

# WORLD TRADE ORGANIZATION

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**Negotiating Group on Basic Telecommunications**

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## COMMUNICATION FROM HUNGARY

### Response to Questionnaire on Basic Telecommunications

#### Revision

The attached communication is circulated at the request of Hungary to Members of the Negotiating Group on Basic Telecommunications. It replaces document S/NGBT/W/3/Add.18/Rev.1

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## Part I

### Definition and Market Structure

#### Definitions

1. What are considered to be basic telecommunications under your regulatory regime? How are they defined? How does your regulatory regime define that which is not considered basic telecommunications?

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 radiotelephone
- nation wide paging system
- nation wide and regional distribution and broadcasting of public service radio and television programs

With the exception of the concession 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 license 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 PTN against the payment of a fee. PTS 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 organisations 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 organisations.

### Telegraph Services

A service where the provider receives the next 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;
- (e) any other way.

### Program Distribution

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

### Broadcasting and Program Transmission

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

### National Broadcasting and Program Transmission

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

### Regional Broadcasting and Program Transmission

A broadcasting or program 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, organisations 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 services access points. Interconnection means connection established between 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 to it ensures access, at a defined signal transmission rate, through nodes, for networks that provide subscribers 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 license exclusive user groups used for internal telecommunications traffic of members.

### Local Telephone Company

Business organisation 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. Does your regulatory regime distinguish between networks (facilities) and services in defining basic telecommunications? If so, how is this distinction made?

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. Are there any networks or services which would be considered to be basic telecommunications within the scope of the GATS definition which would not be so considered by your national definition? If so, what are they?

See reply to question 1.

### Market structure

4. List any basic telecommunications sub-sectors or categories which are reserved to supply by monopoly or exclusive supplier(s).

According to the Telecommunication Act the concession bound services reserved services can be classified as reserved services. Other services are liberalized. The Government Decree on licensing

5. Does your regime designate one or a limited number of monopoly/exclusive suppliers to supply any basic telecommunications nationally, on a geographical basis, or for particular market segments? How is it (or they) constituted (e.g. government ministry or agency, wholly government-owned corporate entity, company partly owned by the government, privately owned)?

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 on answer 6.

6. Is foreign equity participation or ownership of monopoly or exclusive suppliers permitted? If so, what is the maximum percentage share allowed and what is the current level of identifiable foreign participation?

Yes. The Government granted both for the successor company of the former monopolist supplier (MATÁV Co., now National Concession Co..) and 18 other new service providers are authorized for providing local (so called primary district) services by concession. Only the National Concession Company is authorised for national and international long distance service. The concession expires in 25 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% 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 Hungarian regulation is 25 per cent + 1 vote.

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

7. If your regime is generally characterised as not permitting competition, please indicate:

(a) if certain activities or categories of what could be considered basic telecommunications are to reserved to the monopoly, e.g. facsimile, telex, data transmission, mobile, satellite services;

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 April 1, 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.

A company called Operator Hungaria provide paging services in Hungary. Operator Hungaria Kft is 51 per cent owned by Antenna Hungaria and 49 per cent by TDF (France Telecom 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.

- (b) are there are any other means through which foreign suppliers of basic telecommunications are or may participate in the supply of basic telecommunications, e.g. sub-contract or build-operate-transfer arrangements with the monopoly suppliers.

The National Concession Co. and service providers in the local area network can conclude subcontract with foreign suppliers. Only exception was concerned the system selection tender related to digital switches which was issued 1990. The Eriksson AXE and Siemens AWS-D switches were selected. From 1996 on the basis of the Law on Public Procurement (1995), the National Concession Co. and the LTOs have their own choice.

8. Please list and briefly describe any intergovernmental agreements, bilateral or otherwise, that your government has entered into relating to the supply of basic telecommunications networks and services.

- ITU International Telecommunications Union;
- Constitution and Convention (Geneva, 1992);
- ITU International Radiocommunications Regulations;
- IU International Telecommunications Regulations  
(Ratification is expected in 1996).

Hungary is a Party of EUTELSAT, Intelsat and INTERSPUTNIK. The signatory office is the HUNSAT association which is a consortium of MATÁV Co. and Antenna Hungaria Radiocommunications Co.

## Part II

### Competition

- (i) Overview
- (ii) Modes of supply
- (iii) Market access
- (iv) National treatment
- (v) Licensing

#### 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 serviced realised 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.

The refile and hot line service is not allowed.

- (iii) Market access: This service should only be provided by a concession holder. For liberalized services no barrier of trade.
- (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 Standardisation 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 Hungarian Law on Standardisation give a framework to the European Standard Setting procedure.



The service provider should keep the prescribed quality level which is checked by the Communications Authority (CA) periodically. In case of deterioration of service the Ministry orders a tariff reduction; in a justified case, can even withdraw the concession. The legal harmonization of the Hungarian licensing regime is done through European Telecommunications Office (ETO) as Hungary signed the instrument on so-called one-stop-shopping licensing procedure.

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 subsection (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 programs

- (i) Overview: The Government has not granted concessions for national distribution broadcasting of public radio and TV programs 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.

