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Response to Questionnaire on Basic Telecommunications

Revision

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Part I

Definition and Market Structure

Definition

1. The Hungarian regulation does not define the basic telecommunication. The concept of basic telecommunications services is used instead. The concept is defined in case of public networks that a basic telecommunications service is respected as such if its usage is ensured for the subscriber by the subscriber's contract without any additional agreement.

If the use of a service is conditioned by filing an additional claim and/or by obligation of additional fee, that service cannot be considered basic service, but it falls into one of the categories of the "liberalized services".

The Telecommunications Act No. LXXII of 1992 is strongly service-oriented and thus that part of the GATS's definition which takes the transport network for the part of basic telecommunications does not coincide with the Hungarian terminology. However, for the purpose of this questionnaire, the concession bound services are considered to be basic services. Of course, the transport network can deliver basic services as well as other services.

There are no monopolies in the Hungarian telecommunications, but the subsectors providing services on the basis of state concessions are exclusive by definition. These are the concession bound services, which are the state's responsibilities to provide:

- public telephone
- mobile radio-telephone
- nation-wide paging system
- nation-wide and regional distribution and broadcasting of public service radio and television programmes

With the exception of the concession bound services defined above, other telecommunication services are liberalized, in particular national public switched data transmission services, may be performed by any person subject to the service licence requirements set forth in the Annex of the Telecommunication Act as follows:

Definitions related to the telecommunications services

Telecommunications

A process whereby signals, signs, texts, pictures, voice or messages of other nature generated in any conceivable and meaningful form can be transmitted, either via cable or by electrical or optical means, or by radio or other electromagnetic system or through a combination thereof, to one or more user.

Telecommunications services

A business activity where the supplier performs telecommunications and related secondary services for third parties against the payment of a fee or makes his network available for this purpose either in the public sector (bound to concession) or in the competitive sector.

Public telephone services

A service provided by the supplier for the transmission of vocal messages through public telephone network against the payment of a fee. Public telephone service may include international, domestic and local telephone services.

- (a) International telephone services are telecommunication services bound to concession where the supplier provides connection to international service access points.
- (b) Domestic telephone services are telecommunications services bound to concession where the supplier provides connection through or with the backbone network under agreements made with users.
- (c) Local telephone services are telecommunications services bound to concession where the supplier executes subscriber agreements with users in local networks or primary areas. The concession companies authorized to perform LTS shall also execute agreements for the use of the services.

Public mobile radio telephone services

Direct real time transmission of electromagnetic signals through public switched radio telecommunications network to users freely moving in an extensive space, against the payment of a fee. Signals can be transmitted between mobile terminals connected to the network and/or between mobile terminals and users of public telephone services.

Public telecommunications services

Public services provided by telecommunications organizations through the public telephone network where the state, assuming responsibility for the availability of such services to all users, defines the special relevant liabilities and rights of the telecommunications organizations.

Telegraph services

A service where the provider receives the text of the message from the client, either through the telecommunications network or by means of a postal service operator, transmits it over the telecommunications network, then delivers it by operator, transmits it over the telecommunications network, then delivers it by

- (a) a postal service provider (or any other entrepreneur);
- (b) telephone;
- (c) telex;
- (d) telefax; and
- (e) any other way.

Programme distribution

Transmission of signals provided by programme suppliers to the radio and television broadcasting station and other programme transmission networks.

Broadcasting and programme transmission

One way wireless telecommunication process to transmit sound, picture or other programmes to users with compatible receiving sets. The number of users is virtually unlimited.

National broadcasting and programme transmission

A programme service covering a range including not less than 50 per cent of the population.

Regional broadcasting and programme transmission

A broadcasting or programme transmission service where the range of receiving or distribution covers the administrative areas of two or more local governments of villages, cities or municipal districts, whether adjacent or geographically separate.

Telecommunications service providers

Entities, organizations without an entity and private entrepreneurs, or concession companies in case of public telecommunications services bound to concessions, that provide telecommunications services to the third parties (supplies, users or subscribers).

Leased line services

Telecommunications services where the sections of circuits interconnecting points of access to services are made available by a service provider (operator) for the performance of telecommunications activities in return for the payment of a fee.

