



Commission for
Communications Regulation

Consultation Paper

Local Loop Unbundling Line Sharing

Consultation on Pricing Principles

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All responses to this consultation should be clearly marked:-
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and sent by post, facsimile, e-mail or on-line at www.comreg.ie
(current consultations), to arrive on or before 17h30, on 3
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1 Foreword [by the Chairperson]

This consultation forms part of ComReg's ongoing review of Local Loop Unbundling (LLU). ComReg has recently determined a rate of €14.65 per month for full Local Loop Unbundling (see Decision D15/04 in ComReg 04/110). ComReg is also currently reviewing all aspects of the product including all aspects of pricing, process matters and co-location issues. The current paper concerns itself with a further important element of pricing, which can impact on take up of LLU – the price for line share.

ComReg is aware that to date the take up of local loop unbundling has been slow. There are many reasons for this, including the general down turn in the telecommunications industry since 2000, the challenge to develop a viable business case given the large number of relatively small exchanges that exist in Ireland and the availability of a Bitstream product which can provide Alternative Operators with an alternative way to supply Broadband.

ComReg is also aware that pricing has had an influence on the level of take-up. ComReg believes that with the tariffs fully rebalanced on the retail side and with the cut in the price of full unbundling to €14.65 the margins on this product, and therefore its commercial viability, have improved significantly. On the other hand, a broadband only offer cannot by definition benefit from the voice revenues associated with full unbundling. ComReg is concerned that the current arrangements for pricing Line Share are hampering the market and should be reviewed.

In this paper ComReg proposes that since all of the cost associated with metallic path provision are already recovered in the price for Full Unbundling, then the only cost recoverable by line share are the incremental administrative costs associated with it. This proposal would have the effect of reducing the price of line share by 96% to €0.39.

The advantages of this approach are that it would prevent over recovery of cost by eircom while also making the line share product significantly more attractive to eircom's wholesale customers. We believe that this proposed change can help to re-energise this significant and under-deployed element of the market. This will in turn provide a further stimulus to the roll-out of Broadband and other emerging products and services for the benefit of the consumer. We look forward to working with the industry to take up the opportunity that these changes can bring.

Views on this proposal are sought until close of business on Friday 3 December 2004.

John Doherty
Chairperson.

2 Introduction

eircom's LLU Line Sharing Product is used to allow other operators to rent the broadband capacity on a local loop from eircom without taking control of the entire line. It makes it possible for an operator to unbundle the local loop with the objective of providing broadband services only while leaving the provision of voice services to eircom. It is therefore possible for two operators to provide two services (broadband and voice) over the same line simultaneously. The issue arises as to how the cost of the underlying loop is to be shared between the two service providers.

Under these circumstances the local loop is a common fixed cost. The costs are fixed in the sense that they do not vary with the amount of use made of them. They are also common to the two services in the sense that they would be required in their entirety if just voice or Broadband or both together were being supplied. The key question therefore is how such common fixed costs should be attributed between the wholesale services.

3 Calculation of the Cost of Line Share

3.1 Existing Methodology

The existing methodology for calculating the line share monthly rental charge was set out in D8/01.¹ Under this treatment the underlying cost of the loop was to be shared equally between voice and data with lines rented under line share being effectively treated as half lines.

Taking the recently announced price of €14.65 the underlying cost of the loop is €14.26 with the difference of €0.39 representing the cost of carrier billing and administration.

The cost of line share under the methodology set out in D8/01 would therefore result in a Line Share price of €7.52 i.e. the raw copper cost of €14.26 (€14.65 less the €0.39 for carrier billing and administration), divided by 2 plus the carrier billing and administration charge of €0.39. This treatment would therefore entail a reduction in the price of Line Sharing from €9.00 to €7.52, a reduction of 16%.

The effect of this treatment as DSL take up increases would be for Line Share to bear an increasing proportion of the cost of the network which in turn would tend to reduce the cost of full unbundling. However at current and projected levels of DSL penetration this effect is small and likely to remain so.

3.2 ComReg Proposal

Given current circumstances in the marketplace and given that the price for full unbundling allows for the recovery of all network related costs, ComReg proposes to amend the basis for costing Line Share such that the price should equate to the incremental costs of the service i.e. the associated billing and administration activities. ComReg believes that the effect of this proposal would be to reduce the price from €9.00 to €0.39, a reduction of 96%.

Q. 1. Do you agree that the price for LLU Line Sharing should be based on the incremental costs associated with the service i.e. the costs associated with carrier billing and administration? Please state the reasons for your answers. If you have an alternative proposal please document it clearly in your response.

¹ Local Loop Unbundling – eircom’s Access Reference Offer (ARO); Decision Notice D8/01; Document No. ODTR01/27R, dated September 2001.

Q. 2. Are there any other incremental costs that should be considered in calculating the Line Share monthly rental charge? If so, please state your reasoning as well as documenting clearly in your response the other costs that you think should be considered.

4 Submitting Comments

All comments are welcome, however it would make the task of analysing responses easier if comments were referenced to the relevant question numbers from this document.

The consultation period will run from 12 November 2004 to 3 December 2004 during which the Commission welcomes written comments on any of the issues raised in this paper.

ComReg will publish the names of all respondents and make available for inspection responses to the consultation at its Offices, subject to commercial confidentiality.

Appendix A – Legislation

ComReg may under Regulations 14 and 17 of the Access Regulations, for the purpose of further specifying requirements to be complied with by eircom relating to obligations imposed on eircom, may issue directions pursuant to sections 9 and 12 of the SMP Decision, having regard to sections 10 and 12 of the Communications Regulation Act, 2002, and having taken into account the responses to the Consultations.

Appendix B – Consultation Questions

List of Questions

Q. 1. Do you agree that the price for LLU Line Sharing should be based on the incremental costs associated with the service i.e. the costs associated with carrier billing and administration? Please state the reasons for your answers. If you have an alternative proposal please document it clearly in your response. 4

Q. 2. Are there any other incremental costs that should be considered in calculating the Line Share monthly rental charge? If so, please state your reasoning as well as documenting clearly in your response the other costs that you think should be considered. 5