



Commission for  
**Communications Regulation**

## Decision Notice

### **Interconnection Rates in the Irish Telecommunications Sector:**

**Final Rates to apply from 1 April 2001 to 30 September  
2001 & 1 October 2001 to 31 March 2002.**

<b>Decision No:</b>	<b>D5/03</b>
<b>Document No:</b>	<b>03/23</b>
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Final Rates to apply from 1 April 2001 to 30 September 2001 & 1 October 2001 to 31 March 2002

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## **1 Foreword by the Chairperson**

The provision of interconnection on fair and efficient terms is widely recognised as an essential requirement for the creation of a competitive telecommunications market. Interconnection charges can account for a substantial proportion of operators' costs. It is therefore important that these charges are soundly derived and give proper economic signals to operators to guide their investment decisions.

Under current Irish and EU legislation, an operator who is designated as having significant market power ("SMP") is subject to a number of obligations including the requirement to permit other licensed operators ("OLOs") to interconnect with its network. To facilitate this process, the SMP operator must publish a reference interconnect offer ("RIO") that sets out the terms and conditions for interconnection and the prices to be charged. The contents and production of the RIO are subject to statutory requirements, compliance with which is overseen by the Commission for Communications Regulation ("ComReg"). In particular, an SMP operator must justify to ComReg's satisfaction that the prices set are in accordance with the requirements of the legislation which include the need for these prices to be cost-oriented, non-discriminatory and transparent. If ComReg is not satisfied that prices are properly justified, it may direct changes to be made to the RIO. *eircom* is an operator designated as having SMP in the relevant market for interconnection and as such is subject to the obligations set out in the European Communities (Interconnection in Telecommunications) Regulations, 1998 (SI No. 15 of 1998) as amended.

**Etain Doyle,**

Chairperson, Commission for Communications Regulation

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## 2 Introduction

This Decision Notice considers interconnect rates applicable for the periods between 1 April 2001 to 30 September 2001 and 1 October 2001 to 31 March 2002.

Interconnection rates for the period from 1 April 2001 to 30 September 2001 (for which 1 part charging applies) were set and announced during July 2001<sup>1</sup> on an interim basis for this period.

Interconnection rates for the period from 1 October 2001 to 31 March 2002 (for which 2 part charging applies) were set and announced during September 2001<sup>2</sup> and subsequently revised in October 2002<sup>3</sup> on an interim basis for this period.

*eircom* had proposed an increase in the current interim rates (issued in October 2002) for both periods in the 12 month period from 1 April 2001 to 31 March 2002 as the final rates for this period. Following an extensive review of this submission and discussions between both parties, ComReg directed *eircom* to make a number of amendments to their original submission. ComReg now proposes that the rates set out in Appendix 1 and 2 for the periods from 1 April 2001 to 30 September 2001 and 1 October 2001 to 31 March 2002 be adopted as final rates.

ComReg considers that the above rate changes should be effected immediately and be applied retrospectively to the periods to which they relate and settlement of arrears arising from the movement in RIO rates should be settled within 45 days.

Appendix 1 & 2 sets out the final interconnect rates which will apply for this period.

Appendix 3 sets out some background information, including a brief overview of the most relevant legislation underpinning this Decision Notice and details of ComReg's other published documents on interconnection.

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<sup>1</sup> Eircom's Reference Interconnect Offer- Interim Rates December 1999 to September 2001- ODTR 01/48.

<sup>2</sup> Eircom's Reference Interconnect Offer Interim rates December 1999 to September 2001 - ODTR 01/78.

<sup>3</sup> Interconnection Rates in the Irish Telecommunication Sector : Interim Rates to apply from 1 October 2001 to 31 March 2002 & 1 April 2002 to 31 March 2003.

### 3 ComReg's Assessment

As part of an extensive review of *eircom's* submission, ComReg has undertaken the following actions

- A detailed review of the submission from *eircom* of its costs and its justification for rates for the period in question;
- A consideration of the relevance of particular costs during the period concerned; and
- A comparison of rates in the context of EU benchmarks and other market data.

*eircom's* submission has been prepared in accordance with the determinations set out in D7/01, previous Decision Notices, together with additional correspondence between the ComReg and *eircom*.

ComReg notes the reduction in the RIO rates which will result in an overall reduction in the average OLO interconnection bill. ComReg is mindful of the need for stability in the market place in facilitating efficient investment decisions and also notes that key conveyance rates have remained within EU best practice benchmarks throughout the period.

