Commission for
Communications Regulation

Response to Consultation

Rental Price for Shared Access to the Unbundled Local loop. Response to Consultation Document No. 08/106 and Decision.

Submissions received from respondents

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Contents

1 Eircom Limited

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Response to ComReg Draft Decision 08/106

Rental Price for Shared Access to the

Unbundled Local Loop

eircom

DOCUMENT CONTROL

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TABLE OF CONTENTS

EXECUTIVE SUMMARY

eircom supports ComReg's draft decision to re-examine the methodology relating to setting the Line Share price. eircom agrees with ComReg and its consultants TERA that Ramsey Pricing is the correct basis for setting line share charges, and we attach a report that demonstrates that this can be a workable solution. However, eircom does not agree with the price control reached by ComReg or the price control proposed in Doc. 08/106. Pricing LS as proposed by ComReg – i.e. on the basis that it should bear none of the common costs of the access network - is without factual support, unreasonable, and disproportionate. The proposed approach is inherently inefficient and would generate serious market distortions while creating major investment disincentives that would affect not only eircom but also broadband providers operating off alternative access platforms. As a result, the proposed approach would be contrary to ComReg's statutory objectives.

It is common ground that as a theoretical matter, Ramsey Pricing would be the optimal solution. eircom believes that there is a practical and economically efficient way to set the price control on this basis and has proposed a workable solution using a Ramsey Pricing equivalent.

In summary:

- There is no basis for ComReg's assumption that eircom is currently over-recovering the costs of providing copper loops.
- ComReg has failed to take a dynamic forward looking approach that recognises the impact of declining demand for PSTN services at both a retail and wholesale level.
- ComReg has failed to consider the likelihood of the under- recovery of costs and damaging investment incentives its proposal produces.
- The survey of other regulatory authorities' determinations with respect to setting the line share price is arbitrary and sensitive to sample selection, and misrepresents the true picture.
- ComReg and its advisors have erred in rejecting Ramsey Pricing, which they recognise as theoretically the most efficient basis for the allocation of costs, on the grounds that it is impractical.
- By rejecting Ramsey pricing in favour of allocating zero common costs to Line Share, the proposal is economically inefficient and will harm consumer welfare while unfairly and disproportionately imposing additional costs on eircom.

eircom is submitting a report by Indecon and London Economics which establishes a basis for estimating the relevant demand elasticities and demonstrates that implementing a price control that is consistent with Ramsey Pricing principles is a workable solution. This response should be read in conjunction with the Appended report.

GENERAL REPLY

1. ComReg states that "The most important and fundamental consideration is that the cost of a local loop on a bottom up long term incremental cost ("BU-LRIC") basis is already fully recovered through the price charged for narrowband access services whether via retail access, single billing wholesale line rental ("SB-WLR") or via full unbundling." It would appear that the entire basis for ComReg's proposal that no common network costs should be allocated to broadband (through the Line Share price) is premised on this assumption. ComReg's assumption that, historically and in the future, all local access costs have been and can continue to be recovered from other services is logically and empirically false.

2. In 2007 ComReg imposed a price cap control on retail narrowband access. This control also determines the Wholesale Line Rental (WLR) charge by means of the "retail minus" price control imposed on that product. This price cap control recognised that eircom would have to raise prices for retail line rental in line with inflation in order to cover increasing costs of 5% per annum, offset by an assumed growth in volumes of 2% per annum. In reality, faced with declining rather than increasing volumes, eircom has not been able to avail of the allowed price increase due to market conditions. It is not clear how ComReg believes that this is consistent with full cost recovery and how it reconciles its assumptions with the fact that this trend is accelerating as the economic situation deteriorates.

3. More generally, ComReg would not appear to have understood the implications of a declining line base on the economics of cost recovery in the access network. The access network is a fixed sunk capital investment. The network business is characterised by almost perfect economies of scale and scope, that is additional lines or additional services (line share as well as PSTN) can be provided at a very low incremental cost. Equally, if fewer lines are required by the market because customers are discontinuing service (because they are moving to another country, shifting to mobile voice and 3G broadband or cable), there are negligible costs that can be avoided by eircom. Therefore, if line numbers are decreasing (as they are) the costs of the access network will only be fully recovered if either the average price per line increases to compensate, or another service (line share) makes a contribution to the common costs. ComReg is explicitly rejecting the latter option.

4. During the longest economic and demographic expansion in modern Irish history eircom's line base grew modestly, at a rate far below that of the wider economy. As the economy went into reverse from the end of 2007 eircom has experienced an accelerating contraction in its line base. No serious economic forecaster now disputes that Ireland is facing a prolonged recession at best and a full blown depression at worst. It is already clear that eircom will not escape the wider economic troubles, and it is eircom's expectation that its fixed line base will continue to significantly contract and will not recover within the foreseeable future, if indeed it ever recovers to current levels.

5. In the face of a declining demand for lines and a rapidly worsening economic environment ComReg must consider whether it would either be socially desirable or commercially possible for eircom to start raising retail and wholesale rental prices to compensate for the line loss. While the demand for fixed line telephony is in decline, the demand for fixed broadband continues to grow at both a retail and wholesale level. ComReg's proposal to completely ignore these clear trends in consumer preferences and decree that retail and wholesale broadband services can make no contribution to the common costs of the access network is perverse, economically inefficient, and damaging to consumer welfare.

6. Furthermore, despite the economic downturn ComReg, the government, and eircom's wholesale customers continue to exhort eircom to invest further in broadband infrastructure. ComReg must surely understand that if it adopts the current proposal on Line Share then eircom will be left with neither the incentive nor the resources to make additional investment in broadband infrastructure. ComReg's sole concern appears to be its desire to prevent any possibility of an over recovery of costs by eircom, but ComReg has failed to adequately consider the overwhelming likelihood of the under recovery of costs and the distortion of investment incentives.

7. ComReg has also failed to consider the distinction between the level of prices and the structure of prices and the relationships between regulated services that utilise common network infrastructure. It is important to be clear what Decision D8/01 actually sets out with respect to the Line Share price. It would appear that ComReg believes that, in eircom's accounts, any line that has broadband on it incurs both a full allocation of the copper cost and an additional 50% allocation for the line share element. This is not the case. Where broadband is provided on a line D8/01 mandates that the copper network costs should be divided equally between the high

and low frequency portions of the loop. The additional allocation from broadband is netted out from the allocation from PSTN such that overall only the average cost is recovered[1].

8. At an accounting level the weighted average recovery of the copper network associated with PSTN declines as the number of lines with broadband increases, such that (for any given line base) the average recovery per loop is constant. This accounting treatment does not flow through into other regulated prices (retail line rental, WLR, and Bitstream) because of the inconsistent manner in which ComReg controls retail and wholesale prices across the value chain of the access network, by mixing bottom up cost based price controls for LLU, with retail minus price controls for WLR and Bitstream, and a price cap for Retail Line Rental. Inadequate regulatory instruments for other regulated products should not be addressed through inappropriate and inefficient intervention in the Line Share price.

9. If ComReg believes that the average recovery of costs is excessive then that is a concern with the absolute level of prices and has nothing to do with the purported topic of this consultation, which is the *structure* of prices and the appropriate allocation of costs between access network products. Indeed ComReg's willingness to consult on the methodology for the allocation of common costs in relation to Line Share in isolation from considering the price controls of the other regulated products that use those common assets raises serious concerns about the level of consideration ComReg gave to alternatives to its proposal. eircom notes that ComReg have not followed the general guidance given by the European Commission[2] that Markets 4 (WPNIA) and 5 (WBA) should be analysed together when considering imposing regulation, and the specific comments made by the Commission in response to ComReg's notification of WPNIA market analysis[3].

10. eircom notes that ComReg has previously consulted on the proposal that Line Share should not be allocated any common access network costs before, only to have to resile from that position in the face of industry objections. While eircom is fully supportive of ComReg's decision to re-examine the methodology for Line Share pricing and the allocation of common access network costs more generally, eircom submits that revisiting previously discredited proposals is counterproductive.

