



Office of the Director of
**Telecommunications
Regulation**

Interconnection Rates in the Irish Telecommunications Sector:

Report on Remaining Reference Interconnect Offer Rates

Document No.

ODTR 98/60

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1 Introduction

Background

This document comprises a further element of the review by the Director of Telecommunications Regulation (“the Director”) of Telecom Éireann’s (“TE”) Reference Interconnection Offer (“RIO”) and the charges for the services listed in that RIO. This document builds on the document published by the Director on 17th November entitled “*Interconnection Rates in the Irish Telecommunications Market: ODTR 98/52*” (“ODTR 98/52”).

Telecom Éireann is obliged by legislation to publish a RIO which can be availed of by any operators legitimately requesting to interconnect to its network. The RIO must include cost-oriented, transparent and non-discriminatory interconnection rates and Telecom Éireann is required to justify to the Director that its rates comply with this legal requirement.

Conclusions of ODTR 98/52

ODTR 98/52 reviewed the interconnection rates proposed by TE for inclusion in its RIO, outlined the context in which interconnection rates are set, and described the legislative background and underlying principles applying to the process. The Report welcomed the publication by Telecom Éireann of key conveyance interconnection rates – call termination and origination, but indicated that the Director was not satisfied that sufficient justification had been provided to enable her to determine whether the remaining interconnection rates proposed by Telecom Éireann were in compliance with the relevant legislation. The Report noted the agreement of Telecom Éireann to recalculate rates in accordance with the Director’s requirements and to provide full justification for the level of these revised rates on or before Friday, 20th November 1998.

Review of Charges for Outstanding RIO services

The Director and her office (“ODTR”) have now reviewed the proposed rates for the outstanding services in the RIO. The rates have been examined on the basis of the additional information provided to the ODTR since 17th November. Rates reviewed include:

- Charges for International termination
- Interconnection Paths: Customer sited and In-Span.
- Access to packet switching and paging services and speaking clock services
- Access to freefone, premium rate and other revenue sharing services
- Access to Directory Enquiry and other Operator Services
- Data build and modification

Current Status

Telecom Éireann has now presented a range of rates, which the Director can accept as being in compliance with the legislation, based on the information currently available to her. Telecom Éireann’s proposed new rates are reproduced for convenience in the attached Appendices.

There has been significant progress made on costing and providing rates these for each of these services. However, there are certain rates which the Director is still not satisfied that the information available to her is sufficient to enable her to assess if the Telecom Éireann rates comply with the legislation. In such instances, the rates published by Telecom Éireann at this time are to be considered of an interim nature and are subject to comprehensive reviews being carried out on the relevant services.

Further Review and Actions

As stated above, the Director notes that full information is not available to her to enable her to make a decision on all rates and that a number of the rates set out in the attached Appendices should therefore be considered as interim. The Director will receive justified and well-supported representations for further changes to any rates at any time (from all interested parties). If, following the reviews mentioned in the preceding paragraph, there is a requirement that any of these rates must be amended, the Director will consider the need to back date the rate as appropriate, having regard to the circumstances of the case.

The Director in ODTR 98/52 announced her intention to initiate a consultation process on some of the issues unresolved at that time. This process will also include a review of the issues and rates included in this Report. The Director re-iterates her invitation for comments from interested parties on the scope and scale of such a consultation.

The Director wishes to express her appreciation to Telecom Éireann for the work it has undertaken in progressing this matter and for the co-operation it has extended to her office

2 General Points

In ODTR 98/52 the Director noted a number of general assumptions and approaches taken by Telecom Éireann in the calculation of proposed interconnection rates, which, in the opinion of the ODTR, caused the proposed rates not to be appropriately cost-oriented or transparent. The Director's position on each of these assumptions and approaches was also set out in ODTR 98/52.

Insofar as these principles apply to the rates addressed in this report, the position of the Director remains the same. The Director is pleased that Telecom Eireann has agreed to apply those principles to the rates addressed in this report. In particular Telecom Eireann will provide a weekend interconnect rate where a retail weekend rate exists. Telecom Éireann believes that certain additional costs for carrier services billing and administration should be applied. At the date of this report, the Director does not consider that these costs have been adequately broken down and justified and these costs will not, at this stage, be included.

3 Component Specific Elements

3.1 International Rates

Overview

The Director and Telecom Éireann have agreed rates for international services.. These rates are set out in Appendix I attached. Telecom Éireann proposes to provide international interconnection services at the tertiary node only. The rates proposed are split into peak, off-peak and weekend where appropriate and bundle the three major components of international access:

- the national component;
- the use of the international network;
- the settlement payments.

Costs of international network

Despite some deficiencies in the current method of calculating the cost of using the TE international network, the Director considers that the approach currently employed provides an adequate interim basis on which to base charges.