Definitions related to telecommunications networks

Telecommunications network

A set telecommunications equipment interconnected by real or virtual links whereby signals, written texts, pictures, sound or other messages can be transmitted over one or more routes between specific service access points. Interconnection means connection established compatible telecommunications network. Connection means connection of equipment to the telecommunications network for the purpose of telecommunications services.

Public telephone network

A system of services access points, transmission paths and switching equipment interconnecting the above elements which enable any person who may wish to utilise it under equal terms and conditions the terminal equipment connected to a service access point for the exchange of information with the user of another terminal equipment connected to another service access point.

Telecommunications backbone network

A basic part of the telecommunications network that is capable of the transmission of any kind of the telecommunications signals. The services of this network are not provided directly for subscribers. It ensures access, at a defined signal transmission rate, through nodes, for networks that provide subscriber's services under contracts. The backbone network extends up to service access points at the exchanges of primary areas as defined in the master technical plans.

Leased lines

Set of sections of circuits interconnecting points of access to international and domestic services (telecommunications equipment). Leased lines include transmission routes, interface access points for the purpose of tests only and are used to establish connection without signal routing.

Dedicated (special purpose networks)

Telecommunications networks separated physically, functionally or in terms of application from other telecommunications networks implemented and operated by specially licence exclusive user groups used for internal telecommunications traffic of members.

Local telephone company

Business organization formed by natural persons and entities including the competent local government interested in the use of local public telephone services for the implementation (construction and development) of public telecom networks capable of such services.

Primary area

A segment of the public telephone network where the backbone network is not required for performing the services under subscriber agreement of establishing connection between any two services access points.

2. The regulation distinguishes between the public telecommunications network and the public telecommunications services (concession bound services) in the definition of telecommunications service categories and no special distinction is made between basic and value added service.
3. See reply to question 1.

Market structure

4. According to the Telecommunication Act the concession bound services reserved services can be classified as reserved services. Other services are liberalized.
5. The concessions can be obtained by the Competition Act of 1991 and the rules of competition are regulated by the Decree of the Minister No. 25/1993 (IX.9). In the regional (local networks) the ownership structure of concession companies are the competence of the Minister. The companies remaining in long term state ownership, e.g. those entitled to the National Concession Co. are exceptions. (Act LII of 1992, and the Government Decree No. 126/1992 (VIII.28)). For ownership limitations see reply to answer 6.
6. Yes. The Government granted both for the successor company of the former monopolist supplier (MATAV Co., now National Concession Co.) and eighteen other new service providers authorized for providing local (so called primary district) services by concession. Only the National Concession Company is authorized for national and international long distance service. The concession expires in twenty-five years (beginning in 1993), and for the first eight years a territorial exclusivity is guaranteed by the state. The biggest company, National Concession Co. has about 33 per cent of foreign share (30.1 per cent of the shares obtained by a consortium consisting of Deutsche Telecom and Ameritech International and 2.9 per cent of the shares belongs to IFC and EBRD), the remaining majority of the shares are still held by the state. The maximum foreign participation allowed in by the Concession Act is 49 per cent.

In the local loops, the concession holders' share is between 49 and 75 per cent. The maximum foreign participation allowed by the Concession Act is 75 per cent. National Concession Company (NCC) became concession holders in 36 of 54 primary districts while other companies have won in the remaining 18 districts.

7.(a) The competition is not allowed in concession bound services.

In the field of voice telephony till 2002 for international and long distance services and for local services 2003.

In the field of mobile telephony three licences (two GSM and one NMT 450) and for paging two licences were issued as follows:

In 1991, MATAV and US West established a joint venture (Westel) for a 450 MHz mobile cellular communications system. The system achieved full national coverage in 1993.

In 1993, the Ministry issued two concessions for the establishment of 900 MHz digital, GSM systems.

The concession contract called for start-up by 1 April 1994 with coverage for Budapest. In the second phase the major highways must be covered. Total coverage must be achieved by the end of 1995. The GSM system will allow future roaming into other European countries where GSM is used.

Demand has exploded for the new mobile cellular service. In most cases, mobile phones are being used as a substitute for land-line communications. During the three years of operation, Westel 450, for example, has nearly achieved full capacity (56,000 subscribers). Recently, there are about 86,000 mobile subscribers.

