

July 28, 2009

Press Release

Decision with regard to linkage between the purchase of a mobile device and service benefits

Beginning from November 1, 2009, mobile operators will be obliged to provide subscribers, who purchased their device from any third party, entitlement to the same terms and benefits that other subscribers, who purchased their devices from the mobile operator itself, are entitled to. Benefits include monetary credits, benefits in airtime, or benefits on service consumption.

Minister of Communications Moshe Kahalon:

"As a result of this decision, customers will be able to transition from company to another with their devices and still enjoy benefits like airtime credit"

Under the Ministry of Communications' policy of widening the competition in the cellular equipment market sector, and with the aim of minimizing barriers on customer transitions from one mobile service operator to another, the Ministry has examined the issue of the linkage between the purchase of terminal equipment from the mobile operators and the entitlement to certain monetary benefits, such as airtime credit or any other benefit, **and the impact of this linkage on competition.**

The Ministry found that the companies tend to bind the purchase of mobile device with the purchase of mobile services. Thus, subscribers joining any mobile network (or upgrading their currently owned devices) usually acquire their devices as part of the contract with the mobile operator, and enjoy a continuing fixed discount in the monthly phone bill, with the discount rate being derived from the scope of airtime consumption by the subscriber.

The Ministry has issued two hearings on the issue, in the end of which, Director General Mr. Eden Bar-Tal informed mobile operators of his decision:
Mobile operators must remove the link between the sale of a mobile device by the operator and the provision of benefits in mobile services, so that subscribers, who purchase their devices from other suppliers, are entitled to the same terms and benefits, including monetary credit or any other benefit resulting from the consumption of airtime or services.

Rules of entitlement to the benefits (including monetary credit):

To comply with benefit entitlement conditions, subscribers will have to present – upon contracting the mobile operator – the mobile device, with purchase approvals, such as: tax invoice, receipt, phone bill or a credit company billing document showing the billing for the purchase of the said device in Israel or abroad.

Purchase approval must bear the purchase date and the paid sum.

Benefits will be provided by the operator for a period no shorter than benefit entitlement periods enjoyed by subscribers who purchase their device from the operator. For that matter, the company can take into consideration the purchase date, as appearing on the purchase approval.

A subscriber who acquired from another vendor a terminal equipment of a certain model marketed by the mobile operator at the time it is contacted by the subscriber in question, will be entitled to benefits under the same terms and rates enjoyed by those who acquired this mobile equipment from the operator.

The mobile operator will set, for models of terminal equipment **which it is not marketing**, no more than six classification levels, and the terms and rates of credit given for each one of them, in accordance with the terms and rates provided for terminal equipment devices marketed by the operator and which are of equivalent properties.

The mobile operator will classify the equipment owned by the subscriber as belonging to any one of the classification levels set by it, and benefits will be provided accordingly.

Director General Mr. Eden Bar-Tal: "This is yet another step forward under the policy of the Ministry and the Minister to increase the competition and benefit the consumers. The Ministry is working on further steps and decisions serving this goal, including diminishing barriers on the provision of mobile applications not originating from the operators ('the closed garden') and more".

Mobile operators will introduce updated information on their websites with regard to the benefits they provide to customers who purchase terminal equipment from them or from third party vendors.

The Ministry of Communications will follow up, during the coming year, to monitor and verify the implementation of the decision.

The amendment of the mobile operator's licenses will start to apply on November 1, 2009.

Spokesman: Dr. Yechiel Shabi