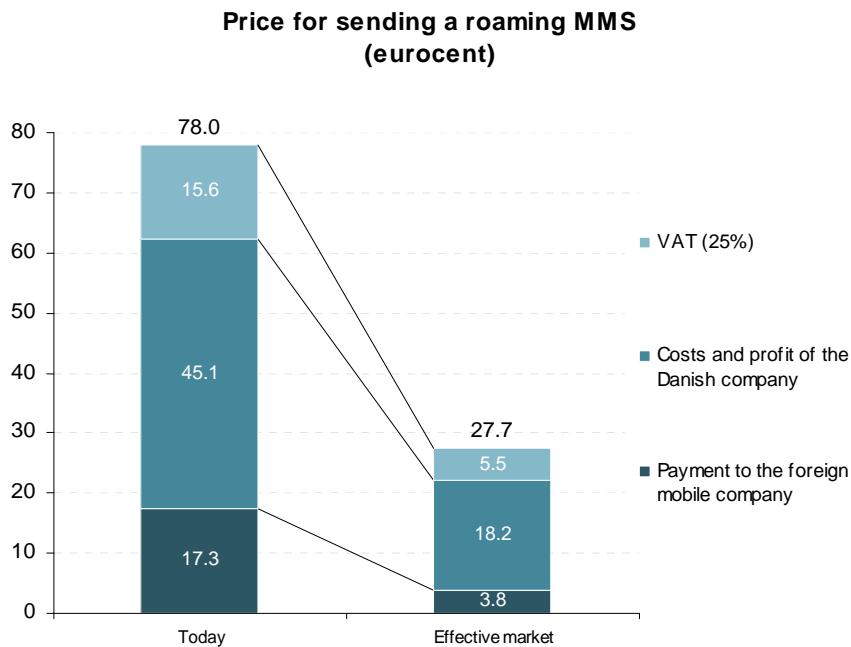
Today, an MMS sent from another EU country will, on average, cost 78.0 eurocents including VAT. The price for sending an MMS of the same size in Denmark is about 33.6 eurocents including VAT. So it is more than twice as expensive to send an MMS from abroad than to send it in Denmark.

When an MMS is sent from abroad, the Danish telecommunications company has to pay about 17.3 eurocents to the visited mobile network. The analysis shows that the real costs of the foreign telecommunications company are no more than about 3.8 eurocents. This means that the wholesale price is more than four times as high as the real costs.

The Danish telecommunications company is adding about 45.1 eurocents on top of the price to cover its own costs and ensure a profit. The calculations of the analysis show that if the amount added on top of the price was only about 18.2 eurocents, then it would still be able to cover the real costs and ensure a reasonable profit for the company at the same time.

² In Denmark, VAT amounts to 25%.

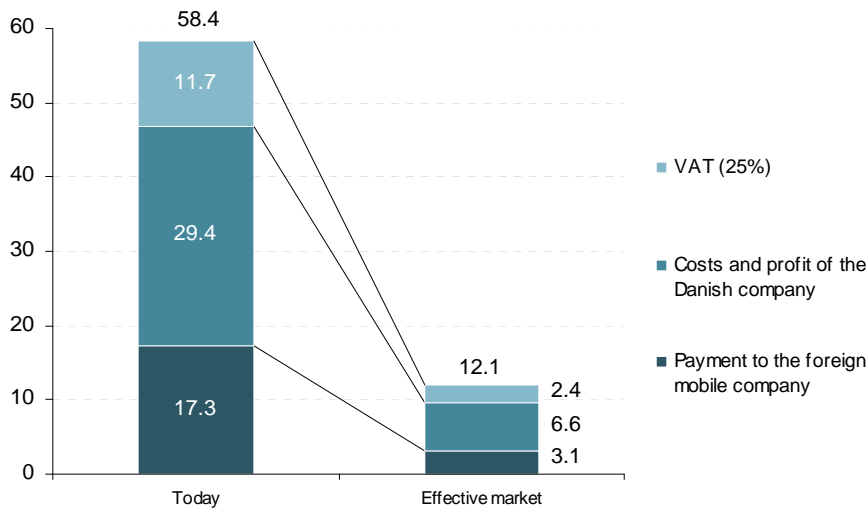
So in an effective market with more natural profit margins both at the retail and wholesale levels, it should not cost more than 27.7 eurocents including VAT to send an MMS from another EU country.