Recently a company called Operator Hungaria provides paging services in Hungary. Operator Hungaria Kft is 51 per cent owned by Antenna Hungaria and 49 per cent by TDF (France Télécom subsidiary). Operator Hungaria provides paging service on one of the FM broadcasting channels with nation-wide coverage.

In February 1994, the Ministry issued a tender for two concessions for the installation and operation of national paging services equivalent to the ERMES (European Radio Message System). The two concessions were awarded to: "Magyar Paging", a consortium comprising Gerard AC Sales and Leasing CO (USA) and Microstem Telecom (Hungary); "EasyCall Hungaria", a consortium of Matrix Telecommunications Ltd. (Australia) and Telecom Finland.

The facsimile, telex, data transmission and satellite services are liberalized.

7(b) The National Concession Co. and service providers in the local area network can conclude subcontract with foreign suppliers. Only exception concerns the digital switches.

8. ITU - International Telecommunications Union:

- Constitution and Convention (Geneva, 1992);
- ITU International Radiocommunications Regulations;
- ITU International Telecommunications Regulations (Ratification is expected in 1995).

Hungary is a Party of EUTELSAT, INTELSAT and INTERSPUTNIK. The signatory office is the HUNSAT Association which is a consortium of MATAV Co. and Antenna Hungaria Radiocommunications Co.

Part II

Competition

A. Sub-sectors

(a) Public switched telephone service (concession bound service)

- (i) Overview: see answers in Part I.
- (ii) Modes of supply: In the field of voice telephony out of the country, there are services realized via the international network:
 - (a) provision of service from one Member's territory to another Member's (call to a foreign subscriber);
 - (b) provision of service on a Member's territory for the user of another Member (transport of the call from abroad);
 - (d) provision of service on a Member's territory for a citizen of another Member (Telecard service).

The international calls are carried out via the international circuits.

The satellite services such as VSAT is liberalized.

Liberalized service concerning the international service is the "Hungary Direct" service enabling calls made from abroad to account of the (Hungarian citizen) caller. Another introduced form is the Telecard service offering the possibility of international calls made by foreign citizens in Hungary to their bank account.

- (iii) Market access: This service should only be provided by a concession holder.
- (iv) National treatment: The same restrictions are valid for the area of telecommunications as those for every foreign investment in Hungary.
- (v) Licensing: Type or individual approval of implemented technical devices is mandatory on the basis of obligatory Hungarian standards including domesticated standards of the European Telecommunications Standardization Institute (ETSI). New track projects should have network licence too, and at last, the switching and transmission equipment should get a permission for implementation.

The service provider should keep the prescribed quality level which is checked by the General Inspectorate of Communications (GIC) periodically. In case of deterioration of service the Ministry orders a tariff reduction; in a justified case, can even withdraw the concession.

Liberalized services

(b) Public packet switched data service

- (i) Overview: The market of the subsector is liberalized. Recently there is one national network, partly state-owned.
 - (ii) Modes of supply: In addition to the national supplier, several private networks are connected to international service provider's network (e.g. Internet).
 - (iii) Market access: National treatment exists.
 - (v) Licensing: In respect of equipment and network, see sub-section (a) (v). The establishment of Hungarian Name Registration Office is in progress. Starting of its activity is expected at the beginning of 1995.
- (c) Public circuit switched data service
- (i) Overview: The market is liberalized.
 - (ii) Modes of supply: For the time being, only one national supplier, the NCC exists.
 - (iii) (v) See section b.
- (d) Telex service
- (i) Overview: the market is liberalized, but actually there is only one national public telex network, owned by the NCC.
 - (ii) (v) See section b.
- (e) Telegraph service
- See section b. The related postal service is the only service provider for the time being.
- (f) Facsimile service
- The market is liberalized. See section d.
- (o) Others

National and regional distribution and broadcasting of public radio and TV programmes

- (i) Overview: The Government has not granted concessions for national distribution broadcasting of public radio and TV programmes as the Media Act has not passed the legislation.