[1] See Annex D for a worked example
[2] Commission Staff Working Document Explanatory Note Accompanying document to the Commission Recommendation on Relevant Product and Service Markets
[3] Comments pursuant to Article 7(3) of Directive 2002/21/EC dated 20/02/2009

11. The solution proposed in Doc. 08/106 is nearly as extreme as the proposal previously considered and subsequently withdrawn by ComReg. There is no factual or logical basis for allocating zero common costs to eircom's provision of Line Share services and instead allocating all of the costs to the provision of narrowband access. Moreover, the effect would be unreasonable, disproportionate and contrary to ComReg's statutory objectives to promote competition and encourage efficient investment. ComReg should therefore abandon the proposal set out in Doc. 08/106 in favour of a more reasonable and efficient solution.

12. In an attempt to constructively move this issue forward eircom has commissioned Indecon to propose an alternative methodology based on estimating demand side elasticities to support a methodology consistent with Ramsey pricing principles. In the report by TERA commissioned by ComReg the consultants concluded that Ramsey Pricing was theoretically the ideal approach but that it would be difficult to implement. The Indecon report attached as Appendix A demonstrates that ComReg and their advisors have significantly overstated the implementation difficulties associated with this approach. On this basis eircom would welcome the opportunity to engage with ComReg on developing new pricing proposals possibly taking the form of a global price cap on regulated access network services consistent with ComReg's proposal for a wholesale price cap for interconnect calls.

RESPONSE TO CONSULTATION QUESTIONS

Q. 1. Do you agree or disagree that in order for ComReg to meet its objectives it must review the current pricing and act on the conclusions of the expert report commissioned? Please explain in detail your response.

eircom agrees that it is appropriate for ComReg to review the current pricing. However, eircom disagrees that ComReg must or should act on the expert report commissioned, primarily because, as discussed below, the analysis and conclusions contained in the report are incorrect and unsustainable.

ComReg's statutory objectives are *inter alia* to:

- Promote Competition
- Promote the interests of users
- Ensure there is no distortion of competition
- Encourage efficient investment
- Encourage access to the Internet at reasonable cost

The eircom Line Share product is used by new entrants into the Irish market for high speed Internet access to provide service to end users using in part an investment made in DSL technology by that new entrant. Setting the optimum price for Line Share is clearly consistent with the five objectives summarized above. The basis of the Line Share price is currently to recover 50% of the costs of the copper loop shared and to contribute to the wholesale costs of providing the service [but to make no contribution to the other incremental costs of providing the service.] This basis for pricing was determined in 2001 in ComReg D8/01 and has not been revised since that time - so it is clearly appropriate for ComReg to review the current pricing.

There are many reasons why ComReg should not act on the report which will be discussed below. However, as a general matter, the findings of the report are not consistent with ComReg's statutory objectives as summarized above. Moreover, it is important that the price control applicable to Line Share not to be modified in isolation but rather it should be considered with the price controls applicable to ULMP, WBA, WLR, and retail line rental given the obvious interrelationships.

ComReg is required both to “promote competition” and to “ensure that there is no distortion of competition” and these objectives must apply particularly to ComReg’s treatment of markets where competition problems persist. Three such markets are markets 1, 4, and 5 otherwise known as:

- Narrowband Access
- Wholesale Physical Network Infrastructure Access (WPNIA)
- Wholesale Broadband Access

The common factor across these markets as currently defined by ComReg is that the services offered into these markets are almost exclusively delivered over the eircom copper access network. For this reason many of the costs of that copper network are common costs to be recovered over the various services provided in the three markets. It is widely acknowledged in the economic literature that that the most welfare enhancing – for consumers and other stakeholders – form for allocating these costs to the various services is Ramsey-Boiteux pricing. ComReg has rejected this allocation methodology on account of the claimed difficulty in collecting the data to implement the methodology and because of the complexity involved in ensuring no over recovery of common costs by eircom. eircom has retained the economics consultancy Indecon to assess the report prepared for ComReg by Tera consulting and the feasibility of applying Ramsey-Boiteux pricing to LS. The paper by Indecon (hereinafter, “**Indecon Paper**”) is attached as Appendix A. The Indecon Paper demonstrates that these issues with the Ramsey-Boiteux allocation are manageable, and that there are Ramsey-Boiteux pricing precedents in the regulation of telecommunications and other regulated utilities elsewhere.

Q. 2. Do you agree or disagree that the existing obligation of cost orientation is not being met by the existing charging mechanism adopted by Eircom? i.e. 50/50 allocation of common costs of the local loop to LS. Please explain in detail your response

The current charging mechanism was not “adopted by eircom”. It was directed by the ComReg predecessor ODTR in Decision Notice D8/01. eircom disagrees that the existing obligation of cost orientation is not being met by the current charging mechanism in general, and by the 50:50 allocation of common costs of the local loop to LS in particular. Within the general obligation of cost orientation for prices of mandatory wholesale offerings the allocation of common costs requires separate analysis in each case. In the case of Line Share (and the associated PSTN access service) the issue of this allocation was determined by the ODTR in Decision Notice D8/01 based on the analysis laid out in Appendix 1 to that document. The only circumstance where such an allocation mechanism could be found to be contrary to the general obligation of cost orientation for prices is if it were to lead to the persistent over recovery of the common costs of the local loop from the combination of PSTN and LS revenues. This has not occurred in any financial reporting period since the mechanism was directed[4].

Q. 3. Do you agree or disagree that the Full LLU monthly rental price has up to now allowed Eircom to recover the full cost of the Local loop based on FLLRIC principles? Please explain in detail your response.

eircom has never accepted that the current ULMP price has allowed an adequate recovery of costs, nor has it ever accepted that ComReg's flawed implementation of a FLLRIC methodology was an appropriate basis for either setting prices or establishing the appropriate costs associated with building and maintaining an access network in Ireland.

On the basis of eircom's actual audited costs, the regulated ULMP price for a local loop has never fully recovered the cost of the access network. With the growth of broadband on the network, the combination of the ULMP price and the Line Share price (assuming an implicit Line Share allocation from retail and wholesale DSL services) is now close to recovering the HCA costs of the access network. On eircom's estimation of the FLLRIC costs of the access network, the combined ULMP and Line Share prices are insufficient to recover the costs of the local access network at either the current level of broadband take up or at likely future volumes of PSTN and broadband using either the current or the proposed alternative Line Share price.

Q. 4. Do you agree or disagree that the existing price methodology for LS could act as a barrier to further investment by OAOs to the detriment of competition and overall consumer welfare? Please explain in detail your response.

eircom does not agree that the existing pricing methodology for LS acts a barrier to further investment by OAO's in LLU. The pricing methodology for LS recovers 50% of the common costs of the copper loop. The PSTN service provided on the same loop is allocated the

[4] Regulatory Accounts of eircom allocate costs of the loop to both broadband and to telephony services. While Broadband services are profitable at the network level (i.e. the Bitstream revenues cover the costs, including loop costs allocated using the 50% rule), the scale of profit is not sufficient to offset the shortfall on the telephony services.

other 50% of the copper costs of that loop. The costs reported by eircom in the separated accounts for Bitstream and for PSTN access use the same allocation –where the services share the same loop. The price control on retail PSTN access is informed by this eircom allocation of copper costs. The Wholesale Line Rental (WLR) price for PSTN access is based on the retail price less the retailing costs avoided.

Q. 5. Do you agree or disagree that the current implementation of the previous ODTR Decision D8/01, insofar as it relates to LS recurring charges and the methodology for the calculation of LS recurring charges, creates an anomaly when compared to the recovery of costs through Full LLU monthly rental charges. Please explain in detail your response.

eircom does not agree that D8/01 has created an anomaly in the pricing of ULMP and Line Share recurring charges. The example cited by ComReg compares the recurring charge for the 1Mb wholesale Bitstream product with the Line Share recurring charge. This is not an appropriate comparison. eircom provides an extensive portfolio of retail and wholesale broadband products that addresses the entire range of customer requirements from entry level consumer products, through high speed premium consumer/small business products, to specialist corporate products. The range of recurring charges per month across this portfolio stretches from €9.48 for the 1Mb wholesale product to €169.00 for the 12Mb retail "Business Enhance" product. For ComReg to purport to demonstrate a margin squeeze between the Line Share price and the very lowest wholesale Bitstream price (set by means of ComReg decision notice D1/06) without reference to the rest of the product portfolio is patently absurd.

