



SMS Termination Charges: Time for Change in Europe

Edinburgh, Scotland, 13th February 2006

HSL (Hay Systems Ltd), the leading, reputable provider of reliable SMS gateway services, is today making a call for change in how Mobile Network Operators (MNOs) price SMS termination services for SMS messages sent to their respective mobile subscribers.

SMS termination charges have remained at the same level in the UK on all MNOs for a number of years. Many countries throughout Europe have seen their MNOs adopt similar prices to each other for the provision of SMS termination services on their respective networks. The same holds true in the UK market. It is clear that, throughout Europe, MNOs are not giving enough attention to the implications of their pricing, blinded by the high revenues their pricing policies generate. SMS revenues are particularly important now that SMS volumes exceed the volume of voice calls in many markets. In the UK, for example, the number of SMS expected to be sent each day of 2006 is 100 million. With the average SMS message charged to the consumer at approximately 6 pence, this would result in UK MNOs making revenues of nearly £2.2 billion during 2006.

Recent months have seen increased interest from national regulators across the EU in SMS termination charging policies of MNOs. For example, the French telecoms regulator, ARCEP (Autorité de Régulation des Communications Electroniques et des Postes), analysed SMS termination rates in France and has proposed price controls for SMS termination services in order to “revitalise SMS competition in the retail market”. This action sets the scene for other national regulators to follow suit. HSL welcomes this

interest from national regulators and encourages increased scrutiny of SMS termination pricing unless MNOs change their current and long running practice of charging high rates for SMS termination services.

In the retail market, companies can access the SMSCs (Short Message Service Centres) of MNOs to send and receive SMS to and from an MNOs subscribers by purchasing the MNO's "wholesale retail" offerings. Network operators can alternatively use their own SMSCs to deliver messages, and themselves provide a competing "wholesale retail" offering. In doing so, however, they will be subject to the SMS termination charges outlined above. In order to allow effective competition with an MNO's offering, it is necessary for SMS termination rates to be priced at a rate below the MNOs lowest "wholesale retail" price. However, the pricing policies of many MNOs throughout Europe keep the lowest "wholesale retail" price aligned to their SMS termination charge.

HSL believe that firstly, a reduction in SMS termination prices in the UK, and, secondly, the introduction of some form of control on the current practice of MNOs pricing their "wholesale retail" offerings at the same level as their SMS termination charges, will have a positive effect on the market. In effect these changes will stimulate growth, increase consumer choice and reduce consumer cost through the creation of a more competitive environment.

HSL welcomes the opportunity to discuss this issue further with any interested parties. We are exhibiting at the 3GSM World Congress in Barcelona and can be found at Stand G98 in Hall 2. Alternatively, additional information regarding HSL and their mobile messaging solutions can be found at <http://www.hsllms.com>.

ENDS

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References:

Translation from ARCEP press release of 24 October 2005;
<http://www.art-telecom.fr/communiqués/communiqués/2005/index-c05-55.htm>.

About HSL:

HSL (Hay Systems Ltd) were founded in Edinburgh, Scotland in 1999 and offer high quality and cost-effective mobile messaging services with a global network coverage of more than 400 mobile networks.

HSL's services are operated across three independent service sites based in the UK and North America, and the company has office locations throughout Europe.

The robust, reliable infrastructure and SS7 connectivity on offer with HSL is utilised by many types of organisation, including both large and small enterprises and other wireless service providers and mobile networks. Key clients of HSL include BAA, DHL, Cisco Systems, Sony Ericsson and Schlumberger.

Contact Details:

Lynne Girdler
HSL PR Officer
Email: lynne.girdler@haysystems.com
Phone: +44 (0)1506 424950