The cable TV market is liberalized. In Budapest a wireless distribution network called "AM-Micro" is operated. Foreign pay TV (movie channel) is present on the Hungarian market.
- (iii) Modes of supply: The nationwide radio and TV programmes are distributed by the Antenna Hungaria Radiocommunications Co.
- (iii) Market access: The access to the market is barred until the passing of the Media Act.

- (iv) National treatment: Foreign equity participation is expected.

B. Categories

Local/long distance/international

1. The telephone connection is local if it has been established within one locality or - in case of several localities within the feeding area of a local exchange. The connection is long distance/national, if it crosses the borders of local area, but does not cross the border of the country.

2. The regulation makes a distinction between domestic long-distance and international services as follows:

- (a) only the National Concession Company is authorized for providing international and long-distance services till 2002.
- (b) local telephone companies are authorized for providing service only in the primary areas till 2003.

The regulation restricts the number of service providers for eight years on the concession bound service:

- international and long-distance service, only the National Concession Co.
- for telephony, for each primary district-one.
- For GSM radiotelephony, two, and analogue radiotelephony one nation-wide licence
- for ERMES paging network, two, and for analogue paging one nation-wide licence.

In case of data transmission, programme distribution, in their wireless network, the frequency management imposes restrictions; for the lack of free frequency bands.

Wire-based

- (i) Overview: the answer actually coincides with that given for local/long distance/international with the addition that the Hungarian regulation uses the expression "track projected" rather than "wired", because the national backbone contains microwave links as well as and optical fibre ones which generally fall into the same category as the wired tracks. Their leasing by other service providers is regulated in respect of fees of usage. Otherwise the frequency restrictions should be considered for the wireless tracks. Of private networks, the Telecommunications Act highlights the corporate ones, the owners of which are authorized to lease out circuits or parts of the network.
- (ii) Modes of supply: See the answers given in section A. For interconnection of networks of different suppliers, prescriptions of the Fundamental Technical Plans should be considered.
- (iii) Market access: When building track-project connections, if it is being built not by the National Concessionaire Company, and it crosses the border of the local network, the investor should enter a network contract with the National Concession Co. which stipulates the traffic-dependent fees and the responsibilities. The terminal points of the track should be located in accordance with the Fundamental Technical Plans.

- (iv) National treatment: Restrictions related to foreign investors are enforced through the concession contracts. These are valid, however, only for the services and are not valid for investments or maintenance.
- (v) Licensing: See the answer to section A.

Radio-based services

- (i) Overview: It would be appropriate to separate the wireless network providing autonomous services from the wireless parts of the track-projected networks.

Public cellular radiotelephone, national paging, wireless data VSAT, trenched wireless, dispatched networks. Their regulation has a frequency management character while the first two require concession.
- (ii) Modes of supply: Wireless tracks, local loop extends and line concentrators. Their regulation has a frequency management character while requiring a network licence.
- (iii)-(iv) See at the services.
- (v) Licensing: Besides a frequency permission, a type approval or individual approval of the equipment is necessary.

Public mobile radiotelephone service (concession bound service)

- (i) Overview: The Government granted two GSM service providers and one NMT-450 service provider concession who are competing with each other. All companies have foreign share near 49 per cent.
- (ii) Modes of supply: The two GSM service providers using the pan-European GSM standards. One NMT-450 service provider ensures the international access only through the national transit network.

Public paging service (concession bound service)

- (i) Overview: The Government granted two supplier companies concession which are in competition. Both companies have about 75 per cent foreign share.
- (ii) Modes of supply: The concession holders should use the pan-European ERMES paging system.
- (ii) Modes of supply: is carried out via the international circuits. The case (c) takes place with VSAT service which is liberalized. Mode (d) is current as well; one of its realization is the "Hungary Direct" service enabling calls made from abroad to account of the (Hungarian citizen) caller. Another introduced form is the Telecard service offering the possibility of international calls made by foreign citizens in Hungary to their bank account.
- (iii) Market access: The above services should only be provided by a concession holder.
- (iv) National treatment: The same restrictions are valid for the area of telecommunications as those for every foreign investment in Hungary.

(v) Licensing: see answer in part A.

3. No necessity of regulation has occurred until now. The corporate networks are characterized by the possibility to lease a part or the whole for public service.