If there are anomalies in the pricing of wholesale products these are as a result of ComReg's inconsistent approach to wholesale price regulation. The attempt to mix cost based and retail minus price controls for different levels in the wholesale value chain with no reference to either forward looking market conditions or to demand side considerations is causing serious disruption in the market place.

Q. 6. Do you agree or disagree that the methodology adopted in 2001 is not appropriate in 2008 or going forward to comply with the cost orientation obligation as set out in D8/04. Please explain in detail your response.

The current charging mechanism – setting the LS price to recover 50% of the copper loop costs - was directed by the ComReg predecessor ODTR in Decision Notice D8/01.

eircom is fully supportive of ComReg reviewing the pricing and pricing methodologies; eight years is in most cases likely to be too long a period for a price control in such a fast moving area as broadband to be left un-reviewed. As set out in the expert economic report by Indecon appended to this response, eircom is of the view that the inflexible 50:50 methodology set by D8/04 should be replaced by Ramsey Pricing or a similar type flexible global price cap-based approach that dynamically reflects demand elasticities while avoiding over or under recovery of appropriate costs. Moreover the price controls applicable to all wholesale broadband services should be considered at the same time to avoid anomalous results.

Q. 7. Depending on your answer to the above do you agree or disagree that ComReg should withdraw D8/01, insofar as it relates to LS recurring charges and the methodology for the calculation of LS recurring Please explain in detail your response.

eircom agrees that decision notice D8/01 should be withdrawn but only once a suitable Ramsey Pricing or similar pricing method, which accounts for demand elasticity going forward, has been developed in conjunction with consideration of the price controls of wholesale broadband services. In the Indecon paper - attached as Appendix A - the analysis of PSTN and Broadband price elasticity of demand based on recent data shows that Ramsey allocation of common costs might not vary significantly from the 50:50 allocation determined on a different basis in Decision Notice D8/01.

Q. 8. Do you agree or disagree that based on the information analysed to date by various experts, namely Frontier Economics and Tera on behalf of ComReg that Eircom fully recovers all costs of the Access network through either retail line rental, SB-WLR or LLU monthly charges through FLRIC cost recovery principles.

We believe ComReg should regulate the level of charges separately from the structure of charges. The method of the setting of the structure of charges is where eircom disagrees with ComReg.

ComReg does not appear to recognise that eircom operates within a dynamic market and it would appear that ComReg does not take account the basic economics of the telecommunications industry. ComReg has based the price control of the eircom PSTN line rental on the report by Frontier Economics published as ComReg 07/48a. This report projects that PSTN volumes would increase by 2% per annum over the period of the control, that eircom costs of efficiently operating the PSTN network could be recovered from the then level of PSTN rental charges, and that this would continue to be the case if PSTN prices rose at CPI-0% over the period of the control. The costs of the PSTN service are largely fixed – that is, independent of the volume of PSTN service – and so Frontier projected that these would increase at CPI+2%. Since the implementation of the price control eircom PSTN volumes have declined [redacted].

The access network is a joint and common cost, constituting a fixed sunk capital investment that can support multiple incremental services at negligible incremental costs. The corollary of this is that the network displays near perfect economies of scale, i.e. that if fewer services are provided on the network there are no avoidable costs. ComReg has predicated its entire analysis on the simplistic assertion that voice telephony recovers the entire cost of the access network, and therefore broadband can "free ride" on the network. If one sets a price/cost per loop (i.e. total annualised cost divided by the number of loops) at time A that exactly recovers the cost of the network, the total cost recovered at time B will only exactly cover the total cost in the special case that the number of loops does not change. If the number of loops is falling over time then average price of loops will have to keep rising in order to recover the full costs of the network[5].

The total number of loops in service on eircom's network has been falling for over a year. As the economic conditions have worsened the rate of line loss has accelerated and it is eircom's expectation that this line loss will continue at an accelerating rate through the current economic recession/depression that Ireland is experiencing and that it is unlikely that this line loss will be reversible in the foreseeable future. It would be manifestly irrational for ComReg to force eircom to respond to falling demand by increasing prices. For the past two years eircom has reduced retail and wholesale line rental prices in real terms by not availing of recent allowed increases under the Price Cap because eircom does not believe that the market can bear price increases. By forcing eircom to recover all the local access costs from a single recurring charge this proposal would have precisely the effect of either forcing eircom to raise line rental charges or to be guaranteed to under recover the appropriate network cost.

[5] While eircom does not support ComReg's proposal to only allow the incremental costs in the case of line share this should not be taken as indicating that eircom believes that using only incremental costs is s inappropriate in all circumstances.

While demand for fixed voice telephony is declining the demand for fixed broadband continues to increase. The result, in cost recovery terms, is that while the number of loops in service has been declining the total number of services (telephony line rentals and broadband subscriptions) has increased. The current price regime has allowed eircom to substantially, if not completely, recover its access network costs through the contribution of broadband services. eircom accepts that it is appropriate for ComReg to review the methodology that underpins the line share price and that a more efficient allocation may be achievable than the current 50:50 split proposed in D8/01. However ComReg's proposal to completely disregard the changing underlying demand for fixed voice telephony and broadband services and instead tie the recovery of costs to a declining voice service is manifestly wrong and economically inefficient.

ComReg's foundational premise for the proposed allocation of common costs – that the ULMP price implicit within voice line rental does, and can continue to, recover the full cost of the access network – is simply empirically and logically false if the number of access lines in service is falling. ComReg's own consultants recommend Ramsey Pricing as providing the economically efficient outcome and, as the appended Indecon report shows, it is not infeasibly difficult to implement. By opting for the demonstrably inefficient allocation of 100:0 ComReg will accelerate the rate of line loss, with the resulting loss of economies of scale for the whole industry. This increased rate of decline will further undermine the simplistic assertion that line rental can indefinitely recover all the costs of the access network.

Q. 9. Do you agree or disagree that the above criteria (and as further set out in the Tera Report) forms a sound basis for assessment when reviewing regulated prices? Please detail in full your response

eircom agrees that the six cost recovery principles agreed by the ERG provide suitable guidance for the recovery of costs from wholesale services. eircom does not agree with the treatment of these principles either in section 4.2 of the consultation paper or in the Tera report. eircom will outline our position on each of these principles in relation to Line Share pricing below and refers to the Indecon paper attached as Appendix A for a wider ranging assessment of the most economically efficient allocation of common costs between services.

Cost Causation: this principle does not inform the allocation of common costs. Where PSTN and Broadband are both present on a copper line this principle only indicates that the incremental costs of either service should be recovered from the party who causes that service to be added to the line. Where the PSTN service is present first the non-copper costs of the PSTN service must be recovered from that service (line card, etc.) plus a contribution to the costs of the copper network. Likewise if the Broadband service is the first to be delivered over a copper loop the non-copper (DSLAM, etc.) costs must be recovered plus a contribution to the copper cost. It is a perversion of this principle to imply that because the LS construct requires a PSTN service to be already in place that 100% of the common costs of the copper network should be recovered from that PSTN service.

Distribution of benefits: The development of retail and wholesale price levels for PSTN and Broadband services over recent years has had the effect that end users – and as a result their service providers – value the benefits of the two services at similar levels. So a service provider adding a Broadband service is clearly benefiting to a similar degree as one adding a PSTN service to the same loop.

Effective competition: This principle should consider both the effects of cost recovery on the platform directly affected by the pricing decision – and on competing platforms. The proposal to allocate none of the common costs of the copper platform to the Broadband service added by the OAO purchasing LS will distort competition by forcing similar allocation decisions on competing service providers considering adding Broadband services to their platforms.

