

Universidade Católica Portuguesa  
School of Economics and Business  
Telecommunications Economics  
Exam  
05.06.2009

1h45m.

1. Please indicate 2 types of access to fixed electronic communications networks and one type of access to mobile communications networks that are part of the current regulatory framework and why they differ from each other.
2. A telecom company announced that it had the lowest cost per unit of output among all the companies operating in the same economic area. The CEO said that this was evidence of superior management, making obvious that the company was technically efficient. Do you agree? Why?
3. When there is a large scope for cost decreases rate of return regulation is a good option? Why?
4. What are the incentives for increasing efficiency when long run incremental cost models are used? What are the sources of regulatory risk?
5. Incumbent former monopolist operators say that price cap regulation of access is not suitable for the development of Next Generation Networks. Why?
6. Why do some people argue that a profit maximizing telecom company would never engage in predatory pricing? Explain some of the arguments opposing this view.
7. Compare the following systems for interconnection charges:  
a. Bill and Keep  
b. Calling party's network pays
8. Consider the following cost functions for the production of services X and Y  
 $C(X) = 800 + 20X$   
 $C(Y) = 750 + 20Y$   
 $C(X, Y) = 1285 + 20X + 20Y$   
Assume that prices and quantities are:  
 $P_X = 33$  and  $X = 70$   
 $P_Y = 25$  and  $Y = 75$

Are the prices "subsidy free"? Why?