




Finnish Communications
Regulatory Authority

Market review

1/2009



Market review 1/2009

The International Communications Markets

30 June 2009



INTRODUCTION

The FICORA market review 1/2009 presents a collection of central information regarding the international communications market. The publication is the second market review in a series that focuses solely on the international communications market. Market reviews regarding the international communications market are published annually. While the review is focused on the European communications market, it also includes comparisons of certain key figures from countries outside Europe. Central indicators of the communications market concerning the pricing of communications services, consumer behaviour and consumer awareness of electronic communication were selected in this publication. Like the annual review for 2008, the market review

1/2009 includes information on postal and media services in addition to traditional information about the telecommunications market.

The market review is based on information that FICORA has gathered from different public sources. FICORA has aimed at collecting and using information only from the most reliable sources possible. Information on the basic variables of the communications market, subscription and traffic volumes, has been collected, for instance, from an implementation report published by the European Commission. Price information regarding the communications market was obtained from an international comparison of mobile call prices published by FICORA on 25 May.

TELECOMMUNICATIONS

In 2007, telecommunications' share of EU Member States' gross domestic product saw a slight decrease from the previous year, remaining at slightly less than three per cent or some EUR 357 billion. Meanwhile, the ratio of investments in telecommunications turnover rose from slightly less than 10 per cent to slightly less than 15 per cent or approximately EUR 52 billion. Investments in fixed communications networks accounted for 57 per cent of investments, although less than half of turnover, or approximate-

ly 49 per cent, derived from these networks.

In 2007, the total turnover of the Finnish telecom sector decreased by one per cent to some EUR 4.48 billion, while investments in telecommunications networks remained at their level of 2006, at some EUR 0.38 billion. For this reason, the ratio of investments in turnover rose slightly, to over eight per cent. With respect to investments and revenue, Finland remained slightly below the EU average.

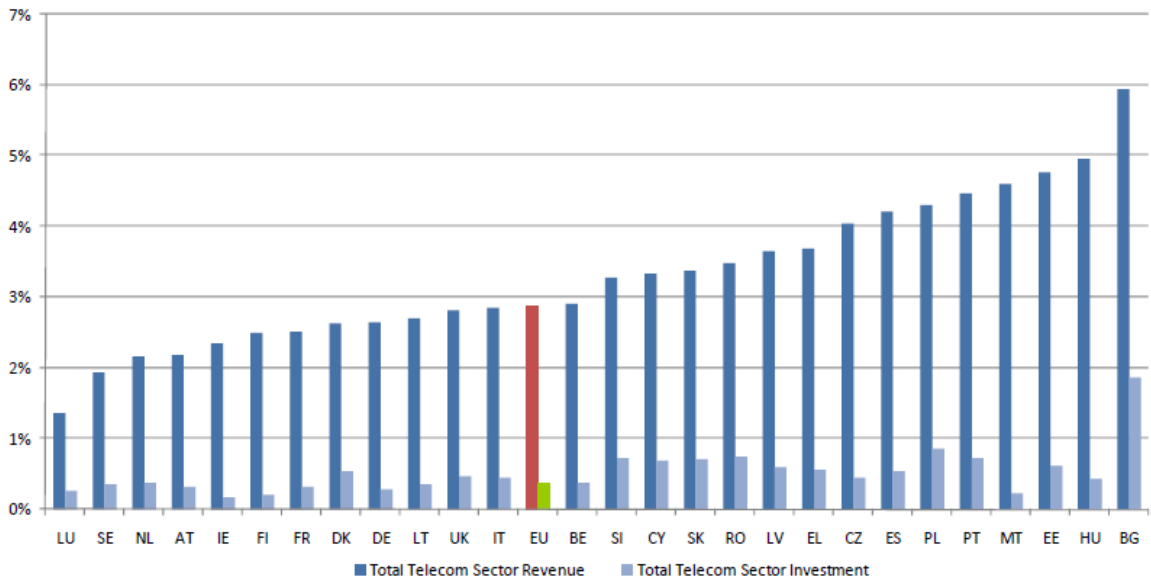


Figure 1. Telecom Revenue and Investment over GDP, 2007. (Source: European Commission)

Broadband Services

As the number of broadband connections continues to grow, the gap between the countries with the highest and lowest number of subscriptions is narrowing. In 2008, the volume of fixed broadband subscriptions increased by 14 million. In Finland, such growth remained at zero, while Greece and Poland saw their broadband volumes per 100 inhabitants rising by four subscriptions. In the EU, the volume of fixed broadband subscriptions per 100 inhabitants totalled 22.9 in January 2009, representing an increase of 2.76 subscriptions from the year before. Thus,

the EU's broadband penetration approached the penetration rates of the USA, Australia and Japan. However, Finland and eight other EU Member States have higher broadband penetration rates than the above-mentioned countries.

In addition to the actual broadband penetration rate, the coverage of broadband connections can also be measured by comparing the number of connections to the number of households. In such a comparison, internal to the EU, Finland ranked fourth – as it did with respect to

penetration – while the top three performing countries included Sweden, Denmark and the Netherlands. In July 2008, a total of 66 per cent of Finnish households had a

broadband subscription, while the corresponding share was 74 per cent in the Netherlands and only 13 per cent in the lowest-performing country, Romania.