Cost minimization: As discussed at length in the Indecon paper the Ramsey-Boiteux allocation of common costs is ultimately cost minimizing – in that this form of pricing optimizes the combined demands for PSTN and Broadband services. The optimum demand for the two services will lead to the lowest unit cost levels that will allow the total common cost of the copper network to be recovered over the combined demand.

Reciprocity: eircom agrees that this principle is not relevant to the pricing decision at issue.

Practicality: Tera and ComReg have stated without sufficient evidence that there are serious issues of practical implementation with a Ramsey-Boiteux allocation of the common costs of the copper network between the PSTN and LS services. The Indecon paper attached as Appendix A provides much of the data required to inform the correct direction of such an allocation for price setting. The same paper proposes the well established price control mechanism to ensure that such an allocation will not lead to over recovery of eircom's copper costs.

Q. 10. Do you agree or disagree that HCAs are generally not an appropriate basis on which to set regulatory pricing decisions and that few regulators have used them in the past without detailed analysis and transparency. Please detail in full your response.

The cost accounting methodology is relevant to establishing the level of prices, but is not relevant to the structure of prices and allocation of common costs that is the subject of this consultation.

Q. 11. If you believe that the HCAs of Eircom are a suitable basis on which to base regulatory pricing decision, do you believe that the current presentation of these accounts allows for the determination of appropriateregulated prices? Please detail in full your response.

eircom does not propose that LS pricing decisions should be based on historic costs. eircom's historic costs demonstrate that the PSTN service does not recover 100% of the common costs of the copper network. But eircom does not propose this as the basis for setting LS prices going forward. Instead eircom proposes that the findings of the Indecon paper attached as Appendix A should be taken together with eircom forecasts of service volumes and LRIC costs to inform a forward looking price control that will ensure adequate and efficient recovery of the common costs of the copper network across the range of services delivered over that network[6].

Q. 12. Do you agree of disagree with the above summary, if not please provide any additional information you might have? Please detail in full your response.

eircom does not agree with the summary of the methodologies used across the countries sampled as presented by Tera. In particular eircom finds that there is no basis whatsoever for the Tera finding that an "incremental" cost methodology is consistent with the Ramsey-Boiteux optimum. The additional information that eircom wishes to present is included in the Indecon paper attached as Appendix A.

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[6] For the avoidance of doubt, eircom believes there are circumstances where the use of eircom's independently audited accounts are and have been the appropriate basis of determining regulated prices.

Q. 13. Do you agree or disagree that the proposals of ComReg will not have an impact on infrastructure investment of alternative platforms? Please explain in detail your response.

eircom strongly disagrees that the proposals of ComReg will have no impact on infrastructure investment in alternative platforms. What ComReg is proposing by setting the LS price to make no contribution to the common costs of the copper network is to remove the economies of scope available to the copper network from adding broadband services. Where Broadband services delivered on copper networks are priced on this basis it cannot but affect the investment decision for the operator of an alternative network considering adding a broadband service. No operator will consider the risk of such an investment to be justified unless they can increase the contribution to the common costs of their platform by that investment. This is so because all of the legacy services offered by the network operator have a finite life cycle – characterized by increasing, stable, and ultimately declining, demand. So new services can only be added successfully if the revenue they generate will contribute to the common costs of the underlying network to the extent that they replace the declining contribution from those services reaching the end of their life cycle.

ComReg is proposing to set the price for the wholesale input to the OAO broadband service so as to only recover the incremental costs of the LS service – and so make no contribution to the common costs of the eircom copper network. This approach is fundamentally at odds with how the operators of competing networks must view an investment to add a service to the portfolio of services already sharing the common costs of their network. So – to the extent that broadband investment decisions on the eircom copper network influence the business case for infrastructure competitors – the ComReg's decision will have a significant impact on the investment decisions in alternative platforms.

Q. 14. Do you agree or disagree that the above methodologies form an appropriate basis on which to consider the methodology options available to ComReg? Please explain in detail your response.

eircom agrees that Figure 5 in the consultation paper lists all the appropriate methodologies from which to choose the methodology for allocation of the common costs of the copper network as between PSTN and Broadband services. For the avoidance of doubt eircom does not agree with the table entry "No" at the Ramsey-Boiteux row under the heading "Simplicity". The reasons for eircom's position on this characterisation of Ramsey-Boiteux allocation by Tera and ComReg are laid out at length in the Indecon paper attached as

Appendix A. In any event, this criterion should be given little weight in light of the sophistication of the rate-setting process and available expertise.

Q. 15. Taking into account the table above, which methodology do you think is the most appropriate and why, taking into account the regulatory objectives of ComReg as set out? Please explain in detail your response.

eircom finds that the Ramsey-Boiteux allocation of the common costs of the copper network between the several services is the most economically efficient for price setting purposes both at the retail and at the wholesale level. The detailed rationale for choosing this allocation methodology is laid out at length in the Indecon paper attached to this response as Appendix A. In summary ComReg and Tera acknowledge the welfare enhancing nature of Ramsey-Boiteux allocation of common costs to services but go on to overstate the problems of cost over-recovery and pricing complexity. eircom proposes that an access price cap encompassing the range of services sharing the common costs of the copper network is a straightforward – and well understood – mechanism to avoid cost over recovery in regulated utilities characterised by high levels of common costs. Under such a control eircom can set access prices to approximate to the Ramsey-Boiteux allocation of the common costs of the copper network as demand changes. The general constraints of that control will be set to ensure no over recovery of efficiently incurred costs of the copper network from the revenues of the various wholesale services delivered over that network.

Q. 16. Do you agree or disagree that the above diagram (figure 6) is a fair representation of the costs involved in providing the LS services? Please explain in detail your response.

eircom agrees that the diagram is a fair representation of the costs involved in providing the LS service. For the avoidance of doubt eircom does not agree with the implication of the text at the lower left-hand side of the diagram "*Access: paid by the Retail Monthly Rental Charge*" – in as much as this may be taken to imply that all common costs of the copper network are recovered from the PSTN monthly rental.

Q. 17. Do you agree or disagree that ComReg has considered all incremental costs from the list above? Please explain in detail you response.

eircom agrees that the four categories of costs listed above Q.17 in the consultation paper encompass all the incremental costs incurred by eircom in providing the LS service.

Q. 18. Do you agree or disagree that lines with pair gain system should be unbundled? If so, what do you believe is a reasonable cost associated with pair gain removal and how should it be recovered? Please explain in detail your response.

eircom agrees that lines with pair gain systems should be considered for unbundling. eircom agrees that the average cost per line of pair gain removal (for connection to the LS service) should be recovered from the charges raised for each LS service. [redacted]

Q. 19. Do you consider that an incremental cost of €0.36 per line per month for pair gain removal is correct and reasonable, if it is established that lines with pair gain systems can be unbundled? Please explain in detail your response, with additional reference to the depreciation period chosen.

eircom does not agree that €0.36 per line per month is a fair and reasonable charge to recover the cost of pair gain removal. The level of charge per month developed by TERA for ComReg is based on the average cost of pair gain removal for each new Line Share connection recovered over the 120 month asset life of a pair gain system. eircom agrees that the cost of pair gain removal on the minority of PSTN lines should be recovered across all LS services connected. However eircom does not agree that the 120 month asset life is the appropriate term for recovery of the incremental cost incurred by eircom in removing the pair gain system.

The pair gain system is removed from the partial copper loop providing PSTN service solely for the purpose of providing a Broadband service over the resulting full copper loop. In other words the cost of pair gain removal is caused by the requirement for the Broadband service – whether provided as a retail, Bitstream, or Line Share service. The PSTN service does not require the pair gain system to be removed. So the cost causation principle articulated at section 4.2 in the consultation paper indicates that the cost of pair gain removal should be recovered from the Broadband service – or in this case the Line Share service that enables Broadband to be delivered on the resulting copper pair. Price regulation that applies to the Wholesale Broadband Access market requires the once-off retail costs that are incurred to provide individual Broadband services to be recovered over 42 months. For consistency of regulatory treatment the once-off cost of a pair gain removal should be recovered over the life of the Broadband service that causes the cost – that ComReg stipulates to be is over 42 months.

