



Commission for
Communications Regulation

Cost of Capital

Broadcasting tariffs

Information Notice

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An Coimisiún um Rialáil Cumarsáide

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ComReg regulates broadcast transmission services under a decision published on 26 July 2013.¹ In that decision, ComReg found RTÉ Transmission Network Limited (“2rn”) and RTÉ to have significant market power in what are referred to as broadcasting Market A² and Market B³. These, in essence, are, respectively, the provision of broadcasting capacity over RTÉ group’s physical terrestrial network and the provision of broadcast multiplexing services. One of the obligations imposed on 2rn and RTÉ in these markets was a price control obligation of cost orientation.

2rn/RTÉ applied tariffs from 26 July 2013 based on an internal tariff model (“the Initial Model”) which 2rn/RTÉ had already developed. Subsequently at the request of ComReg, the Initial Model was revised by 2rn/RTÉ. An important new feature of this revised model (“the Revised Model”) was that it allowed 2rn/RTÉ a return based on its cost of capital instead of a return on revenues. 2rn/RTÉ applied a cost of capital of 10% in the Revised Model based on its own estimates. This Revised Model determined the tariffs on an interim basis for the period from 1 April 2014 to 31 March 2015.

In December 2013, ComReg received pricing submissions from 2rn/RTÉ based on the Revised Model. New tariffs were implemented by 2rn and RTÉ from 1 April 2014. ComReg indicated that these tariffs were to be considered interim until ComReg had completed its own review as to what the cost of capital rate should be.⁴

ComReg has now completed this review and has decided that the cost of capital applicable to broadcasting (Market A and Market B) is 8.11%⁵. 2rn and RTÉ must now adjust their interim wholesale tariffs in these markets to reflect this revised cost of capital. This adjustment will be applicable from 1 April 2014 and going forward.

ComReg also notes that 2rn’s and RTÉ’s audited regulatory accounts for the year to 31 December 2013 indicate a return of capital employed of 4.05% and 2.57% respectively.

Having considered the matter ComReg has no evidence to suggest that tariffs in place up to 31 March 2014 allowed 2rn or RTÉ to over recover its costs. In ComReg’s opinion there is no need for any further action in respect of these tariffs and they may now be regarded as finalised.

¹ ComReg Decision No. D11/13, dated 26th July 2013 " Response to Consultation and Decision Notice-Broadcasting Transmission Services in Ireland"

² Wholesale access to national terrestrial broadcast transmission services in which RTÉ Transmission Networks Limited (“2rn”) is designated as having SMP

³ Wholesale access to DTT (Digital Terrestrial Television) Multiplexing Services in which RTÉ is designated as having SMP

⁴ See ComReg information note 14/15 published on 14 February 2014.

⁵ In ComReg Decision D15/14

As regards tariffs in place since 1 April 2014 ComReg has considered the impact of its decision regarding the cost of capital and conducted a number of other reviews including a reconciliation to 2rn management accounts. ComReg is now of the view that 2rn/RTÉ should issue credits to broadcasters for the period since 1 April 2014 to reflect the impact of the revised cost of capital and to adjust current tariffs. Once the credits have been issued by 2rn/RTE ComReg is of the view that tariffs, adjusted to reflect the new cost of capital, can be considered final. Any new tariffs that come into force will therefore only take effect prospectively.