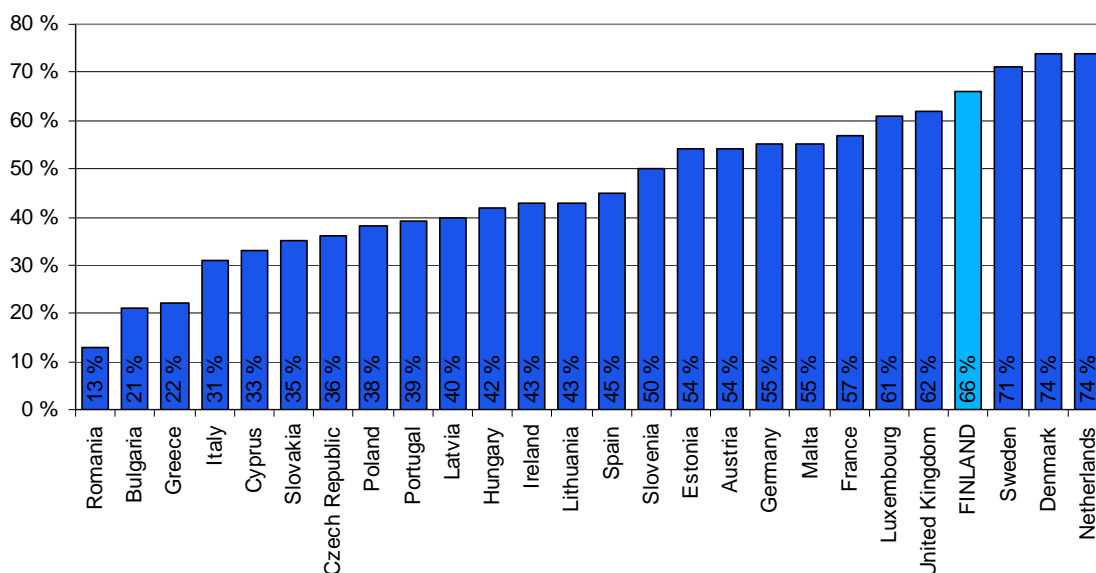


Figure 2. Fixed broadband connections in proportion to households, 2008. (Source: European Commission)

In the beginning of 2009, approximately three out of every four fixed broadband subscriptions in the EU Member States had a data transmission rate of 2 Mbps or higher. In Finland, the corresponding share was approximately 60 per cent.

Data transmission rates showed high variation across the Member States. For instance, the speed of nearly all connections in Portugal was at least 2 Mbps, while less than one fifth of Polish broadband connections achieved similar speeds. In the comparison of connections of 10 Mbps or higher, Finland, with its 10 per cent share, remained below the EU average of some 14 per cent. Very fast optical fibre connections enabling 100 Mbps rates

were still relatively rare. The share of fibre connections of all broadband subscriptions in the EU Member States has grown at an annual rate of approximately one percentage point, attaining 1.4 per cent in the beginning of 2009.

Both in Finland and on EU level, DSL connections' share of all broadband technologies decreased slightly during 2008. However, DSL connections still account for some four fifths of all broadband connections. The share of connections using cable television network remained unchanged during 2008, and cable modem continued to be the second most common technology, with a share of over 15 per cent.

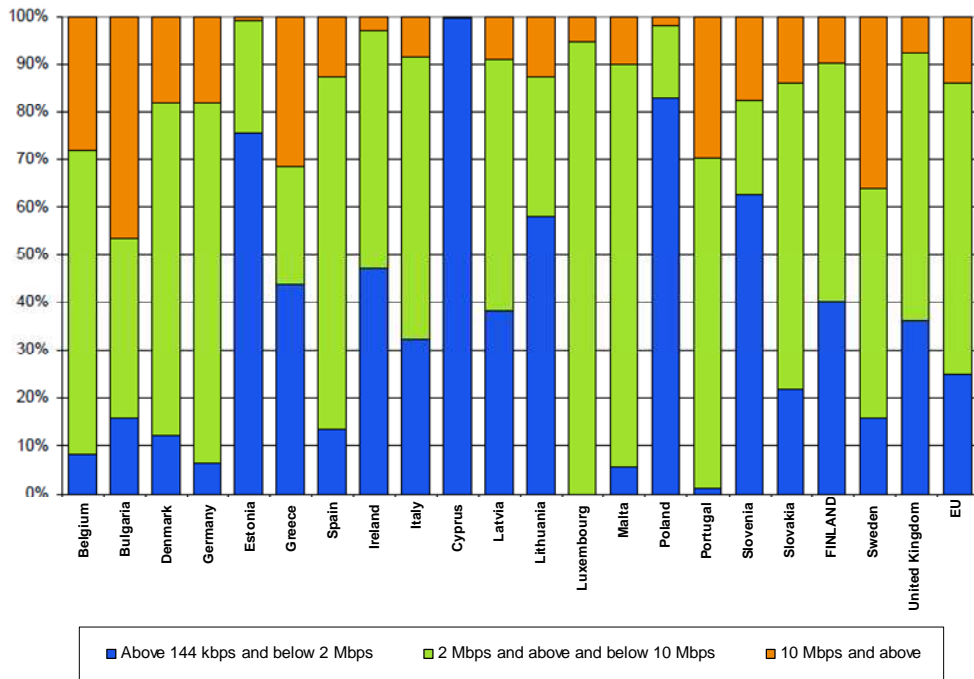


Figure 3. Fixed broadband connections by speeds (January 2009). (Source: European Commission)

Fixed Network Telephone Services

Developments in the use of fixed network telephone services varied greatly between 2000 and 2008 across European countries. Many of these countries saw relatively unchanged subscription volumes or

even increases during the 2000s. By contrast, and as an exception, Finnish subscription volumes have decreased every year.