The incorrect choice of 120 months as the period for eircom to recover the once-off cost of pair gain removal can be demonstrated by examining the chain of events around a Line Share order.

1. The OAO receives a Broadband order from the PSTN retail customer and sends a LS order to eircom.

2. eircom establishes that the PSTN service is supplied over a pair gain system and incurs the once-off cost to remove the pair gain system and Broadband enables the line.

3. eircom completes the LS order and the OAO provides Broadband service to the PSTN customer from the OAO DSLAM.

4. After 42 months (on average) the retail customer disconnects the Broadband service and the OAO disconnects the LS service.

5. The only remaining service is the PSTN service which makes no contribution to the once-off cost of pair gain removal – and (120-42)/120 = 78/120 = 65% of the cost to eircom of the pair gain removal is stranded.

On the basis of the ComReg proposal – taking into account the time cost of money over the period when the line supports only PSTN -this line will require four Broadband services to be connected successively before the full cost of the pair gain removal would be recovered. At an average Broadband penetration of 50% of PSTN lines and 42 month life the fourth Broadband service will be connected in month 252. This is clearly an excessive time for eircom to be sure of recovering the cost of the network intervention.

[redacted]

Q. 20. Do you agree or disagree that the cost of faults relating to LS are already recovered by Eircom through fault repair charges? Please explain in detail your response.

When an eircom PSTN service is unbundled using the Line Share service there is an incremental cost arising from additional fault conditions that will impact a broadband service but allow satisfactory levels of PSTN service. An example of this is cross talk or noise at frequency levels that impact on Broadband throughput - but above voice frequencies. eircom agrees that the current price structure allows eircom to recover a proportion of the cost of clearing faults on shared lines from separate charges raised from the access seeker. However there are a number of reasons why this recovery of costs must be reviewed at this time.

The first of these reasons is that the original price structure for LLU determined in 2001 in ComReg D8/01 is currently under review as part of the pricing for the fundamental ULMP service. [redacted]

Another reason that the recovery of fault costs from LS pricing should be reviewed is that the level of contribution from the charge per fault reported to the network cost of clearing that fault has not been reviewed for some time. These costs are largely the pay related costs of eircom field staffs together with the costs of materials used in clearing line faults – and both of these costs generally increase over time.

A further reason that the level of costs recovered from fault charges must be reviewed – particularly in the presence of the ComReg proposal to set the LS monthly rental at a level where it will make no contribution to the costs of the copper network that are common to the PSTN and Broadband services delivered in the presence of LS – is that the costs of operating that network were reduced by the contribution from fault charge revenues before monthly rental charges were set. This approach, agreed before ComReg D8/01, ensured that the costs of operating the network were recovered from the combined rental and fault clearance changes – even if the fault clearance charges were set below the incremental cost of clearing each fault. If the monthly rental now moves to a level with no contribution to network operating costs then only the fault repair charge can make the appropriate contribution to the additional cost to eircom arising from the higher level of line faults arising from the sharing of copper lines.

Q. 21. Do you agree or disagree that the costs of product development and management should be included in the monthly rental cost of LS? If so, please provide the appropriate costings associated with the LS service?

eircom agrees that the costs of product development and management should be recovered from the monthly line rental revenues of Line Share. The reason that eircom takes this position is that the ongoing costs of developing and managing the mandated wholesale access products can only be recovered from the monthly rentals charged to access seekers for the use of those products. Connection fees – after direction by ComReg - are set to recover only the short-term variable costs of providing the connection service sought. eircom Wholesale clearly incurs ongoing costs of managing the continued delivery of access products and eircom central services incur the costs of addressing the issues of pricing and regulation associated with such mandated products. The pre-eminent cost recovery principle among those discussed at Q.9 above is the principle of cost causality. Clearly the access seekers cause eircom to incur the costs of managing and developing the wholesale access products by their continuing use of those access products. This principle then indicates that it is the access seekers that should contribute to the recovery of the product management and development costs.

Where wholesale prices are set on a retail-minus basis eircom has some prospect – while balancing the requirements of price competition in the retail markets – of recovering such wholesale costs from the level of rental charge. However when the monthly rental – as for ULMP and LS – is set on the basis of eircom costs then the price must allow eircom to recover the incremental cost of managing the access product from a separate element in the cost stack informing the price level.

[redacted]

Q. 22. Do you agree or disagree that the costs of wholesale billing and administration should be included in the monthly rental cost of LS? If so, please provide the appropriate costings associated with the LS service?

eircom agrees that the costs of wholesale billing and administration should be recovered from the monthly line rental revenues of Line Share. [redacted]

[redacted]

Q. 23. Do you agree or disagree that ComReg has reasonably assessed the per line incremental costs for providing LS? Please explain in detail your response.

eircom does not agree that Figure 8 in the consultation paper represents a reasonable assessment of the incremental costs for providing LS.

The eircom position on the incremental cost of pair gain removal has been laid out at some length in response to Q.18. The main issue is that the cost should be covered over the average life of the Broadband service that the LS access seeker retails to an end user. [redacted]

The eircom position on the incremental cost of clearing faults arising from the sharing of the line is that the requirement for separate fault cost recovery from the LS monthly rental can only sensibly be determined after the price structure for ULMP is agreed.

The costs of product development and product management for LS are clearly greater than zero. eircom agrees that ComReg does not currently have information as to the likely level of these costs. An analysis of the levels of these costs reported by eircom for 2007/8 is attached to this response as Appendix B.

The level of the wholesale billing and administration charge at €0.39 per line per month included in Figure 8 was first determined in 2001 in ComReg D8/01. This level of charge is clearly due for review and it is not safe to recommend this level of cost without further analysis. An analysis of the levels of these costs reported by eircom for 2007/8 is attached to this response as Appendix B.

Q. 24. Is there anything else in the attached report from Tera, ComReg Document 08/106a, which you would like to comment on or correct? Please explain in detail any additional points you would like to make.

Further commentary on - and correction of – the Tera report is included in the Indecon report attached as Appendix A.

Q. 25. Do you agree or disagree that the above proposed Decision Instrument is clear, unambiguous and practical? Please explain your view and, if relevant, propose alternative wording.

eircom does not agree that the proposed Decision Instrument is clear, unambiguous, or practical.

The Decision Instrument directs a single price point but is quite unclear as to the basis for this price point. To be clear on this issue the Decision Instrument should indicate the basis for cost recovery as the level of price published must be presumed to arise from eircom's obligation of cost orientation. So the Decision Instrument should indicate the basis of recovery of eircom common costs and incremental costs from the Line Share Recurring Charge revenues

The Decision Instrument revokes D8/01 insofar as it relates to Line Share Recurring Charges but lacks any clarity as to the new basis in cost for the proposed charge published.

The Decision Instrument is silent as to the timetable for further review of Line Share Recurring Charges. It makes no mention of any associated pricing decisions or market movements that might trigger such a review.

The implication of the Decision Instrument, if read as a stand-alone document, could be that the next review of the cost structure for Line Share price will not take place for years. This is hardly a practical position to put to the telecommunications providers in Ireland given current pressures on prices and volumes.