4. If the private network is interconnected to the public network, the resale of public network access is allowed for a third party only in special case. This is the so called PABX service which may be provided only on private local networks, i.e. on PABX networks which does not cross the border of the given public local network.

For the time being, the concession of the NCC ensures exclusivity in relation of the national and international transit connections. Thus, the Ministry grants no licence for such activity of further companies, except for corporate networks of some nation-wide companies which may transport traffic in between their own sphere of interest and between their own stations without restriction. However, they are not allowed to pass transit calls originated and terminated in the public network.

(iii) Market access: The market is liberalized in respect of the PABX service.

(v) Licensing: The PABX service provider is obliged to use an equipment with type approval. Its network should comply with the requirements of the Fundamental Technical Plans.

5. Yes. The regulation is referred firstly to the service providers and the requirements of licensing are enforced to the network investors or operators through the service suppliers. It is left to the basic telecommunications service providers whether they invest themselves or they lease the equipment from another investor company, they operate or it is outsourced. The service provider alone is responsible for the quality of service.

Public/non-public supply

6. Yes. The non-public service providers are enforced to comply with the requirements of the Fundamental Technical Plans to such an extent as their users can be interconnected with the public network. The market of the non-public telecommunications is fully liberalized and the inner quality level of the networks is formed by the market. The quality control activity of the General Inspectorate does not comprise the non-public networks and the state commitments stipulated in the concession agreements do not cover these networks.

7. The public access is mandatory for all subsectors enlisted in the Chapter A.

8. Such networks are as private local, corporate and special ones (e.g. data transmission for banks, some wireless services such as dispatcher, trunked, PABX networks etc).

9. The general obligations and responsibilities for telecommunications operators are as follows:

- To comply with the Fundamental Technical Plans. These are:

Structure plan
Numbering plan
Routing plan
Transmission plan
Signalling plan
Synchronization plan

Interconnection plan
Dependability and Reliability plan
Service plan
Service and network security plan
Wireless radiation plan

- Compliance with tariff decrees and tariff caps
- Compliance with decrees of building and service licensing
- Approval of Trade Regulation of the company
- Compliance with obligations for quality control and data delivery
- In the case of a concessionaire, fulfilling the provisional and development obligations stipulated in the contract.

For the concession bound services the concession's holders should meet the requirements of the concession contract. The decree concerning the liberalized services is under preparation.

10. Restriction on organizing a private network:

- Frequency usage on a wireless network;
- Compliance with some technical requirements when connecting to the public network; and
- Routing restrictions with respect to the interworking with the public network.

11. The operation of public payphones are reserved to the concession holders.

PART III

Regulatory issues

Relationship between regulatory and operational functions

1. No. According to the practice, the law making institution (the Ministry) sends the drafts of laws and the standards under preparation to the concession service providers for the purpose of expressing their opinion.

2. In the field of standardization National Standardization Institute is the competent agency. Prior decision National Standardization Institute should consult with the Minister.

3. Only government level regulation exists according to the Telecommunications Act. The regulatory body is the Ministry. The service provider should keep the prescribed quality level which is checked by the General Inspectorate of Communications periodically. In case of deterioration of service the Ministry orders a tariff reduction. In a justified case, the concession can be even withdrawn.

The decision of the regulatory body can be challenged in court. Disputes after a reconciliation by the regulatory body can be settled by Arbitration.

4. Frequency allocation is the right of Communications Inspectorate, as a state budget institute operating under the supervision of Ministry of Transport Communications and Water Management (Government Decree No. 142/1993 (X.13)). Frequency Management is regulated by the Frequency Management Act No. LXII of 1993. The basis of frequency allocation is a draft of the "National

Allocation Table of Frequency Bands" (NATF) which has been prepared and, at the time of the introduction, the regulation of the procedures will also be done.

5. The regulations of frequency assignment mean a national treatment for all service providers.

Numbering and identification codes

6. Numbering structure and number allocation applied in public telephone network (PSTN) and the selection procedures are regulated by the Decree of the Minister No. 24/1993 (IX.9)

7. The rules of numbering according to the previous reply, mean national treatment for all service providers.

8. International standards (ISO, CEN, CENELEC), European Telecommunications Standardization Institute (ETSI), and international recommendations (ITU-T and ITU-R) are used. The draft of law for regulating standardization has been prepared.