D7/00<sup>4</sup> states:-

*“The Chairperson will apply retrospection on an annual basis following calculation of final interconnect rates. Retrospective rates shall be calculated for all services, but shall only be applied where there is a material difference between interim and final interconnection rates on the revenues of operators”*

ComReg considers the reduction in rates to be material for this period and therefore retrospection of rates should apply.

ComReg also considers that the settlement of arrears arising from the movement in RIO rates should be settled within 45 days of this notice.

In this context ComReg has concluded that the rates shall be finalised at those set out in Appendix 1 and 2 below.

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<sup>4</sup> ODTR 00/31 - Decision 7.2.1- “Eircom’s Reference Interconnect Offer- Decision Notice D7/00 & Report on the Consultation.”

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**Decision 1.** The Commission, after reviewing cost information from *eircom* directs that the rates set out in Appendix 1 for the 6 month period from 1 April 2001 to 30 September 2001 be adopted as final rates. Retrospection applies and any arrears which arise as a result of the revised rates are to be settled within 45 days of this notice. This decision is made under Regulations 8(5), 8(6), 8(9), 8(10) and 10(3) of the European Communities (Interconnection in Telecommunications) Regulations, 1998, SI No. 15 of 1998.

**Decision 2.** The Commission after reviewing cost information from *eircom* directs that the rates set out in Appendix 2 for the 6 month period from 1 October 2001 to 31 March 2002 be adopted as final rates. Retrospection applies and any arrears which will arise as a result of the revised rates are to be settled within 45 days of this notice. This decision is made under Regulations 8(5), 8(6), 8(9), 8(10) and 10(3) of the European Communities (Interconnection in Telecommunications) Regulations, 1998, SI No. 15 of 1998.

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**APPENDIX 1: Final Interconnection Rates for period from 1 April 2001 to 30 September 2001.**

**Call Termination**

	<b>Day</b>	<b>Evening</b>	<b>Weekend</b>
Primary	0.578	0.322	0.289
Tandem	0.942	0.525	0.470
Double Tandem	1.219	0.679	0.609

**Call Origination**

	<b>Day</b>	<b>Evening</b>	<b>Weekend</b>
Primary	0.583	0.325	0.291
Tandem	0.935	0.521	0.467
Double Tandem	1.099	0.613	0.549

**Transit**

	<b>Day</b>	<b>Evening</b>	<b>Weekend</b>
Transit	0.441	0.246	0.220

Euro/cent per minute

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## **APPENDIX 2: Final Interconnection Rates for period from 1 October 2001 to 31 March 2002.**

### **Call Termination**

	<b>Day Cost/Min</b>	<b>Evening Cost /Min</b>	<b>Weekend Cost /Min</b>	<b>Day Cost/Call</b>	<b>Evening Cost/Call</b>	<b>Weekend Cost/Call</b>
Primary	0.394	0.220	0.197	0.544	0.303	0.272
Tandem	0.696	0.388	0.348	0.745	0.415	0.372
Double Tandem	0.940	0.524	0.470	0.829	0.462	0.414

### **Call Origination**

	<b>Day Cost/Min</b>	<b>Evening Cost /Min</b>	<b>Weekend Cost /Min</b>	<b>Day Cost/Call</b>	<b>Evening Cost/Call</b>	<b>Weekend Cost/Call</b>
Primary	0.400	0.223	0.200	0.545	0.304	0.272
Tandem	0.693	0.386	0.346	0.722	0.403	0.361
Double Tandem	0.843	0.470	0.421	0.762	0.424	0.380

### **Transit**

	<b>Day Cost/Min</b>	<b>Evening Cost /Min</b>	<b>Weekend Cost /Min</b>	<b>Day Cost/Call</b>	<b>Evening Cost/Call</b>	<b>Weekend Cost/Call</b>
Transit	0.275	0.153	0.137	0.440	0.245	0.220

Euro/cent per minute



## **APPENDIX 3: Background Information**

### **Background**

Under current Irish and EU legislation, an operator who is designated as having significant market power (“SMP”) is subject to a number of obligations including the requirement to permit other licensed operators (“OLOs”) to interconnect to its network. To facilitate this process, the SMP operator must publish a reference interconnect offer (“RIO”) that sets out the terms and conditions for interconnection and the prices to be charged. The contents and production of the RIO are subject to statutory requirements, compliance with which is overseen by ComReg. In particular, an SMP operator must justify to the ComReg’s satisfaction that the prices set are in accordance with the requirements of the legislation which include the need for these prices to be cost-oriented, non-discriminatory and transparent. If ComReg is not satisfied that prices are properly justified, it may direct changes to be made to the RIO. *Eircom* is an operator designated as having SMP in the relevant market for interconnection and as such is subject to the obligations set out in the European Communities (Interconnection in Telecommunications) Regulations, 1998 (SI No. 15 of 1998) as amended.