Also the price for receiving an MMS abroad is far higher than the real costs. The price for receiving an MMS abroad is today about 58.4 eurocents including VAT. It costs nothing to receive an MMS when located in Denmark.

The analysis shows that in an effective market with more natural profit margins both at the retail and wholesale levels, it should cost no more than about 12.1 eurocents including VAT to receive an MMS of an average size when located in another EU country.

Price for receiving a roaming MMS (eurocent)



➤ Other data services

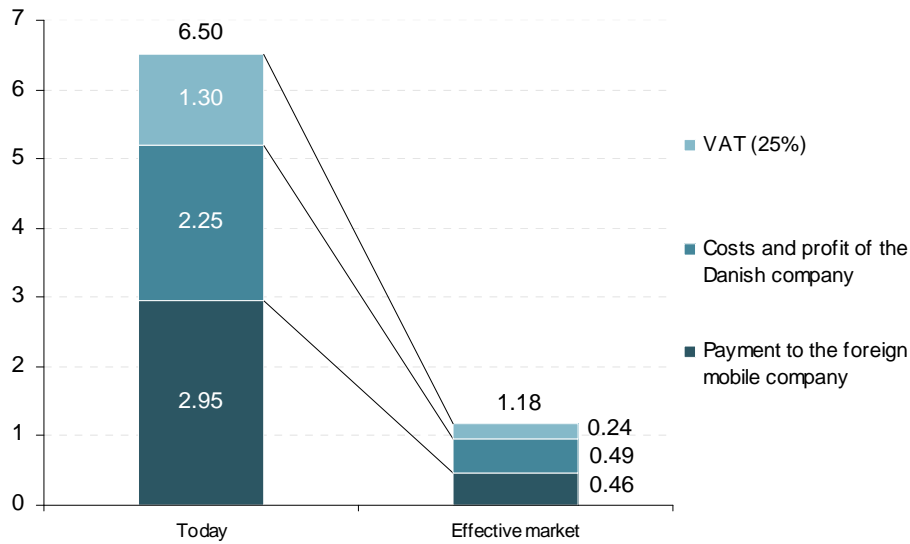
On average, it will cost a Danish consumer about 6.50 euro including VAT per MB data downloaded to a mobile telephone located abroad. For comparison, the average cost is about 1.48 euro including VAT per MB data downloaded to a mobile telephone when the customer is located in Denmark.

The analysis shows that the Danish telecommunications company will pay 2.95 euro per MB data to the foreign telecommunications company. If the foreign company charged only 0.46 euro per MB data downloaded or sent by the customer in the visited network, this would be able to cover the company's real costs and ensure a reasonable profit.

On average, the Danish company adds 2.25 on top of the price per MB data downloaded or sent from the customer's mobile telephone in another EU country. Also in this case the profit margin is very high. By adding just 0.49 euro to the price, the Danish company would be able to cover its costs and ensure a reasonable profit.

So in an effective market with more natural profit margins, a product that costs about 6.50 euro today, including VAT, should cost no more than about 1.18 euro including VAT.

**Price for roaming other data services per MB
(euro)**



Perspectives

To a wide extent, the calculations and conclusions of the analysis are based on information from Danish providers.

In an overall perspective, it is the opinion of the National IT and Telecom Agency that there are no circumstances to indicate that providers in Denmark have significantly lower costs than the other providers in EU. It is therefore the Agency's opinion that the results of the analysis can be used as an indicator of cost levels across the EU.