The current approach is based on using a percentage of total outgoing settlement payments made in 1997/8. The ODTR considers that the per minute cost to a particular destination of using the international network should be based on the actual cost of the international network elements to each destination, allocated over the projected volume of traffic to that location. Telecom Éireann proposes to perform the necessary analysis of its international network costs to enable it to calculate a cost per destination in early 1999.

This matter will be subject to review by the Director in the forthcoming consultation.

Accepting international traffic at tertiary or tandem node

The ODTR notes that Telecom Éireann is not in a position to bill at the Tandem node for international calls due to billing constraints. The Director therefore accepts that Telecom Éireann can provide an international service from the Tertiary node only, at this stage.

Therefore the Director intends to review this position as part of the consultative process, and may, depending on market need, request Telecom Éireann to modify its billing systems to offer international calls at the Tandem node.

3.2 Interconnect Paths

Customer Sited Interconnection and Extension Circuits

On the basis of the information available to her at this time, the Director has agreed interim rates with Telecom Éireann for Customer Sited interconnect paths and Extension Circuits. These interim rates are included in Appendix II.

The Director maintains her belief that the ability of new entrants to fully interconnect to the incumbent operator is fundamental to the development and sustainability of competition in the telecommunications industry.

The Director notes the position of Telecom Éireann that interconnection costs should, in the main and in its opinion, be based on leased lines tariffs and that Telecom Éireann are committed to undertaking a comprehensive review of these tariffs. Notwithstanding this, there are a number of other costs included in the interconnect tariffs that remain of concern to the Director. In particular the tariffs may include costs that are specific to leased line products that may not necessarily apply to interconnection paths. These costs, and the appropriateness of offering only one interconnect path product, will be included in the issues which the Director intends to review in the consultation process announced in ODTR 98/52.

The Director has notified Telecom Éireann that she intends to carry out further investigations into these rates in parallel with, and as part of, the consultative process. The Director has also advised Telecom Éireann that she may issue a direction to the company, if she deems it appropriate, during this process should information come to hand which indicates that Telecom Éireann's tariffs are not fully cost-oriented, transparent and non-discriminatory in line with legal requirements.

As outlined in Section 1, any amendments to the tariffs arising from the above investigations may be backdated if deemed appropriate by the Director.

In Span Interconnect Paths

On the basis of the information available to her at this time, the Director has agreed interim rates with Telecom Éireann for In-Span Interconnection paths. These interim rates are included in Appendix II.

The Director accepts that In-span interconnection is a new product for Telecom Éireann and that tariffs cannot therefore be fully based on actual Telecom Éireann costs but rather in some instances on supplier quotes and estimations. The Director requires Telecom Éireann to carry out a cost review by April 1999 when it will be better positioned to assess the actual costs involved. As with other interim rates, any resultant adjustments in the tariffs following this review may be backdated as considered appropriate by the Director.

The Director welcomes the substantial reduction in the interim tariffs from those published by Telecom Éireann in August 1998. Furthermore, the Director welcomes Telecom Éireann's confirmation that it will identify suitable manholes within the immediate vicinity of their interconnect nodes which can facilitate the provision of In-span connection. Where other operators construct their networks to a point adjacent to such manholes, then no civil work charges will apply. Accordingly, the tariffs now proposed by Telecom Éireann do not include a component charge for cabling and civil works.

3.3 Operator Assisted Services

The Director has agreed interim rates with Telecom Eireann for the above services on the basis of all the relevant information available to her.

However, the Director is not yet satisfied that the rates fully comply with the legislation and intends to include this area in the forthcoming consultation exercise. If there is a requirement that any of these rates need amendment, the Director will consider the need to backdate the rates as appropriate.

Telecom Eireann has agreed to include an interconnection rate for access to its Directory Enquiries Database and is currently working on costing this service.

3.4 Data Build and Modification

The Director and Telecom Éireann have agreed interim rates for Data Build & Modification. These interim rates are included in Appendix III.

3.5 Access to the Speaking Clock, Paging & Packet Services

The Director and Telecom Eireann have agreed rates for these services as set out in Appendix

3.6 Transit and access to free phone, premium rate and other toll sharing services

The Director notes that Telecom Éireann published rates for these services in its press release of 17 November 1998. Following publication, the ODTR independently reviewed these rates and considers it reasonable that these rates are presented to the market.

4 Conclusion

4.1 Rates to be Provided in the RIO

Telecom Eireann has agreed to adjust its Reference Interconnect Offer as amended by Telecom Eireann in August 1998, to include the new rates. If there is a requirement that any of these rates need further amendment, the Director will consider the need to backdate the rates as appropriate.