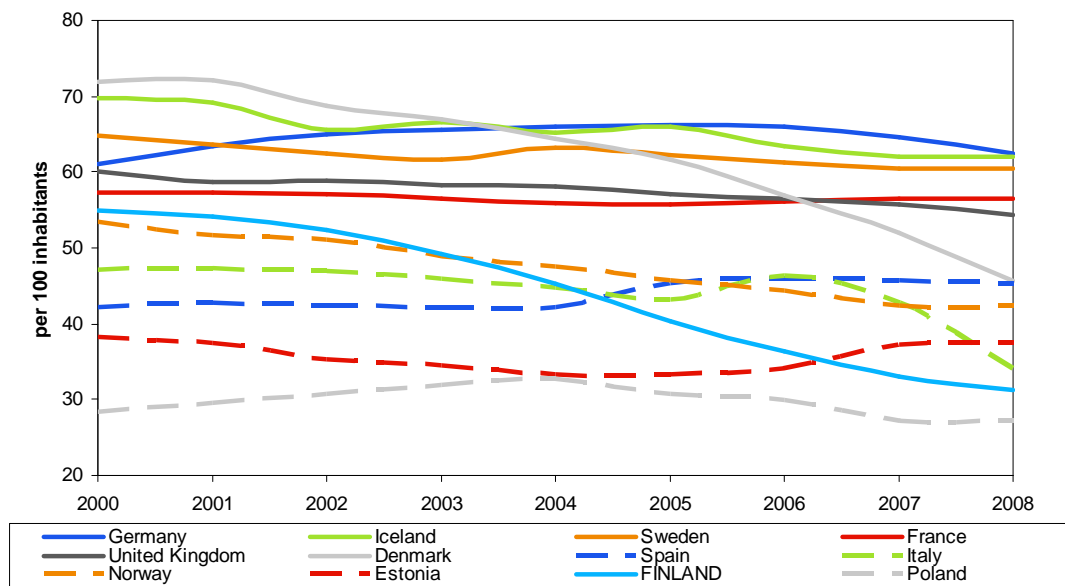


Figure 4. Fixed telephone connections per 100 inhabitants 2000-2008. (Source: ITU)

The market for fixed telephone subscriptions continued to contract in the EU in 2008. Operators' revenue from fixed network telephone services within the EU decreased by five per cent in 2008. In Finland, the number of fixed telephone con-

nections per 100 inhabitants was approximately 31.2 at the end of 2008. This number was the lowest in the Nordic countries: for instance, in Sweden the relative volume of subscriptions was nearly double.

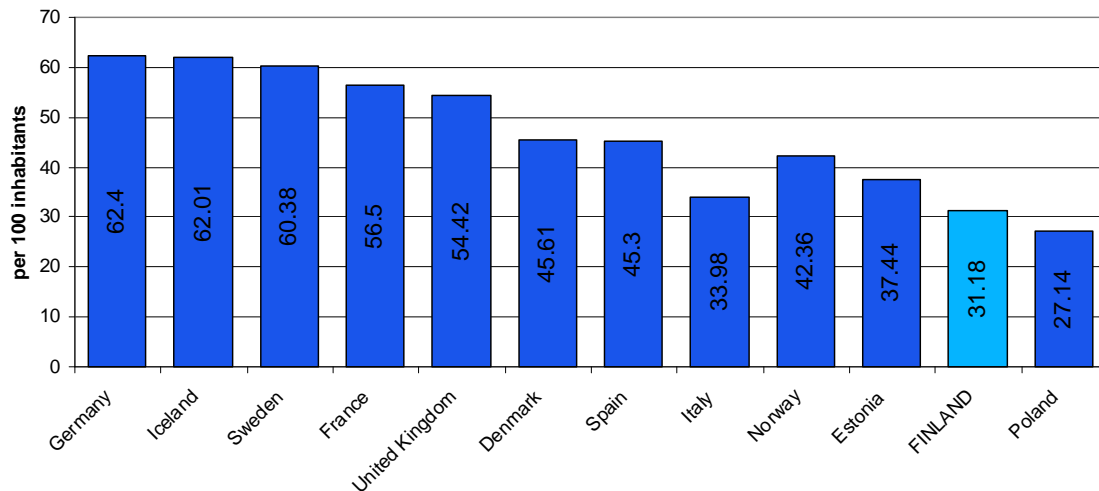


Figure 5. Fixed telephone connections per 100 inhabitants, 2008. (Source: ITU)

Traditional fixed telephone connections are currently being replaced not only by mobile phone services, but also by managed VoIP services available in the fixed network and already accounting for some 8.3 per cent of fixed network subscriptions. In Finland, managed VoIP services

– i.e. fee-based services offered by telecom operators – account for slightly less than three per cent of fixed network subscriptions. In general, both the retail and wholesale prices of fixed network telephone services have stabilised at their levels of the preceding years.

Mobile Phone Services

In 2008, the volume of mobile calls and mobile phone subscriptions in the EU Member States continued to grow. The number of subscriptions increased by approximately seven per cent, in such a way that, in October 2008, for every five EU citizens there were approximately six subscriptions in use. Market growth has been boosted in particular by services such as mobile broadband, already accounting for some three per cent of turnover from mobile phone services in 2008.