9. A temporary regulation is applied to national standardization (Government Decree No. 42/1994 (III.25)) which brings regulations of this area closer to the European standardization and accrediting system. In practice division of labour is ambiguous among General Inspectorate of Communications, Hungarian Standardization Institute and the voluntary and accredited organizations.

10. All equipment connected to the public telecommunications network is subject to official licence. The basic principle is "no harm to the network".

11. The CPE market is liberalized.

12. Determination of switches applicable in public telephone networks (selection of system) was a Government decision: only Eriksson (AXE) and Siemens (EWSD) switches can be built in the network.

13. No regulation is published in this area yet.

Interconnection

14. The interconnection is regulated by a Government Decree No 154/1993.

15. No. Discrimination is prohibited in the sense that all the subscriber terminal equipment is compulsory to connect to the network that has official licence.

16. Cooperation and interconnection of networks are, under the authorization of Telecommunications Act, regulated by the Government order No. 158/1993 (XI.11). The technological, economic and traffic conditions of network cooperation are to be agreed upon in the network agreement. The agreement is to be presented to the Communications Inspectorate.

17. The service provider is obliged in case it is given a contract offer in accordance with the prescribed conditions.

In case of public telephone services and mobile telephone services also the interconnection charges fall under official price regulation (30/1993 (XI.23) (Ministry of Transport, Communications and Water Management order) and (13/1994.II.17 Ministry of Transport, Communications and Water Management order). These orders define a charge maximum for 1994, after this the change of charge

maximum is connected to the producers' price index (price cap - regulation). The interconnection charge includes one time connection price, monthly price and the charge for the call forwarding.

18. Neither competition nor merging of companies is regulated specially in telecommunications sector. The Competition Act of 1990, as general regulation, is to be applied for this area as well. The Competition Act prohibits unfair competition, competition restricting agreements and abusing power of economic advantage. This area is regulated also by the law for prohibition of unfair market behaviour (Act LXXXVII of 1990) and the Act for settling the prices (Act LXXXVII of 1990).

In case of merging of companies the Competition Agency performs control, supervision function for the purpose of protection of market participants.

Leased lines can be connected to the public network, but this is not qualified interconnection.

19. No such definition exists.

20. No specific safeguards exist but the government decision (selection of system) on the manufacturers of the exchanges to be applied in public telephone network might be considered as restriction of competition.

21. See answer on question 21.

22. The charges of concession bound services are determined in the Decrees of the Minister No. 30/1993 (XI.23) and No. 13/1994 (III.17).

For public switched network services Hungary employs the price cap formula. The Government would like to ensure through the tariff policy an equilibrium between the level of demand and the financial capabilities of concession service providers. There are three major tariff categories in the field of voice telephony:

- (1) subscription fees;
- (2) local calls;
- (3) long distance and international calls.

Categories 2 and 3 are divided into tariff zones. Future changes in tariffs are to be linked to changes in the Producer Price Index (PPI), which is lower than the consumer price index (CPI).

23. The prices of concession bound telecommunications services are determined for 1994 under the authorization of Telecommunications Act and the price maximum (price cap) regulation is also determined. The tariff plans prepared yearly by the service providers are accepted and published by the Government.

The official prices have been determined with the consideration of national costs, price and income levels.

24. Traffic-dependent fees and their distribution among service providers are defined by Ministerial Decree. The fees of international calls are stipulated in international agreements. No such detailed regulation is there for other subsectors of telecommunications.

25. No.

26. The general price regulation is applied to the non-concession bound telecommunications services but there is no general principle regarding allocation of costs and cost-oriented pricing.

27. No.

28. Construction of the own network for the purpose of provision of concession bound telecommunications services is determined by the government in the concession contract. Establishment of track oriented telecommunications can be done by approval of the GIC after the basic technical plan is reviewed.

29. Yes.

New telecommunications services

30. The regulatory body (the Ministry) decides on case-by-case whether a new service belongs to a concession bound service or the liberated regime till the relevant regulation is issued.

31. If the new service does not fall into the category of the concession bound services, the competition is permitted.