### **Legislative background**

EU and Irish legislation set out procedures for providing interconnection. The most relevant legislative instruments in this area are the following:-

- Directive 97/33/EC of the European Parliament and Council of 30 June 1997 on interconnection in Telecommunications with regard to ensuring universal service and interoperability through application of the Principles of Open Network Provision (ONP) (the “Interconnection Directive”); and
- European Communities (Interconnection in Telecommunications) Regulations, 1998 (as amended) (SI No. 15 of 1998) (the “Interconnection Regulations”), which transpose the Interconnection Directive into Irish law.

The Interconnection Directive and Interconnection Regulations place special obligations on a telecommunication industry operator providing a fixed public telephone network, who is designated by ComReg as having SMP. In essence, these obligations provide that:-

- interconnection charges should follow the principles of transparency, non-discrimination and cost-orientation;
- ComReg may direct an organisation designated as having SMP in a relevant market to justify its charges and to adjust these charges where they are not in compliance with the principles set out above;
- the “burden of proof” regarding justification lies on the organisation providing interconnection;
- a RIO shall be published and ComReg may direct changes to this offer, where appropriate; and
- interconnection charges shall be sufficiently unbundled, so that applicants are not required to pay for anything not strictly related to the service requested.

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In exercising its functions under the Interconnection Regulations, ComReg is obliged to encourage and secure adequate interconnection in the interests of all users, in a manner that promotes economic efficiency and gives the maximum benefit to users. In doing so it must have regard to, amongst other things, the need to ensure satisfactory communications for users, the need to stimulate a competitive market in telecommunications services and the principles of non-discrimination (including equal access) and proportionality.

In addition, guidance from the European Union on interconnection and the setting of rates intended to help Member States realise the objectives of the Interconnection Directive is of relevance. Of particular note are the following:-

- Commission Recommendation of 8 January 1998 on interconnection in a liberalised market, 98/195/EC, as amended by Commission Recommendation of 29 July 1998, 98/511/EC;
- Commission Recommendation of 8 April 1998 on Interconnection in a liberalised telecommunication market. Part 2: Accounting separation and cost accounting (Part 1 was published on 15 October 1997); and
- Commission Recommendation of 24 November 1999 on Leased Lines Interconnection pricing in a liberalised telecommunications market, C(1999)3863.

#### **Related decisions and documents**

ComReg has undertaken a number of consultations and issued various Decision notices on accounting separation and the RIO. Notable among these were:-

- “Interconnection Rates in the Irish Telecommunications Sector”, November 1998, ODTR 98/52 and “Interconnection Rates in the Irish Telecommunications Sector – Report on Remaining Reference Interconnect Offer Rates”, November 1998, ODTR 98/60.
- ODTR 99/17 “The Development of Long Run Incremental Costing for Interconnection”, Consultation Paper- March 1999.
- ODTR 99/38 “The Development of Long Run Incremental Costing for Interconnection Decision Notice D6/99 and Report on Consultation Paper ODTR 99/17”
- ODTR 99/35 “Accounting Separation and Publication of Financial Information for Telecommunications Operators - Decision Notice D5/99, Consultation Report and Issues for Further Consideration.”
- ODTR 99/52 “Accounting Separation and Publication of Financial Information for Telecommunications Operators - Decision Notice D10/99.”
- ODTR 99/43 “Costing Methodologies for use in Accounting Separation - Decision Notice D8/99 and Report on the Consultation”.
- ODTR 99/16 “Telecom Éireann’s Reference Interconnection Offer, Consultation Paper”
- ODTR 00/31 “Eircom’s Reference Interconnect Offer- Decision Notice D7/00 & Report on the Consultation.”

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- ODTR 00/59 “Accounting Separation and Publication of Financial Information for Telecommunications Operators Decision Notice D9/00 & Issue for Further Consideration”
- ODTR 00/72 “Accounting Separation and Publication of Financial Information for Telecommunications Operators, Supplemental Information referring to Decision Notice D9/00, Decision Notice D10/00,”.
- ODTR 01/24 “Eircom’s Reference Interconnect Offer & Accounting Separation and Publication of Financial information for Telecommunication Operators- Report on the Consultation & Decision Notice D7/01.”