The number of prepaid mobile subscriptions decreased in the EU Member States,

except in Greece, Latvia and the Netherlands. In October 2008, a total of 58.2 per cent of mobile phone subscriptions in the EU were prepaid. However, differences in payment habits remain significant across the EU Member States. While in Finland only every tenth subscription was prepaid, the opposite situation prevailed in some EU countries. In Italy, for instance, only one tenth of mobile phone subscriptions were invoiced and postpaid. On an EU scale, Finland and Denmark are exceptions, since the share of prepaid subscriptions was at least double their rate in all other Member States.

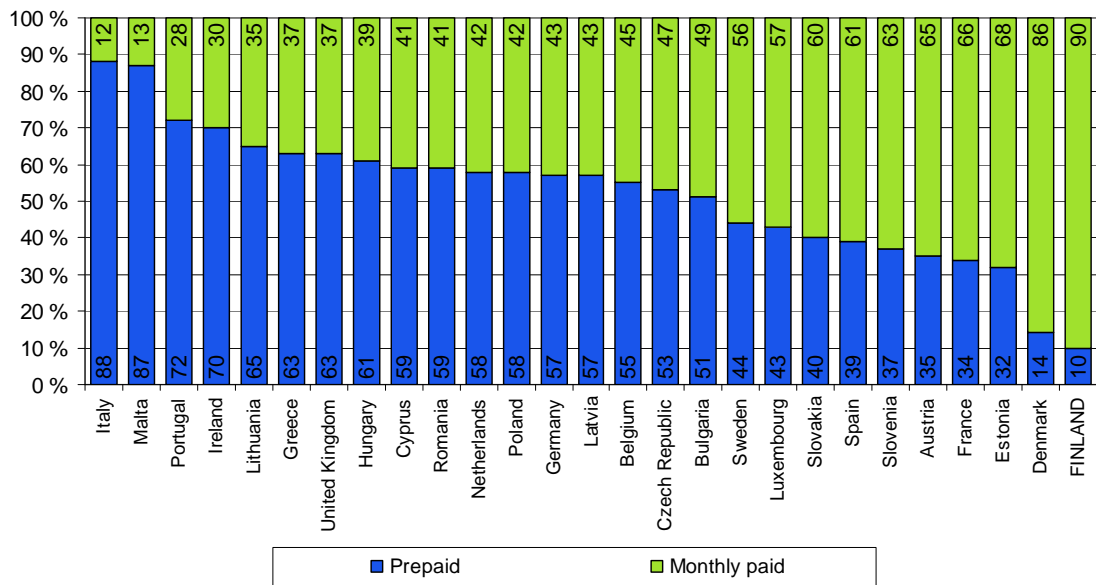


Figure 6. Mobile subscribers: prepaid and monthly paid. (Source: European Commission)

In a comparison of the relative shares of ported numbers within the EU, Finland ranked highest. During a period of one year, as of October 2007, a total of 13 numbers per 100 subscriptions were

ported in Finland. In addition to Finland, this figure nudged over five in only two other Member States, Malta and Spain, although remaining clearly below 10 per cent.

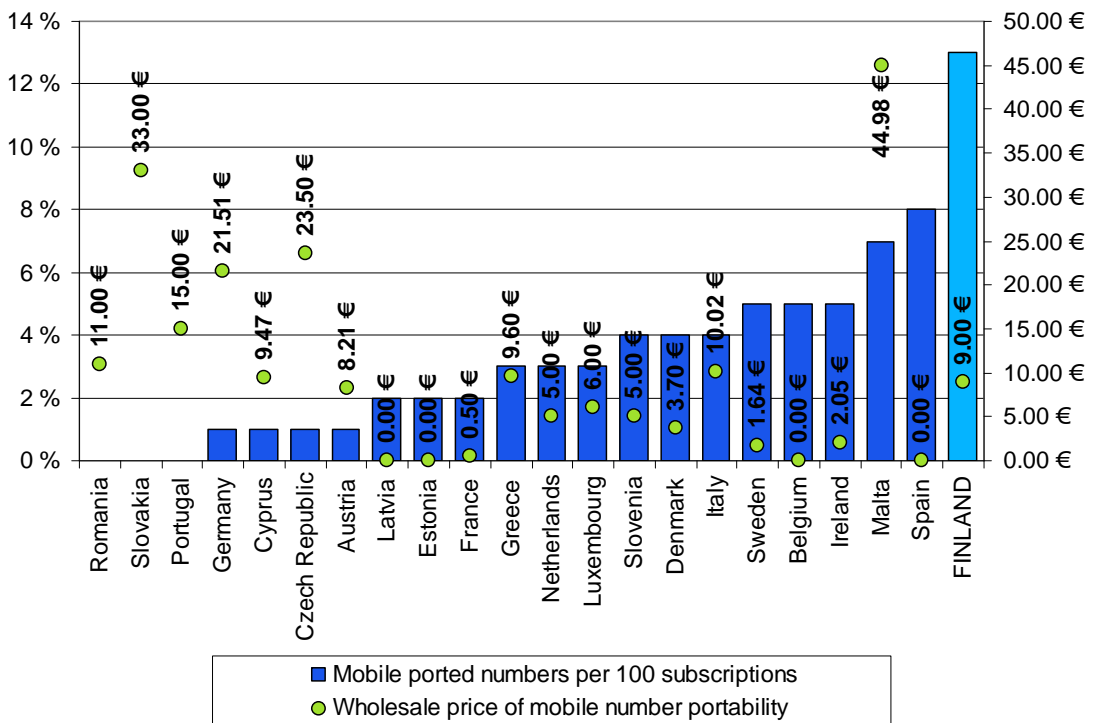


Figure 7. Mobile ported numbers. (Source: European Commission)

Price level of Mobile Phone Services

For the second time, FICORA commissioned a survey on the price level of mobile calls in Europe. The price comparison was conducted by Pöyry Telecom Oy and included 19 European countries. In the survey, country-specific price baskets of mobile phone subscriptions were calculated for three user profiles and one price basket for mobile broadband services. The prices used were from April 2009.

