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Press Release

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The KCC orders three mobile carriers to take corrective measures for violations of the Telecommunications Business Act in their offering of wholesale telecom services

The Korea Communications Commission, (KCC, Chairman Kyeong-jae Lee) held on Monday, September 16, 2013, its commission meeting and decided that the unreasonable or discriminatory agreements of SKT, KT, and LGU+ for the wholesale provision of their telecom services, settlement of their accounts under different terms from those in the agreements, etc., fell under the prohibited acts stipulated in the Telecommunications Business Act and ordered the mobile carriers to take corrective measures.

According to the results of a fact-finding investigation by the KCC, two mobile carriers -- KT and LGU+ -- imposed unfair restrictions on budget phone businesses in the latter's execution of wholesale service agreements with other mobile telecommunications carriers, with KT including "establishment of compulsory telecom service

subscription period without customers' consent" and "below-cost sales" -- irrelevant to the provision of wholesale telecommunications services -- as grounds for termination of its agreements with the budget phone businesses. KT also committed discrimination by banning them from acting as its sales agents.

LGU+ discriminated between those who have purchased budget phones in a prepaid scheme or those not, for the 1GB fixed-rate data services even as the fixed rate must apply to any type of payment scheme.

SKT and LGU+ were found to have settled their wholesale accounts with the budget phone dealers in violation of their agreements with them.

The KCC determined that all aforesaid acts of the three mobile carriers fell under the prohibited acts stipulated in the Telecommunications Business Act ("Acts of imposing unreasonable or discriminatory conditions or restrictions" and "Unfair refusal to perform the obligations specified in the agreements without justifiable reasons"). The Commission ordered the following corrective measures: (1) KT and LGU+ modify the unreasonable or discriminatory stipulations of their agreements; (2) All three mobile carriers stop committing prohibited acts; (3) All three mobile telecom carriers publish the fact that they were ordered to take corrective measures.

Nonetheless, the KCC decided not to impose penalty surcharges on the three mobile carriers on the grounds that their violations of the rules of wholesale telecom service provision were their first; moreover, the unfair revenues they gained from the violations are negligible, and they have already corrected their infractions or are working on doing so.

The Commission said it would continue to monitor the status of execution and fulfillment of agreements between mobile carriers and budget phone businesses and order them to make rectification whenever necessary to ensure the stable growth of budget phone businesses in the country and eventually ease the people's burden of telecommunications charges.

Attachment: Overview of the investigation of three mobile carriers' violations of the Telecommunications Business Act in the area of wholesale provision of telecommunications services

<Attachment>

Overview of the Investigation of the Three Mobile Carriers Regarding their Violation of the Telecommunications Business Act in their Provision of Wholesale Telecom Services

(Investigation Backgrounds) The KCC found out that SKT, KT, and LGU+ executed unfair or discriminatory agreements or settled their accounts with them in violation of their agreements in the process of their provision of wholesale telecom services to budget phone businesses.

(Investigated Parties) The KCC investigated violations of the Telecommunications Business Act by SKT, KT, and LGU+ ("three mobile carriers") in their wholesale dealings with budget phone businesses from January 2012 to June 2013.

□ Fact Finding

<Unfair Settlement of Accounts in Violation of Agreements>

The KCC conducted investigations on the details of account settlement between three mobile carriers and budget phone businesses for wholesale telecommunications services between January 2012 and June 2013.

SKT charged nine budget phone businesses -- including SK Telink --

higher prices for MMS and video phone call services in violation of their agreements from April to May 2013.

<Comparison of contract prices and actual payment between SKT and budget phone businesses for MMS and video phone calls>

(period: April ~ May 2013, unit: KRW)

Description	Contract Price (A)	Actual Payment (B)	Difference (B-A)
Amount	19,530,000	23,050,000	3,520,000

LGU+ charged three businesses -- including Spacenet -- higher prices for its fixed-rate wholesale data services between June 2012 and June 2013.

<Comparison of contract prices and actual payment between LGU+ and budget phone businesses for fixed wholesale data charges>

(period: June 2012 ~ June 2013, unit: KRW)

Description	Contract Price (A)	Actual Payment (B)	Difference (B-A)
Amount	37,320,000	37,680,000	360,000

<Unfair or Discriminatory Agreements>

As a result of the investigation on the agreements between three mobile carriers and budget phone businesses regarding wholesale telecom services, the following have been found:

KT and LGU+ impose restrictions on budget phone businesses (including their subsidiaries and affiliated companies) on the execution of agreement with other mobile carriers for wholesale telecom services.

In addition, KT has included in its agreement "below-cost sales" and "establishment of compulsory subscription period without consumers' consent" as grounds for contract termination, but the conditions are irrelevant to the provision of wholesale telecom services. KT also discriminates its wholesale customers by banning them from being its retail service agents both for wired and wireless telecommunications.

<KT's Discrimination in Wholesale Customers' Dealings in Wired & Wireless Telecom Services>

Description	Dealings in both areas banned	Dealings in both areas permitted
Budget phone businesses	CH Hellovision, Annex Telecom, Evergreen Mobile, Winnerstel, KT Powertel, Free Telecom, S Roaming, Onse Telecom, and CN Communications (9 companies)	Home plus (1 company)

LGU+ charged differently for its 1GB fixed-rate data services depending on whether one is a prepaid budget phone purchaser or not.

<Differences in 1GB fixed data wholesale prices charged by LGU+>

Description	Budget phone postpaid subscribers	Budget phone prepaid subscribers
Fixed wholesale data price	6,000 won	7,200 won

Fixed data: The fixed data scheme provides wireless data services for 500MB, 1GB, etc., at a fixed monthly rate.

□ Judgment on Illegality

o The wholesale prices charged by SKT and LGU+ on budget

phone businesses differently from contract prices are judged as follows:

- The violation of the contract falls under the prohibited acts ("Acts of unfair refusal to fulfill the provisions of an agreement without justifiable reasons") stipulated in Article 50(1).2 (Prohibited Acts) of the Telecommunications Business Act, and Attachment 4-2.b of Article 42(1) of the Enforcement Decree of the same Act.

- o In addition, the following acts of KT and LGU+ fall under "Acts of imposition of unfair or discriminatory conditions or limits" stipulated in Article 50(1).1 (Prohibited Acts) of the Telecommunications Business Act and Attachment 4-1.a of Article 42(1) of Enforcement Decree of the same Act:

- prohibition by KT and LGU+ of their budget phone businesses from executing wholesale service agreements with other mobile carriers
- inclusion by KT of "below-cost sales," etc. -- irrelevant to wholesale service provision -- as grounds for contract termination, and execution of discriminatory agreements with budget phone businesses, restricting them from selling its retail wired and wireless telecommunications services
- discriminatory agreement of LGU+ regarding the application of different 1GB fixed-rate data wholesale charges to prepaid and postpaid subscribers

□ Corrective Measures

The KCC ordered KT and LGU+ to modify their unfair or discriminatory stipulations in their agreements. It also ordered all three mobile carriers to stop committing prohibited acts and publish the fact that they are ordered by the KCC to take corrective measures.