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Press Release

A New ISP in Israel

Ministry of Communications to let Hot.net become an Internet service provider

MoC Director General, Mr. Eden Bar Tal:

"In order to increase competition and benefit the consumers, the Ministry will allow HOT to become an ISP under conditions that guarantee fair competition"

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At the request of Hot.net, the Ministry of Communications issues a hearing for the company, concerning the terms of the special license for Internet service provision which the company is to receive.

After the Ministry had reviewed the request, it prepared a proposed amendment to the licenses of the HOT group companies, enabling the companies to comment before making a decision. The Ministry's decision with regard to HOT Broadcasting, will be made following a consultation with the Council for Cable TV and Satellite Broadcasting.

The Ministry of Communications perceives the licensing of Hot.net as ISP as a step that promotes competition and improves the consumer's position. Furthermore, the Ministry wants to see that the rules of fair competition are kept, in light of the entry of a new ISP who is also an infrastructure owner and a provider of TV broadcasting and telephony services. Hence, the license will be subject to two key conditions:

- 1. Separation of the ISP activity from all other HOT group activities.**
- 2. Providing a fair opportunity to other ISP's to offer their services within the framework of HOT group service packages, on an equal basis.**

HOT Telecom provides broadband access services to ISP's, competing with the equivalent service offered by Bezeq. This service is complementary and necessary for the ISP service. In the ISP market, there are many companies operating without being linked to any one of the broadband infrastructure providers.

The licensing of Hot.net requires a due consideration with regard to the possible implications, for the ISP sector, of an ISP being directly associated with the infrastructure owner and with a company that enjoys considerable dominance over the broadcasting market. Therefore, the

Ministry will ensure that HOT Telecom will not badly influence the competition in the field of ISP by favoring Hot.net, and that HOT Broadcasting will not exploit its power in the broadcasting market in order to promote a similar purpose.

In order not to harm competition in the ISP market, the Ministry believes that Hot Telecom or Hot Broadcasting are not to be allowed to market a service package that includes ISP, before a mechanism is established which guarantees that all ISP licensees are given a fair opportunity to market their services in the framework of similar packages under equal terms. Therefore, the Ministry proposes to impose on Hot Broadcasting and on Hot Telecom the obligation to allow, at any time, any ISP licensees bearing no linkage to HOT, to include their services in service packages marketed by HOT Broadcasting or HOT Telecom. HOT Broadcasting and HOT Telecom should be further obligated, according to the Ministry's proposal, to market these parallel service packages, and offer them to subscribers, in an equal, non-discriminatory manner.

HOT Broadcasting and HOT Telecom will have to regularly submit reports to the Ministry regarding the number of newly joined subscribers for any service package they market.

The Ministry proposes further, that once the percentage of Hot.net subscribers, out of the total number of HOT's broadband subscribers, rises above 15%, HOT Broadcasting and HOT Telecom will be required to request the Ministry's approval for the marketing of joint service packages that include a Hot.net service, before they begin marketing them.

The Ministry proposes to impose limitations on HOT Broadcasting and HOT Telecom, that will apply at any time, with regard to the communication of information between any of these entities and Hot.net, and with regard to the usage of any information they may possess in order to market joint service packages, the limitations serving to protect other ISP's.

Should the Ministry of Communications or the Council for Cable TV and Satellite Broadcasting realize that the marketing of a joint service package damages competition in the field of telecommunications or broadcasting, they will be entitled to end or to disapprove it. HOT companies have been given two weeks to respond to the hearing.

DG Eden Bar Tal: "The proposed format balances the need to advance the competition with the need to ensure fair play".

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