Mobile subscriptions in the countries included numbered 494 million at the end of 2008, representing an increase of six per cent from the previous year. Correspondingly, 3G (third generation) subscriptions numbered 117 million, representing growth of 46 per cent from the year before. In the countries included, the mobile communications markets were highly concentrated. In nearly all of the surveyed countries, three main operators held more than 90 per cent of the market.

Comparison of price baskets of mobile phone subscriptions

In the price comparison of mobile phone subscriptions, country-specific price baskets were calculated for three user profiles. The survey included only contract subscriptions; in other words, prepaid

subscriptions were excluded. Bundled offers frequent in many European countries also fell outside the scope of the survey.

According to the survey, Finnish overall prices for mobile phone subscriptions were the fifth lowest. Indeed, in all three price baskets Finland was the fifth most inexpensive country. Although subscription prices rose slightly (2%) from the previous year, Finland is still clearly among the most inexpensive countries. In each of the three price baskets, Finland's price level for a mobile phone subscription was some 50 per cent lower than the weighted average. Differences between the price levels across the surveyed countries are still large, since the profile-specific difference in prices between the most inexpensive and the most expensive countries was as much as four or six-fold.

The main characteristics of the user profiles compared were as follows:

- Profile 1: 150 minutes of calls, 50 SMS (Low use),
- Profile 2: 300 minutes of calls, 100 SMS (Medium use),
- Profile 3: 1,000 minutes of calls, 200 SMS, 50 MB of data transmission (Intensive use).