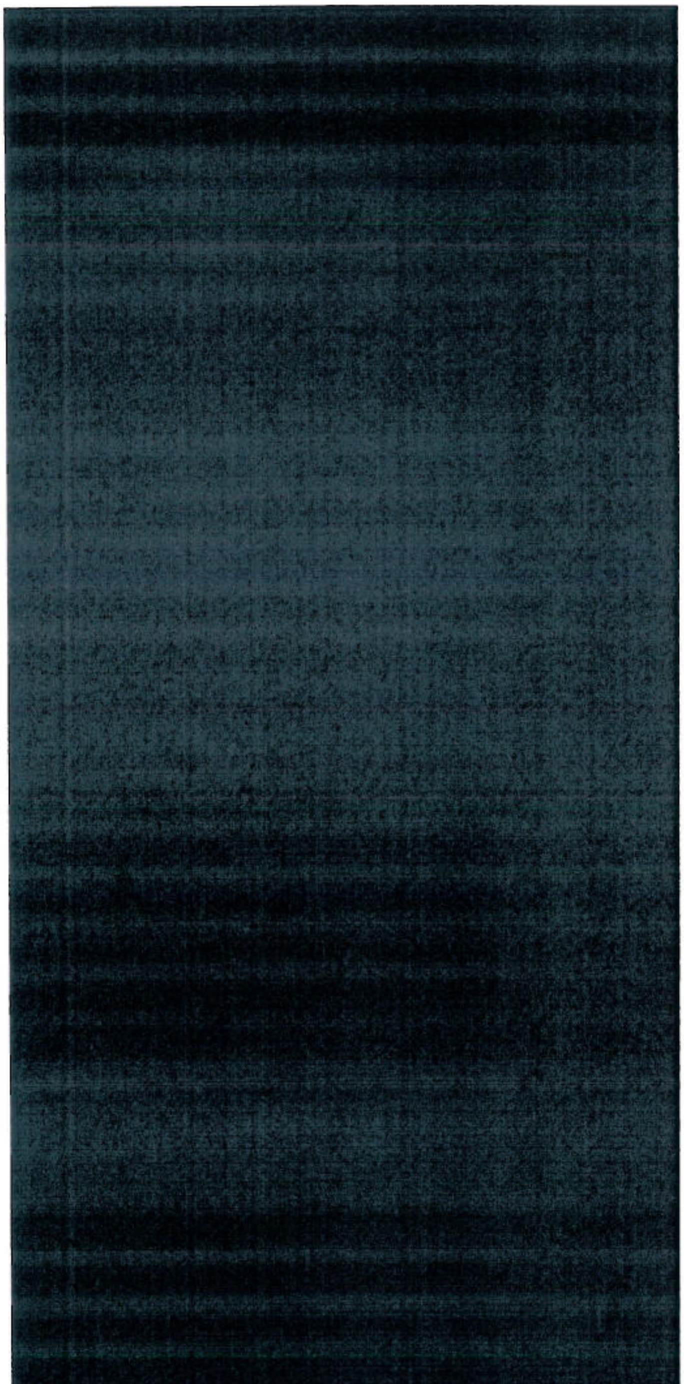
Appendix A: Indecon Report – please see separate file.

Appendix B: Incremental costs of product development and management, and of carrier administration and billing.

eircom has carried out an analysis of the costs incurred in providing continued service to OAOs across the range of mandated wholesale access products – ULMP, LS, Bitstream, and CPS-WLR. Many of the wholesaling costs of supporting these products are common as they use the same billing system, the same account management resource, and the same universal gateway (UG). Because the services sharing these resources have very different levels of usage – from 6,000 lines for line share to 400,000 lines for WLR – some care is required when considering the allocations to individual services. The eircom CMA process for allocating costs directly to services uses reports from the managers of particular resources to allocate proportions of the cost of that resource to products based on surveys of time worked. The challange with this approach can be illustrated as follows: The account manager may report that he spends 10% of his time dealing with LLU queries and 50% dealing with WLR issues – however the volume of WLR services is 20 times that of the combined volume of ULMP and LS services – so the unit cost reported for account management for LLU will be four times that reported for WLR. On a similar basis the IT systems that deliver the UG functionality may have their costs allocated on the basis of the products supported by that system – leaving LLU and WLR attracting similar levels of IT cost even though service volumes are very different. [redacted]

eircom proposes a different approach that uses reported historic cost to set a price based on future looking costs. [redacted]

[redacted]



Appendix C: [redacted]

[redacted]

Appendix D – Accounting Treatment of Shared Loops

The allocation of copper costs between PSTN and Broadband (or Line Share) can be illustrated as follows:

Assume the average cost of a loop is €20 per month.

Assume PSTN is provided over 100% of loops.

Where broadband (LS) is provided over a loop 50% of the cost of that loop is allocated to PSTN and 50% to the Broadband (LS) service.

If Broadband penetration is 40% then the allocation of copper costs to PSTN is (60% x 100%) + (40% x 50%) = 80% and the average copper cost allocated to each PSTN service is €16.

The average copper cost allocated to each Broadband service is €10.

When a customer buys PSTN and Broadband the contribution to copper costs is €26.

When the OAO buys PSTN WLR and LS the contribution to copper costs is €26.

That this form of cost allocation does not give rise to over recovery of costs can be demonstrated as follows:

The contribution to the average cost per line of PSTN-only lines is 60% x €16 = €9.60 per month.

The contribution to the average cost per line of PSTN + BB lines is 40% x €26 = €10.40 per month.

So the total average cost per line recovered over the combination of line types is €9.60 + €10.40 = €20.00

[redacted]

2 BT Communications Ireland Limited

Non Confidential Version

BT Response to the ComReg consultation for the Rental Price for Shared Access to the Unbundled Local Loop.

Issue 1r1 - 11/03/2009

General

BT welcomes this consultation of the LLU Line Share Price. BT strongly agrees that eircom is over recovering its costs with its Line Share price of 8.41 Euro per month on top of the payment it receives for line rental and charges for all the other components of LLU. To make the situation worse eircom have been increasing the line share price year on year. Ireland now has one of the highest line share prices in Europe (3 times the average price). This has damaged the development of LLU, is bad for consumers, has inhibited investment and could be argued to be anti competitive.

The resolution of LLU issues such as price has created a significant market stimulus in other countries such as France, the UK and more recently Greece and this is now the perfect time for such a stimulus in Ireland. Our view is that the current LLU pricing levels are holding back significant opportunities for competition and the customer as highlighted by the recent ECTA report which identifies a linkage between countries that have exploited LLU to the full and improved broadband features overall.

BT's view as explained in our response is that the ComReg proposal is transparent and methodical. The only issue BT would question is whether the numbers of carrier systems is as high as consultants Tera appear to assume given the disproportionate influence on the ultimate rental price. Otherwise BT considers the work is balanced and correct and the customer should decide through their purchasing decisions which network they want to use.

BT is of the view that Decision notice D8/04 is now acting against the interests of the market and should be withdrawn immediately irrespective of the outcome of this consultation to allow line share pricing to default to existing regulation on cost orientated pricing.

The real challenge is when will the price change take effect? Delay only favours one party and does not contribute to the development of competition and innovation for the benefit of consumers.

2. Response to Consultation Questions

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Q. 1. Do you agree or disagree that in order for ComReg to meet its objectives it must review the current pricing and act on the conclusions of the expert report commissioned? Please explain in detail your response.

A.1 BT strongly agrees that for ComReg to meet its objectives and the guidance of the European Commission, it must review the pricing of LLU from time to time. BT agrees that it was both prudent and responsible to engage expert consultants and as such it is correct to consider their conclusions in its decisions. The expert report provides a methodical review of line share pricing; considers the approaches of other key European and international economies; includes the recommendations of the European Regulators Group (ERG); and adopts the best in practice techniques to firstly understand the basis of eircom's costs, and then clearly demonstrates the derivation of its conclusion of a line share price of 75cents per month. The only issue BT would question is whether the numbers of carrier systems is as high as Tera appear to assume given the disproportionate influence on the ultimate rental price.

This consultation is long overdue and the current eircom Line Share price (8.41 euro per month **not including** the cost of other line share components) is now so close to the bitstream price (9.48 euro per month **including** port costs, backhaul costs, network and routing costs and fault handling costs) that it is having a margin squeeze impact and BT's view is this distorting the market and competition.

Q. 2. Do you agree or disagree that the existing obligation of cost orientation is not being met by the existing charging mechanism adopted by Eircom? i.e. 50/50 allocation of common costs of the local loop to LS. Please explain in detail your response.

A.2 Given that the LLU line share services use the same physical assets as the WLR/PSTN products (with exception of a short piece of wire in the telephone exchange which eircom charge for separately) BT does not see why it should be paying twice for the same physical asset and this breaches the fundamental regulatory principle of cause causation. Given the finding last year that there is no access deficit eircom have no reason to be double charging OAOs for line share services and this is tantamount to them abusing their regulatory obligations on cost orientated pricing. The line share price therefore cannot be justified as cost orientated and BT's view is eircom is in breach of the obligation for cost orientation.