4.2 Next Steps

As stated in ODTR98/52, this report is to be considered to be of an interim nature. The Director reiterates that she welcomes further representations at any stage. Furthermore, as outlined in 4.2 of ODTR98/52 the Director is also aware of a number of substantive issues that have yet to be addressed. Among these are the following:

- The consideration of the appropriateness of rebalancing of Telecom Éireann's tariffs in a fully liberalised environment, including the use of the retail price cap, the recovery of costs associated with the access network and universal service ;
- The implementation of a LRIC based approach including use of bottom-up estimation methods;
- Principles to be adopted in the future regarding interconnection rates (for example, the possibility of flat rate charging);
- The procedures, mechanisms and timetable for approving and implementing revisions to the rates and changes to the RIO in general (including the addition of new services);
- The level of information that it will be appropriate to publish in the future;
- The extent to which accounting separation should be applied.

The Director appreciates the significance that decisions in these areas will have on all players in the market and intends to embark on a consultation exercise that will be initiated early in 1999. She would already welcome views on what other issues may be appropriate to include in the consultation.

Comments should be sent to Maeve O'Reilly of ODTR, Abbey Court Irish Life Centre, Lower Abbey Street, Dublin 1; Fax: 01 804 9680; email: oreillym@odtr.ie. Responses are invited by Wednesday 16th December 1998.

/ENDS

Appendix I – International Rates

Destination	Peak	Off-Peak	Weekend
Andorra	15.96	15.75	15.57
Monaco	15.52	15.31	15.14
Czech Republic	14.84	14.68	14.68
Liechtenstein	19.75	19.47	19.47
Norway	12.97	12.81	12.81
Poland	26.00	25.64	25.64
San Marino	18.52	18.26	18.26
Switzerland	10.44	10.28	10.28
Hungary	13.41	13.21	13.21
Iceland	26.97	26.51	26.51
Greenland	103.69	102.63	102.63
Vatican City	21.70	21.40	21.40
Northern Ireland	5.56	5.22	4.83
United Kingdom (Fixed)	5.36	5.26	5.20
United Kingdom (Mobile)	20.83	20.59	20.63
Belgium	12.47	12.29	12.16
France	10.21	10.07	9.95
Germany F.R.	8.91	8.77	8.67
Luxembourg	11.06	10.88	10.75
Netherlands	9.40	9.27	9.15
Austria	19.74	19.46	19.46
Denmark	12.83	12.65	12.65
Finland	10.48	10.32	10.32
Greece	17.63	17.38	17.38
Italy	21.70	21.40	21.40
Portugal	19.95	19.67	19.67
Spain	16.70	16.46	16.46
Sweden	11.50	11.33	11.33
USA	8.55	8.35	8.20
Canada	12.70	12.38	12.17
Australia & New Zealand	16.45	16.04	15.46
Chargeband 4	27.04	26.69	26.69
Chargeband 6	54.17	53.61	53.15
Chargeband 7 (Remainder)	31.65	31.02	30.11
Chargeband 8	55.73	55.73	55.17
Chargeband 9	48.01	48.01	48.01
Chargeband 10	85.67	85.67	85.67
Chargeband 11	285.93	285.93	285.93

Appendix II - Interconnect Links

Customer Sited Interconnection

Installation	Charge
Transmission (per each of initial 2 paths)	IR£2500
Intra-Building (per each of initial 2 paths)	IR£3500
Transmission (per additional path)	IR£2500
Intra-Building (per additional path)	IR£2500

Annual Rental Charge

Local End up to 1.5 km	IR£2730
Local end per 100m over 1.5 km	IR£273
Main link access charge	IR£4905
Main link Charge per km up to 30 km	IR£277
Main link Charge per km over 30 km	IR£90
Intra-Building (per each of initial 2 paths)	IR£525
Intra-Building (per additional path)	IR£375

Telecom Eireann have confirmed to the ODTR that retail volume discounts of up to 13% and wholesale discounts of 8% will apply for Other Licensed Operators.

In-Span Interconnection

Description	Installation	Annual Maintenance
Fully Equipped STM 1	IR£25,363	IR£2,536
STM 4 with one STM 1	IR£38,486	IR£3,849
STM 4 with two STM 1	IR£52,888	IR£5,289
Fully Equipped STM 4	IR£68,119	IR£6,812

Installation Charges

Intra-Building Charge (per each of initial 2 paths)	IR£3,500
Intra-Building Charge (per additional path)	IR£2,500

Annual Rental Charges

Intra-Building Charge (per each of initial 2 paths)	IR£525
Intra-Building Charge (per additional path)	IR£375

APPENDIX III - Other Service Rates

Data Build & Modifications

Administration Charge	IR£2244
Per Exchange Charge	IR£396

Operator Assisted Services

National Directory Enquiries (charge per call)	IR£0.73
International Directory Enquiries (charge per call)	IR£1.35
National Operator Assistance (charge per call)	IR£1.05
International Operator Assistance (charge per call)	IR£2.19

Access to Speaking Clock

Access to Speaking Clock (per call)	IR£0.062
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Access to Paging Services

Access to Paging Services (Per Minute)	Peak	IR£0.005
	Off-Peak	IR£0.0025
	Weekend	IR£0.002

Access to Packet Services

Access to Packet Services (Per Minute)	IR£0.015
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