



Bezeq responds to Ministry's demand to terminate Bezeqcard tender process

November 5, 2001

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Bezeq to the Ministry of Communications:

THE MINISTRY'S DEMAND TO TERMINATE THE TENDER PROCESS FOR SELECTING ONE OPERATOR FOR INTERNATIONAL DIALING SERVICES FOR BEZEQCARD USERS - REFLECTS TOTAL PREFERENCE FOR THE INTERESTS OF THE INTERNATIONAL OPERATORS OVER THOSE OF CONSUMERS

"We cannot sit back and accept a situation in which BezeqCard users are forced to pay tariffs for international dialing services which are hundreds of percentage points higher than those paid by the users of the cards of the international operators"

"Bezeq's position is that there is no impediment to continuing the process for selecting the international operator that will provide international dialing services for BezeqCard users."

This announcement was made by the CEO of Bezeq, Ilan Biran, to the Director General of the Ministry of Communications, Adv. Uri Olnik, in reply to the latter's demand to Bezeq concerning the tender Bezeq wishes to hold among the international operators for selecting one operator to provide international dialing services for users of the BezeqCard.

Biran explained that the Ministry's demand that it cancel the tender was made only a few days before the date for submitting the proposals, even though the Ministry had been aware of the process for several months.

The position paper that Bezeq sent to the Ministry of Communications expresses the company's surprise that the Ministry should choose to accept a situation in which BezeqCard consumers are required to pay high prices for international dialing services, a situation that seeks to deny Bezeq the option of acting in consumers' interest and promoting competition in that field.

Bezeq says that the situation today is that BezeqCard service customers are forced to pay tariffs for international dialing services which are much higher than those paid by the users of the dialing cards of the international operators.

For example, when phoning Israel from abroad, BezeqCard customers pay at least double the tariffs charged the users of the 012 card of Golden Lines, the company which is the main opponent of the tender.

There is no financial justification for the tariffs offered by the international operators to customers of BezeqCard being so high, as the service does not involve high costs for the operators for advertising, distribution and collection, all of which are factors with the cards issued by the operators themselves.

"Clearly, the situation is absurd," says Bezeq in its position paper. "It is detrimental to BezeqCard customers and unlawfully discriminates against them compared with the customers of the international operators. Termination of the process, as the Ministry of Communications is demanding of Bezeq, reflects a total preference for the interests of the international operators over those of the consumers. This is unacceptable. The obvious conclusion from this situation is that the customer cannot benefit today from open competition between the international operators insofar as relates to the use of international dialing cards."

Bezeq notes that in taking a step that promotes equality by soliciting proposals for international dialing services for BezeqCard users, it will force the international operators to offer attractive tariffs to those users, thereby contributing to competition and benefiting consumers.

"It is surprising that the Ministry of Communications has chosen, in this instance, to side with the opponents of competition. Bezeq is concerned that the Ministry is disregarding the fact that the international operators, wearing the guise of free competition, are actually seeking freedom from competition," writes Bezeq.

The company goes on to point out that the selection of one international operator through which BezeqCard customers will place their calls, will in no way harm the free choice of customers, since anyone wishing to choose a different operator can do so quite simply by using the card of that operator.

Bezeq emphasizes that there is no restriction in its general license that relates to the allocation of BezeqCard customers, and this service is a free service which is not restricted in any way in the license. Thus, there is nothing to stop Bezeq from selecting a single international operator for the customers of the service, provided that the selection is made in a process of equality and in the customer's

best interests.

Referring to the power of the Ministry of Communications to demand that Bezeq terminate the tender process, the company contends that the Ministry's regulatory policy document, published in 1995, on which the Ministry relies in its demand, has no binding effect, and that numerous developments have taken place since its publication, as a result of which the document is no longer relevant. It was published before licenses were issued for international operators, and certainly before those operators and other bodies started to issue international dialing cards.

Moreover, writes Bezeq, after publication of the tender for international operators, the winning companies were selected and the Ministry of Communications awarded them general licenses, which prescribe their rights and obligations. These licenses state specifically that the license is exhaustive, and supersedes the status of any earlier or later document.

On the matter of the Ministry of Communication's proposal for a process of "allocation" of BezeqCard customers to the various operators, as was done with Bezeq's customers, the company notes that it would be technically impossible, and furthermore, it is unnecessary, since a customer wishing to be "allocated" to a particular international operator, simply has to buy the dialing card of that operator.