- (ii) Modes of supply: The nation-wide radio and TV programs are distributed by the Antenna Hungaria Radiocommunications Co.
- (iii) Market access: The access to the market is barred until the passing the Media Act.
- (iv) National treatment: Foreign equity participation is expected.

## B. Categories

### Local/long-distance/international

1. How are local and domestic long distance distinguished or defined?

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. Are there any regulatory or other distinctions between domestic (local and long distance) and international networks and services and between the suppliers of basic telecommunications in these market segments? If so, what are they?

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 authorised 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, program 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 network contains microwave links as well as and optical fibres 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 authorised 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, despatched 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 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. The network agreement between MATAV and the GSM companies contains a positive discrimination exists till 1997 in price of leased lines between MATAV and the mobile companies for helping their market access In Hungary (the EU ONP leased line Directive is valid except the above alteration).

Public paging service (concession service)

- (i) Overview: The Government granted two supplier companies concession which are in competition. The regulation requires a Hungarian State ownership of 25 per cent + 1 vote.
- (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 realisation 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 answers in part A.

Resale basis

3. Do your regulations permit international resale of private leased circuit capacity if connected to the public network. If so, at one end? at both ends? Under what conditions? Is resale of switched voice capacity permitted?

International resale of leased line is allowed only to NCC (MATAV) till 2002.

The resale of private leased lines belongs to the liberalized services. The corporate networks are characterised by the possibility to lease a part or the whole for public service.

4. Is resale of private leased circuit excess capacity permitted? If so, under what conditions? May basic telecommunications be resold to make them available to third parties? For which basic telecommunications is this permitted?

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.

#### Facilities-based

5. May basic telecommunications suppliers (foreign and domestic) construct and operate their own networks or invest in consortia to construct and operate such facilities? If not, what organisations are permitted to construct and operate basic telecommunications network infrastructures?

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. Does your regime make distinctions between suppliers of public switched and non-public basic telecommunications? If so, how?

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 quality level of the networks is formed by the market. The service quality checked by the Communications Authority. It does not comprise the non-public networks and the state commitments stipulated in the concession agreements do not cover these networks.

7. What basic telecommunications do your regulations require, explicitly or in effect, to be made available to the public generally?

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

8. What basic telecommunications do your regulations permit to be supplied on a non-public basis (i.e., not required to be made available to the public generally)?

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. What obligations or responsibilities are incurred by status as a public basic telecommunications supplier and under what conditions? E.g., What kinds of "common carrier"-like obligations are imposed (e.g. with regard to Universal service), and on whom?

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
- Synchronisation 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 services the concession's holders should meet the requirements of the concession contract. Only notification is required. The decree concerning the liberalized services is under preparation. The interconnection contracts among the NCC and LTOs and NCC and GSM operators should be based on these requirements. The network agreements are monitored by the Authority.

10. What, if any, restrictions are there on organising and offering a private network by a telecommunications supplier?

Restrictions on private networks:

- frequency usage on a wireless network;
- compliance with some technical requirements when connecting to the public network;
- routing restrictions with respect to the interworking with the public network.

11. Is the operation of public pay-phones reserved to monopoly or exclusive suppliers?

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

### Part III

#### Regulatory issues

##### Relationship between regulatory and operational functions

1. Do any basic telecommunications suppliers become involved, directly or indirectly, in making regulatory policy? enforcement of regulations? in formulating standards or enforcing standards?

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. The Hungarian Telecommunications Reconciliation Forum could express its view on coming regulatory issues (Laws and Decrees)

2. Is your regulatory authority (or authorities) also responsible for formulating standards? for enforcing standards?

In the field of standardisation National Standardisation Institute is the competent agency. Prior decision National Standardisation Institute should consult with the Minister on the basis of the authorization on the Law on Setting Standards.

3. How many levels of government (e.g., national, regional, state, local) have responsibility for regulation affecting basic telecommunications? Please identify and describe relevant levels of government authority. Are there any procedures enabling suppliers to resolve questions or disputes they may have or to appeal a decision with the regulatory body concerned? If so, please describe.

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 on court. Disputes after a reconciliation by the regulatory body can be settled by Arbitration.

#### Frequency allotment or assignment

4. What are the procedures, requirements and criteria applied for the allotment or assignment of radio frequencies?

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. The NATF also meets the requirements of relevant EU Directives.

5. Do foreign telecommunications suppliers receive national treatment under these procedures and criteria?

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

#### Numbering and identification codes

6. What are the procedures, requirements, and criteria used to assign numbering and identification codes?

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. Do foreign telecommunications suppliers receive national treatment under these procedures and criteria?

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

8. What types of mandatory standards are in place?

International standards (ISO, CEN, CENELEC), European Telecommunications Standardisation Institute (ETSI), and international recommendations (ITU-T and ITU-R) are used. The Law on Setting Standards is in force (1995).

9. When a standard is under review or a new standard is being developed by your standards authority, is there an opportunity for public review and comment prior to its adoption? May foreigners participate in this process? May the private sector participate in the development of standards? If so, how?

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

10. What equipment is subject to type approval? Is self-certification allowed? Has your government concluded mutual recognition agreements for telecommunications equipment certification? Are they required for foreign produced equipment?