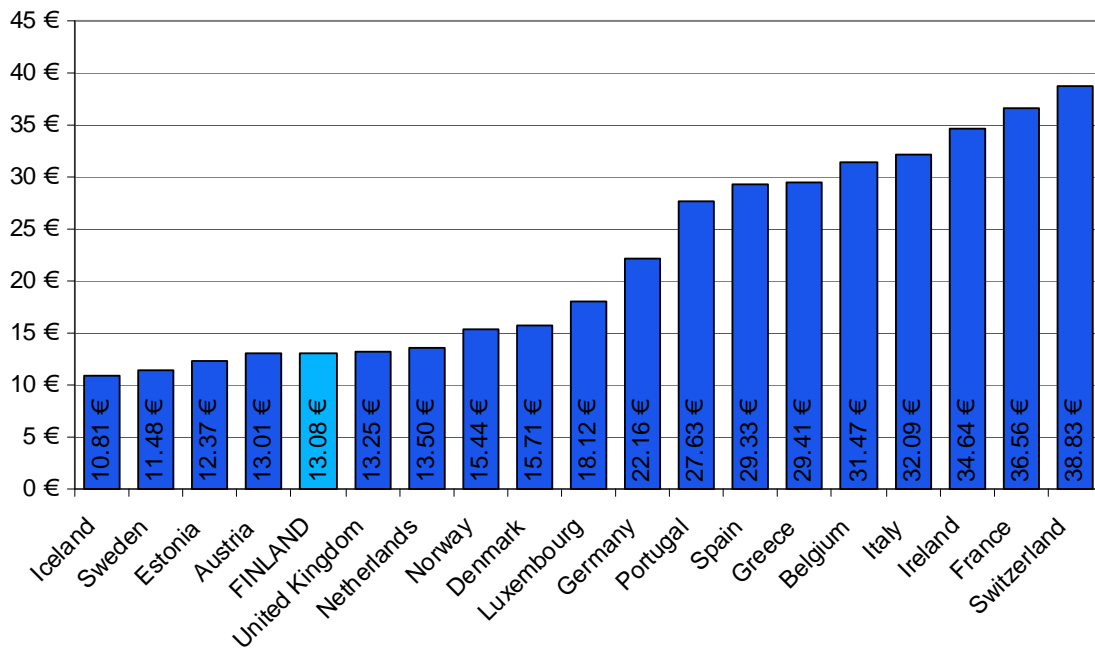


Figure 8. Comparison of basket prices for mobile phone subscriptions, profile 1

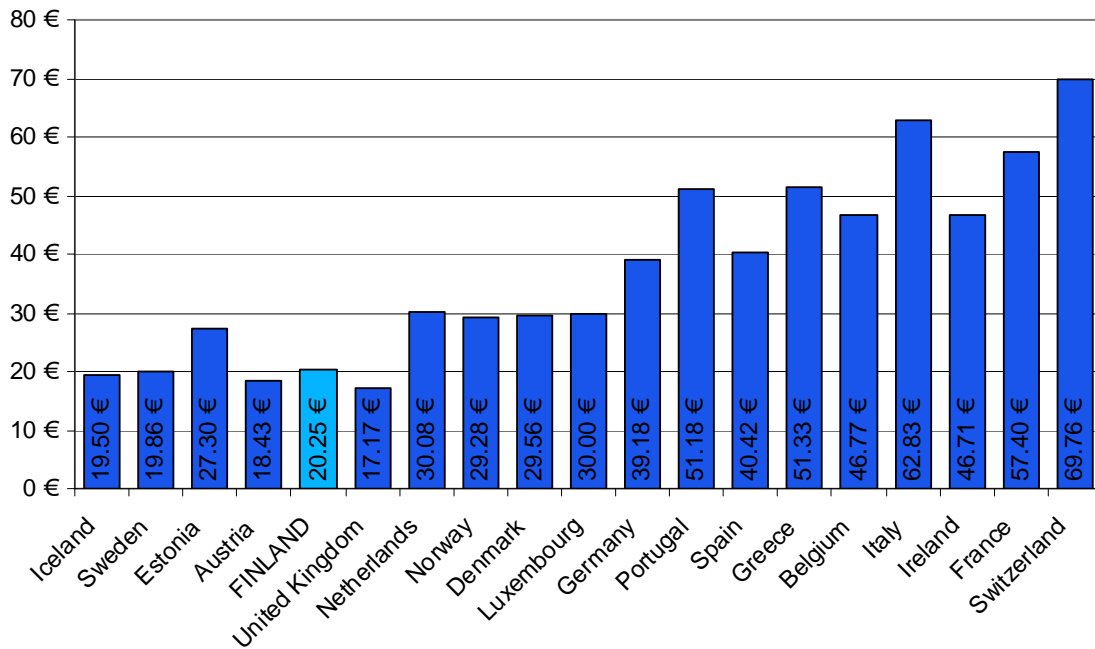


Figure 9. Comparison of basket prices for mobile phone subscriptions, profile 2

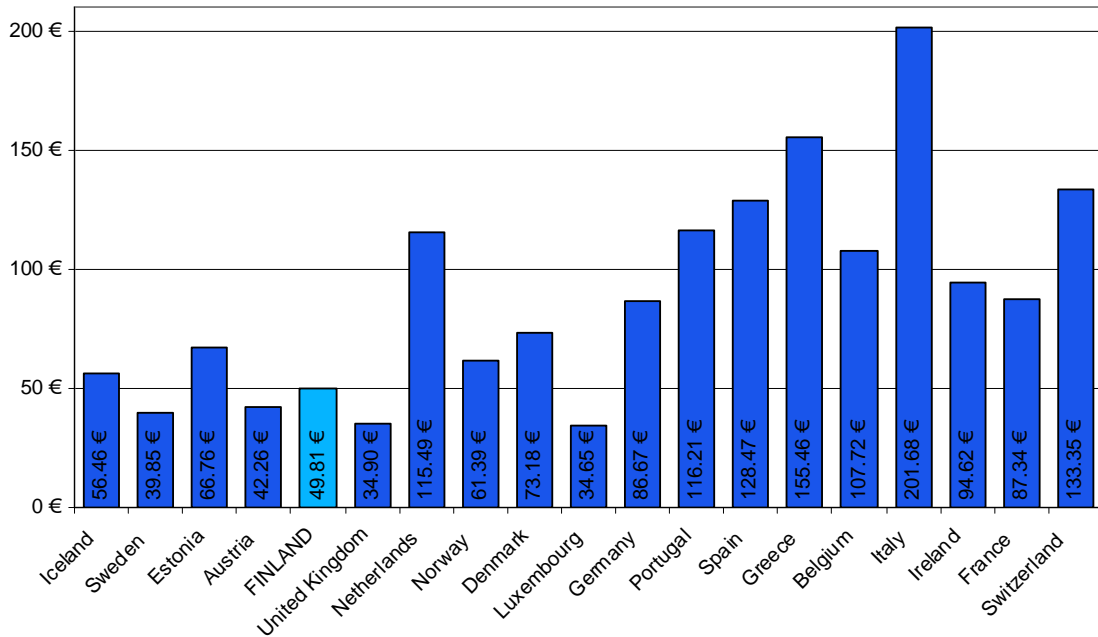


Figure 10. Comparison of basket prices for mobile phone subscriptions, profile 3

For the price profile 1 with the lowest use, the average basket price weighted by subscription volumes decreased by 14 per cent from a year ago. While the rate of the price fall decelerated somewhat from the previous year, the average trend

is still clearly a downward one. Finland and Italy were an exception, with their price levels increasing slightly from the year before. For the UK, the price fall is partly attributable to sterling's weakening against the euro