Most 50/50 regimes imply that each party pays half of the costs etc, hence taking this logic the line rental for voice services should pay half the cost of the line and the LLU line share rental should pay the other half the line costs. In the current model, operators are required to pay eircom 100% of the line rental for voice services, and then another 50% for the Line Share rental, hence applying this simple logic eircom are actually recovering 150% and not 100% of the costs. The 50/50 approach for line share pricing clearly does not work in Ireland and is having a very detrimental impact on the market through causing excessive pricing and super normal profits for eircom.

Additionally, BT does not believe that eircom could achieve its current bitstream price of 9.48 euro if the same rule and charge were applied to its own downstream services; therefore there is a serious concern of a breach of the non-discrimination obligations that exist on eircom.

In conclusion, as the costs of the assets are already being recovered by the voice services (WLR or PSTN) on the same line, there is no justification to apply an additional 50/50 regime. It is BT's view this application of the 50/50 model should be renamed the 150% model which more accurately describes how it works.

Given the above the line share price cannot be justified as cost orientated and eircom are in breach of the obligation for cost orientation. BT's view is that eircom are in breach of the non-discrimination regulations in the pricing it charges its downstream business for their internal version of line share.

Q. 3. Do you agree or disagree that the Full LLU monthly rental price has up to now allow Eircom to recover the full cost of the Local loop based on FL-LRIC principles? Please explain in detail your response.

A.3. BT considers that allowing eircom to automatically attain year on year price rises for full unbundling has allowed eircom to over recover its costs for Full LLU as such annual price increases do not appear to have occurred within the WLR product which actually uses more assets. BT also has serious concerns as to what costs eircom have been allocating and inputting into their FL-LRIC calculation for LLU and how such automatic increases could take place where such do not appear to happening on other products which are similarly price regulated but more beneficial to eircom. BT trusts that as part of the Full Unbundling review mentioned in the Line Share consultation ComReg will seriously be looking at the input costs such as fault charges, and allocations to LLU. In addition BT believes that this study should be conducted alongside similar calculations for other access line products so that any discrimination should be eliminated. BT is of the view that eircom have been over recovering its Full Unbundling Costs as other products using the same asset base have not demonstrated similar rises.

Given that through the 50/50 rule the full unbundling rental price sets the line share rental price its difficult to see how the increases in the line share price are also justified using cost orientation rules given little or no additional assets are used in line share.

Q. 4. Do you agree or disagree that the existing price methodology for LS could act as a barrier to further investment by OAOs to the detriment of competition and overall consumer welfare? Please explain in detail your response.

A.4. BT strongly agrees that the existing price methodology for Line Share acts as a barrier to further investment by OAOs; the high price derived by the current methodology is now so close to the eircom wholesale bitstream price that there is insufficient margin to continue to invest, particularly given that the trend of the bitstream price is downwards and eircom's trend for line share is upwards. Ireland has one of the highest line share prices in Europe (3 times the average price) and this is damaging investment and innovation in Ireland.

The resolution of LLU issues such as reducing the line share price has created a significant market stimulus in other countries (France, Greece and UK) and this is now the perfect time to enable such a stimulus in Ireland to assist the economy and creation of jobs. Such a stimulus is likely to lead to improved service features and data rates as well as reduced Broadband prices. In the UK, the reduction of LLU pricing and resolution of service issues completely changed the market and new players such as Sky, Carphone Warehouse entered the market and are now well established. The UK now has in excess of 5 million LLU lines. Our view is that the current LLU pricing in Ireland is holding back significant opportunities for the customer. BT's view as explained in our response is that the ComReg proposal is balanced and correct; the customer and not eircom should decide through their purchasing decisions which network to use.

If the decision is not successful it is becoming highly probable that the LLU market will be foreclosed and the industry and customer will have to live with eircom's high cost 'vanilla' wholesale products which to date have offered little opportunity for re-sellers of their wholesale bitstream product to differentiate. There is little evidence that this will change and there will continue to be an eircom fixed network monopoly. Given the changes in owner of eircom and the well publicised debt that eircom is in, questions need to be asked whether they would invest in new services if competition did not exist. Given eircom would virtually have a monopoly in the wholesale fixed BB market it may take considerable more years to upgrade the network than with competition and the customer and nation would suffer. The decisions on line share and LLU pricing in general is a cross roads for Ireland and whether it wants competition at the wholesale bitstream layer or not for broadband.

Q. 5. Do you agree or disagree that the current implementation of the previous ODTR Decision D8/01, insofar as it relates to LS recurring charges and the methodology for the calculation of LS recurring charges, creates an anomaly when compared to the recovery of costs through Full LLU monthly rental charges. Please explain in detail your response.

A.5 BT fully agrees that the ODTR Decision D8/01 creates cost accounting anomaly and over time has become a direct contradiction of the obligation on eircom to recover its costs on a cost orientated basis. Given the same physical asset is used for both WLR/PSTN telephony services and Line Share, the cost of the asset should only be recovered once and not twice.

Leaving aside for a moment that the rule is wrong, BT also notes that the pricing is not actually 50/50; 8.03 Euro is not 50% of 15.68 Euro and 8.41 Euro is not 50% of 16.43 euro, so the rule is not even applied properly.

Given that the incumbent will use decision D8/01 to justify its high prices i.e. they are likely to say the regulator sets the prices and not them; this is an obstacle to regulation working correctly and should be removed independent of the outcome of this review.

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Q. 6. Do you agree or disagree that the methodology adopted in 2001 is not appropriate in 2008 or going forward to comply with the cost orientation obligation as set out in D8/04. Please explain in detail your response.

A.6 BT agrees that the methodology adopted in 2001 cannot be continued going forward as combined with the falling wholesale bitstream price and rising Line Share price it will lead to the Line Share market being foreclosed. The methodology is not appropriate as demonstrated by the majority of the other member states of Europe; the Tera report; and ComReg own reasoned conclusions. Additionally ComReg cannot impose or continue a regulation to foreclose a competitive market as this would be in direct contravention to the principles set out in the regulations to encourage competition etc.

Q. 7. Depending on your answer to the above do you agree or disagree that ComReg should withdraw D8/01, insofar as it relates to LS recurring charges and the methodology for the calculation of LS recurring Please explain in detail your response.

A.7 ComReg should withdraw D8/01 given it is driving the line share market to foreclosure. This should be done immediately and irrespective of the outcome of this consultation.

BT recommends that independent of this consultation, and without waiting for the outcome of this consultation ComReg should immediately withdraw D8/01 as cost orientated regulatory obligations are already in place to handle this situation. i.e. The value of this consultation is to set a price, but without it ComReg could still enforce cost orientation compliance. BT is very concerned that ComReg were hampered by eircom from considering all relevant information in its derivation of decision D8/01 and the decision should be immediately removed as unsound.

Q. 8. Do you agree or disagree that based on the information analysed to date by various experts, namely Frontier Economics and Tera on behalf of ComReg that Eircom fully recovers all costs of the Access network through either retail line rental, SB-WLR or LLU monthly charges through FLRIC cost recovery principles.

A.8 Rebalancing of access charges to call charges has occurred and as ComReg state the eircom CFO has concluded that has been achieved. As eircom has and continues to offer standalone PSTN/WLR services it is difficult perceiving eircom selling these services without recovering as many regulated costs as it can. Given the regulation is forward looking LRIC, for eircom to do otherwise would be a breach of the past rules. The studies of Tera and Frontier support what we believed to be true.

Q. 9. Do you agree or disagree that the above criteria (and as further set out in the Tera Report) forms a sound basis for assessment when reviewing regulated prices? Please detail in full your response.

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A.9 The criteria set out by ComReg aligns with the principles of regulation adopted in the EU and many places around the world and forms both a methodical and robust basis to establish Line Share pricing in Ireland. BT notes that the European Regulators Group (ERG) looks to best in class regulatory principles across Europe hence the principles will have been tried and tested.

Q. 10. Do you agree or disagree that HCAs are generally not an appropriate basis on which to set regulatory pricing decisions and that few regulators have used them in the past without detailed analysis and transparency. Please detail in full your response.