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

11. How is the ability to attach terminal equipment to the network regulated? What restrictions, are there on terminal equipment that may be attached to the network?

The CPE market is liberalized.

12. May basic telecommunications suppliers connected to the public network use their own switches?

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. From 1996, all telecommunications companies can buy their own switches on the basis of the EU conform public procurement law.

13. Does the government require network-based suppliers to permit the attachment of customer-supplied terminal equipment?

Not relevant.

#### Interconnection

14. In general, how is interconnection regulated in your regime? What are the regulations applied?

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

15. Do your regulations require network-based suppliers to provide interconnection for other basic telecommunications network or services suppliers? If so, please describe?

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. Is interconnection between leased circuits and public data networks permitted?

Co-operation and interconnection of networks are, under the authorisation of Telecommunications Act, regulated by the Government order No. 158/1993 (XI.11). The technological, economic and traffic conditions of network co-operation are to be agreed upon in the network agreement. The agreement is to be presented to the Communications Authority.

17. What are the rules and regulations regarding the pricing of interconnection? Are interconnection charges set in relation to any principles (e.g., cost-oriented)? Is there a requirement to submit interconnection charges to a regulatory body for approval? Are these charges in the public domain? Are the same interconnection charges applied to all suppliers requesting interconnection or are they negotiated on a case-by-case basis? What requirements or obligations exist to publish, make publicly available, or to supply details of interconnection agreements to regulatory authorities?

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.

#### Competitive safeguards

18. What kinds of safeguards does your regime have against anti-competitive practices of monopolies or dominant suppliers in situations where they may compete with other firms to supply certain basic telecommunications in the domestic market? in the international market?

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 Office of Economic Competition has supervisory function for the purpose of protection of market participants.

Leased lines can be connected to the public network on one end but this is not qualified as interconnection.

19. Do your regulations distinguish between dominant and non-dominant suppliers? If so, what are the details and how are "dominant" and "non-dominant" defined? Are there any safeguards concerning suppliers who have monopoly or dominant control of access to certain market or network segments?

No such definition exists.

20. Is there an industry-wide antitrust policy and/or any telecommunications-specific antitrust policy? What are the rules and regulations regarding mergers and acquisitions?

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 till 2002 for international and domestic long distance calls and till 2003 for local calls.

21. Are there any safeguards concerning basic telecommunication suppliers also engaged in the manufacturing of telecommunications equipment? If so, please describe the content and working of these safeguards.

See answer on question 21.

#### Pricing-related measures

22. What is the role of the government or any related agency with regard to establishing prices (e.g., tariffs, access charges, accounting rates) or pricing policy? E.g., does the government set prices or accounting rates, directly or indirectly (e.g. price caps or rate of return controls), or do basic telecommunications suppliers determine these themselves? What requirements or obligations does the government set regarding prices charged by monopoly/dominant suppliers? Or other suppliers?

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;
- (4) Entrance fee. A Governmental Decree on protection of customer interest in under preparation.

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. Does the government require tariff approval or notification and, if so, what are the procedures? What requirements regarding cost-accounting are put in place to ensure transparency?

The prices of concession bound telecommunications services are determined for 1994 under the authorisation 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 annually

24. To what extent is the principle of non-discrimination applied in pricing policy? E.g., is a tariff package such as a volume discount targeted for a specific group allowed and, if so, what are the terms and conditions applied? Are accounting rates applied on a non-discriminatory basis between countries? If accounting rates applied in different agreements are not the same, what are the criteria used to arrive at different accounting rates? Are some of these criteria required or defined by the government?

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. Do any basic telecommunications suppliers get involved in setting industry-wide tariffs?

No. The players could propose the price setting and the Minister of Transport, Communication and Water Management has a joint decision with the Minister of Finance.

26. On what basis are prices (e.g. tariffs, access charges, accounting rates) determined? What concepts are applied regarding costs? Is there a general principle applied regarding allocation of costs? Is cost-oriented pricing of basic telecommunications used or required by the government? If not, do basic telecommunications suppliers use cost-oriented pricing?

The general price regulation is applied to the non concession bound telecommunications services. It is a Government policy to formulate a general principle regarding allocation of costs and cost-oriented pricing.

27. Are there any rules specific to the pricing of a new service?

No.

#### Rights of way for the construction of infrastructure

28. Are basic telecommunications services suppliers are permitted to build their own infrastructure or facilities? If so, what are the procedures and criteria for authorisation to build infrastructure or facilities? What are the procedures, criteria, limitations or qualifications applied with respect to the granting of or the availability of rights of way for the construction of infrastructure or facilities?

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

The local networks plans should authorized by local governments.

29. Is national treatment extended to foreign basic telecommunications suppliers under these procedures and criteria?

Yes.

#### New telecommunications services

30. Please describe any general regulatory processes or procedures that apply to dealing with the introduction of "new" telecommunications services. Prior to any relevant regulatory procedure having been completed, is it possible for such new services to be supplied?

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

31. When a new service becomes possible or available, who determines the status of the new service (whether it is basic or value-added) and under what procedure and time frame?

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