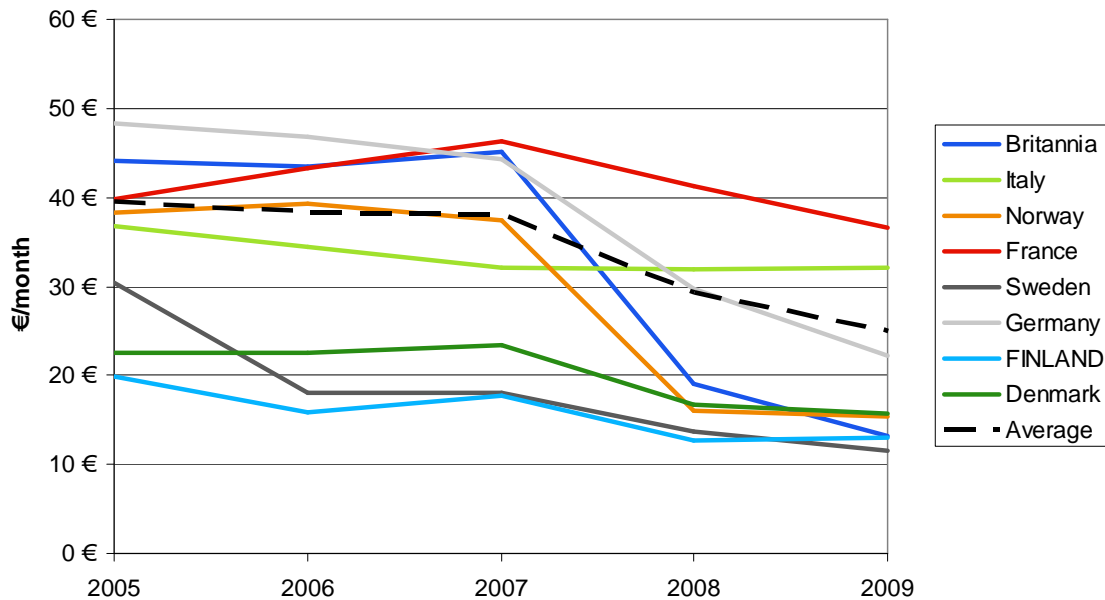


Figure 11. Price development for profile 1 in the comparison of basket prices for mobile phone subscriptions in certain countries.

Comparison of basket prices for mobile broadband services

In the survey, data transmission prices were also compared by including a separate user profile for mobile broadband subscriptions. The comparison included subscriptions with a minimum speed of 384 kbps and a fixed monthly fee. In addition, these subscriptions had to enable unlimited data transmission. In practice, the survey considered a four Gbps or

higher monthly data transmission rate as unlimited. Amongst mobile broadband subscriptions, Finland had the lowest overall prices, with an average monthly fee of EUR 9.84. This price remained unchanged from the year before. Price differences across countries were major, ranging from EUR 10 to more than EUR 60, while the average price weighted by subscription volumes amounted to some EUR 35 per month.

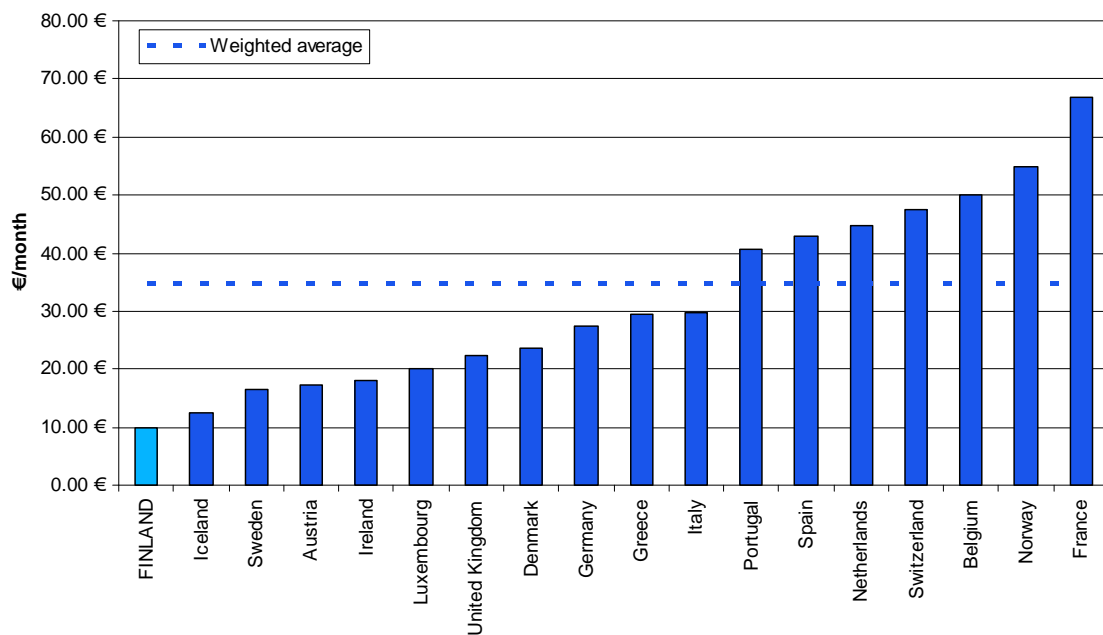


Figure 12. Country-specific price basket values of mobile broadband subscriptions.

POSTAL OPERATIONS

Delivery Times of Letter Mail in Europe

The speed of letter delivery between different European countries attained a record high in 2008. A total of 94.6 per cent of letters were delivered to the recipient within three days of sending and 98.8 per cent within five days. These figures clearly exceeded the objectives set in the EU Postal Services Directive, which are

85 per cent within three days and 97 per cent within five days. Furthermore, in 18 EU Member States the share of letters received within two days continued to grow, improving from its 2007 level of 82.3 per cent to 84.9 per cent. This year's result was the best recorded since measurements began in 1994.

