

Annex M

Glossary

Bottom-up approach (to modelling of costs) – the calculation of costs by identifying and summarising the costs of the items of equipment, manpower and other resources required. Contrasts with top-down approach, which involves removing from a known total the costs which are not relevant to the activity in question.

Called party – a person who receives a call.

Calling party – a person who initiates a call.

Call origination – see originating operator.

Voice call termination – see terminating operator.

CC – Competition Commission (formerly Monopolies and Mergers Commission).

Common costs – Costs that are incurred in the supply of all or a group of products or services provided by the company and that do not arise directly from the production of a single good or service.

Cost of capital – a firm's cost of capital can be defined as the rate of return that could be earned in the capital market on securities of equivalent risk. In general, the higher the riskiness of the firm's activities, the higher its cost of capital, since investors typically require compensation for greater risk. For a firm financed by debt and equity, the cost of capital will be a weighted average of its cost of capital from both sources.

Current Cost Accounting (CCA) – an accounting convention, where assets are valued and depreciated according to their current replacement cost whilst maintaining the operating or financial capital of the business entity.

Equal Proportionate Mark Up (EPMU) – a means of recovering fixed and common costs through the addition of a mark-up on top of incremental costs. The costs to be recovered are allocated across a range of services so that each service is allocated the same mark up as a percentage of its incremental cost.

Fixed Network Operators (FNO) – operators providing fixed as opposed to mobile telephony services.

FAC (fully allocated costs) – a system of cost allocation based on HCA.

GPRS (General Packet Radio Service) – an extension to GSM standard to include packet data services.

GSM – Global System for Mobile Communication. A European system for digital mobile phones.

GSM 900/1800 MHz – GSM in the 900 and 1800 MHz frequency bands.

HCA – Historic Cost Accounting – a universally recognised accounting convention. Costs, turnover, assets and liabilities are generally recorded at the value when the transaction was incurred and where assets are valued and depreciated according to their cost at the time of purchase.

HSCSD (High Speed Circuit Switched Data) – an enhancement to current mobile networks that allows several circuit switched channels to be combined for data transmission, to a maximum of eight.

Internet – a global network of networks, mainly narrowband, accessed by users with a computer and a modem via a service provider.

IP – Internet Protocol – packet data protocol used for routing and carriage of messages across the Internet.

Long Run Incremental Cost (LRIC) – the cost caused by the provision of a defined increment of output given that costs can, if necessary, be varied and that some level of output is already produced.

MMC – Monopolies and Mergers Commission. (now renamed the Competition Commission).

MNO – Mobile Network Operator, ie Vodafone, BTCellnet, Orange, One2One or Dolphin.

Mobile number portability – where a customer taking a service from a mobile operator (eg Vodafone, Orange) or service provider (eg People's Phone) can retain their telephone number when they change to a different mobile operator or service provider.

MVNO – Mobile Virtual Network Operator – an organisation which provides mobile telephony services to its customers, but does not have allocation of spectrum.

Network Externality – the effect on a third party when a person decides to become a new subscriber to a network which is not taken into account when this decision is made. In this case the third party values the calls that they make to and receive from the new subscriber.

Off-net call – call from one mobile network which terminates on a different mobile network.

On-net call – call from one mobile network terminating on the same mobile network.

Originating network – the network to which a caller who makes a call is directly connected.

Originating operator – operator on whose network the call originates, ie the operator to whom the customer subscribes.

Outpayments – these are the payments made by one network operator to another for the purpose of conveying messages between the two systems.

PCN – Personal Communications Network – high capacity digital cellular networks (Orange and One2One are the current UK PCN operators).

PSTN – Public Switched Telephony Network – the telecommunications networks of the major operators, on which calls can be made to all customers of the PSTN.

PTO – Public Telecommunications Operator – network operators providing services to the public with powers granted by the Secretary of State for Trade and Industry under the Telecommunications Act 1984 to enable them to install their systems on public and private land, property, etc.

Ramsey Pricing – a method by which firms can recover fixed and common costs which allows maximisation of economic welfare.

Second Generation (2G) – 2G means spectrum within the 880–915 MHz, 925–960 MHz, 1710–1785 MHz or 1805–1880 MHz bands.

SIM – Subscriber Identity Module. A small smart card type device that has details of the mobile subscriber including public telephone number and the numbers required by the network to recognise and authenticate the subscriber.

SMS (Short Messaging Service) – facility to send text messages of up to 160 alphanumeric characters between compatible devices.

Stand alone costs – the costs to a single product firm of providing a service. The stand-alone costs of a service exceed the incremental costs to a multi-product firm if there are economies of scope.

Terminating network – the network to which a customer who receives a call is directly connected.

Terminating operator – the operator on whose network the call terminates.

TETRA – Terrestrial Trunked Radio, a modern digital Private Mobile Radio technology.

Third Generation (3G) mobile systems – 3G mobile communications system will provide an enhanced range of multimedia services (eg high speed Internet access). 3G networks are expected to enter service in 2002/3 using radio spectrum in the 2GHz bands.

UMTS – Universal Mobile Telecommunications System – so called 3rd generation mobile communications system which will provide enhanced range of multimedia services (eg video, high speed Internet access).

Voice over IP (VoIP) – the conveying of voice messages over Internet Protocol.