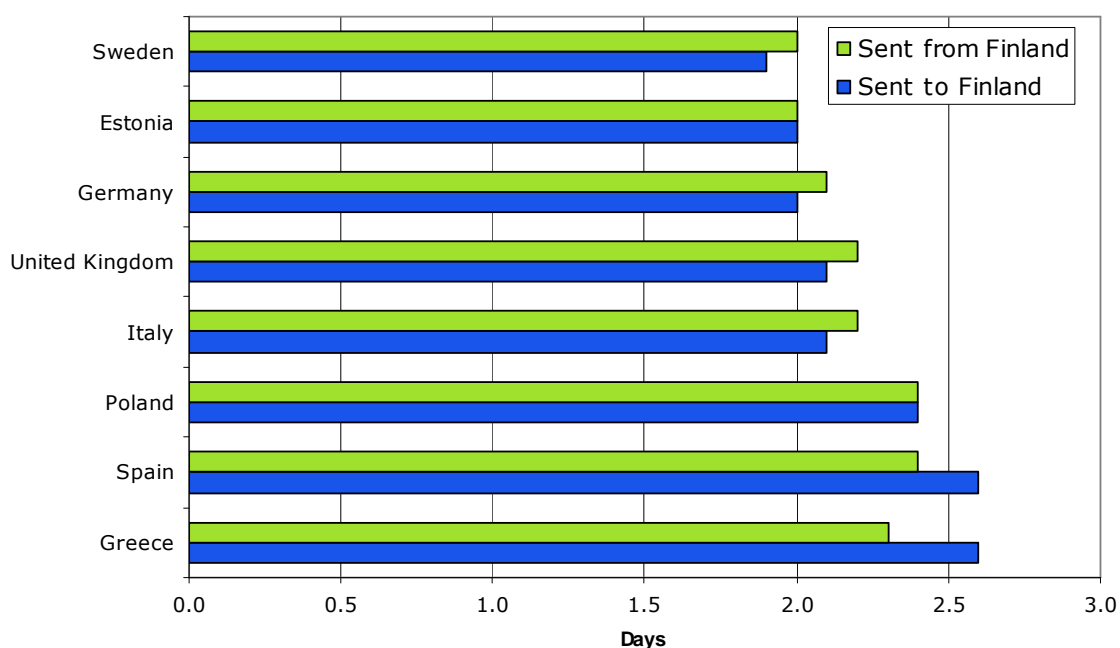


Figure 13. Average delivery times of letter mail in 2008. (Source: IPC)

The survey on the speed of letter delivery was conducted by Research International Ltd, commissioned by International Post Corporation SC. For the purposes of the survey, a panel representing the countries surveyed was formed, with its members sending and receiving the test letters. The test letters represent the actual mail flow in terms of letter type and size, mailing method, payment method and the locations of sending and receiving.

In 2008, approximately 350,000 letters corresponding to the actual mail flow were sent in 34 European countries. The 2008 survey included five new countries: Bosnia and Herzegovina (in part), Bulgaria, Croatia, Turkey and the former Yugoslav Republic of Macedonia. The survey was conducted following the definitions in the EU standard on the delivery speed of first class letter mail, and used the UNEX system for monitoring service quality.

MEDIA EDUCATION

Controlling children's Internet use

According to the Eurobarometer survey conducted towards the end of 2008, every fourth European parent does not set restrictions on their children's Internet use.

Finnish parents' behaviour deviates in many respects from that of parents living

in our neighbouring countries of Sweden, Denmark and Estonia. The greatest differences occur in the attitude towards time spent online: Finnish parents report that they restrict it much more often than Danish parents, in particular.

	Which activities are not allowed for children?							
	Spending a lot of time online	Talking to people they don't know in real life	Using chat rooms	Creating a profile in an online community	Accessing certain websites	Downloading/playing music, films or games	Buying online	Giving out personal information
FINLAND	81	76	58	62	41	37	84	98
Sweden	59	67	23	39	38	40	82	91
Denmark	45	75	49	48	49	33	74	86
Estonia	69	61	33	30	29	19	81	77
Netherlands	72	88	73	53	42	29	85	90
Belgium	73	84	53	59	40	32	89	78
Ireland	87	96	92	72	51	31	84	98
United Kingdom	75	92	85	68	46	38	83	97
Austria	77	71	45	63	49	42	86	90
Luxembourg	80	79	56	73	31	35	82	91
France	77	91	54	73	33	40	85	93
Germany	82	74	54	62	34	61	88	95
Spain	88	89	73	77	70	26	92	91
Italy	92	86	73	75	77	39	85	95
Greece	84	86	73	66	43	11	92	93
Portugal	84	88	73	64	77	45	93	92

Table 1. Restrictions set by parents by country (%). (Source: Flash Eurobarometer 248/2008). The table presents the percentages of parental restrictions in Finland and in 15 other EU Member States. The figures indicate parents' views on eight issues concerning their children's Internet use and its restriction.

Overall, European parents had the strictest approach towards their children disclosing personal information when using the Internet. In this respect, Finland and Ireland showed the strictest attitudes. In using various restriction methods, however, Finnish parents were mainly ranked average among 16 countries.

Buying online was also limited in most European countries. In addition to banning buying online and giving out personal information, one of the three leading restrictions consisted in parents not allowing their children to talk to people they do not know in real life. Here, however, Finland's ranking fell closer to the less regulating end of the spectrum of EU countries.

The least limitations on children are set by European parents with regard to downloading music, films or games. On average, approximately every third parent prohibits online downloading by their children. German parents, however, represent a distinct exception, with nearly two out of three reporting that they limit online downloading.

The second least frequent prohibition involved accessing certain websites, although the use of this restriction varied greatly across countries. The strictest approach was taken by southern European parents, particularly in Italy, Portugal and Spain.

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