A.10 In BT's view, HCA should not be the basis for setting the LLU tariffs as this methodology will not reflect prices of a competitive market as it links prices to historical decisions on investment or network designs which are likely to have been superseded. It follows that setting tariffs on the basis of HCA offers no incentive to either achieving static or dynamic efficiencies,

Some of these drawbacks are addressed by applying a CCA valuation of the asset base. However, if the CCA adjustments only relate to price variations of inputs, this by itself may not ensure that costs were efficiently incurred to a standard of ‘reasonableness’. Some deficiencies may persist in the cost base even when the conversion is made to CCA. In Ireland an attendant practical difficulty is that eircom does not at present prepare CCA accounts for the Access network.

Q. 11. If you believe that the HCAs of Eircom are a suitable basis on which to base regulatory pricing decision, do you believe that the current presentation of these accounts allows for the determination of appropriate regulated prices? Please detail in full your response.

A.11. BT does not believe the current presentation of accounts allows for the determination of appropriate regulated prices. Please see our response to question 10 for a more detail.

Q. 12. Do you agree of disagree with the above summary, if not please provide any additional information you might have? Please detail in full your response.

A.12 BT agrees that the summary of the adoption of LS pricing methodologies of the key countries is a reasonable summary of the current situation. BT also agrees that most countries have or are moving to the LS pricing model now being proposed by ComReg. BT also notes that the change to these principles unlocked the Greek market which according to ECTA is now growing rapidly.

Q. 13. Do you agree or disagree that the proposals of ComReg will not have an impact on infrastructure investment of alternative platforms? Please explain in detail your response.

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A.13 BT agrees that the proposed change to line share price will have no impact on SB-WLR and eircom Retail PSTN service as any access rebalancing has already happened and eircom is already recovering its costs on these services. To allocate a contribution from LS to the recovery of line costs would act to enable eircom to over recover its costs. Given the very aggressive pricing strategy of eircom bitstream products it is difficult to see that their downstream business is or would pay this unwarranted access cost.

Q. 14. Do you agree or disagree that the above methodologies form an appropriate basis on which to consider the methodology options available to ComReg? Please explain in detail your response.

A.14 Yes, BT agrees that the list considered by ComReg addresses the key regulatory costing methodologies appropriate for consideration.

Q. 15. Taking into account the table above, which methodology do you think is the most appropriate and why taking into account the regulatory objectives of ComReg as set out? Please explain in detail your response.

A.15 BT agrees with ComReg analysis that incremental costs are both the most appropriate in allocating costs whilst at the same time being practical in implementation. BT also notes that the European Regulators Group which has a function to promote best practice regulation is also recommending the use of the 'incremental methodology' and also that the majority of other European states have either adopted this approach or have migrated to this costing methodology.

Q. 16. Do you agree or disagree that the above diagram (figure 6) is a fair representation of the costs involved in providing the LS services? Please explain in detail your response.

A.16 Electrically the diagram in figure six seems to suggest that the splitter is provided by the incumbent and is located around the MDF. This would appear to align more with the French model than the Irish LLU Line share model. Within the Irish model the splitter is part of the OAOs DSLAM and there should only be two jumper connections and not three as suggested in figure 6. i.e. The line side of the MDF should connect via a jumper to the tie circuit to the splitter located with the DSLAM, and then a second tie circuit back to the MDF carriers the voice, which is then connected via a 2nd jumper to the exchange PSTN Switch. In commercial terms this means that the OAO is already paying for the splitter and the space it is located in, and costs should only be attributed for one jumper connection as the 2nd jumper to the PSTN is part of the existing voice service.

Q. 17. Do you agree or disagree that ComReg has considered all incremental costs from the list above? Please explain in detail you response.

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A.17 BT would like to make the following comments to the four items listed.

1. Pair Gain Removal – It is not clear to BT from the consultation whether this is a large or small cost and if not already done the following should be considered.
    a. It is assumed the cost is for the task of removing a pair gain (carrier) system and not the cost of the asset which will have been recovered and the economic life depreciated.
    b. At this time it is not clear how many pair gain systems are still in the network as eircom will have removed most of them to provide its wholesale bistream offer. Getting an accurate view of the number of pair gain systems still used is essential.
    c. All of Intra-migrations between bitstream and LLU will not have issues with pair gain as the systems would have been removed for bitstream, so why should OAO pay rentals for something that does not apply in this scenario. This breaches the regulatory principle of cost causation.
    d. All transfers (most customers) from bitstream to LLU will not have issues with pair gain for the same reason as above, so why should OAOs pay?
    e. From BT's own experience in another jurisdiction the number of LLU orders requiring the removal of pair gain systems was very small. See confidential information in response 18 so is this being correctly valued as the rental cost being proposed seems disproportionately high. eircom should know very well from removing pair gain systems for bitstream how many systems there are still out there.
    f. BT does not agree to the pair gain removal being added to LLU rentals, however, if it must then the whole DSL community of users including bitstream, leased lines, PPC EULs, etc should all share the cost. [Lower speed leased lines and PPC EULs will also be using DSL technology]. I.e. the costs should be over the population of all DSL services (bitstream, LLU, PPC etc) as all gain the benefit.

2. BT agrees that a level of management overhead related to LLU, such as the product owner and eircom people dedicated to LLU should be assigned to the rentals, but care should be taken to ensure this is not padded out. As regards development, BT considers that only efficient costs could be considered, and decisions as to whether the costs should be allocated to connection or rental need to be taken. As eircom have chosen to double its costs by running separate access services for its own downstream bitstream services and separately for LLU line share they must be classed as an inefficient operator as there are currently two parallel systems to provide what is the same service 'shared copper access'. eircom should therefore only be allowed efficient costs as only one access system and product is required.
3. BT agrees wholesale billing is a fair cost to include in the rentals, however administration is not well defined as opposed to management and this needs clarification. Whatever the answer eircom should not be allowed to pad out the costs.

Non Confidential Version

Q. 18. Do you agree or disagree that lines with pair gain system should be allowed to be unbundled? If so, what do you believe is a reasonable cost associated with pair gain removal and how should it be recovered? Please explain in detail your response.

A.18 BT strongly agrees that pair gain systems should be removed to allow services to be unbundled. The incumbent removes pair gain systems for its own downstream Bitstream and Broadband services hence on the basis of non-discrimination such should apply to LLU products.

BT does not agree to the cost of pair gain removal being added to the rental as this is a one off activity at connection, i.e. the removal of the pair gain system has to take place at connection and is already catered for in one of the LLU order types. Otherwise an ongoing rental cost is being applied for ever and a day for a one off activity and this will lead to an over recovery of costs. It should also be considered that it will not be common practice today to install new pair gain systems, hence the population of these devices is constantly decreasing meaning the problem is rapidly decreasing.

Even if such a charge were valid, which BT does not believe it is, LLU generally exists in urban areas where broadband penetration is traditionally strong and where most Pair Gain systems will already have been removed for the incumbents own bitstream service.

The proposal to charge for pair gain also causes an inconsistency in order types as for cases where an operator migrates a customer to LLU from bitstream via Inter and Intra migration orders it is known no pair gain will exist. In these cases the pair gain charge would clearly not apply.

Q. 19. Do you consider that an incremental cost of €0.36 per line per month for pair gain removal is correct and reasonable, if it is establish that lines with pair gain systems can be unbundled? Please explain in detail your response, with additional reference to the depreciation period chosen.

A.19 BT does not agree to the cost of pair gain removal being added to the rental as this is a one off activity at connection, i.e. the removal of the pair gain system has to take place at connection and is already catered for in one of the LLU order types. Otherwise a rental cost is being applied on an incremental cost for a one off event and this will lead to an over recovery of costs by eircom. Also, why should eircom continue to recover costs for ever and a day for a one off activity.

Even if such a charge were valid, which BT does not believe it is, LLU generally exists in urban areas where Broadband Penetration is traditionally strong and where most Pair Gain Systems will already have been removed for the incumbents own bitstream service.

If ComReg is of the view that the cost must be recovered in line share rentals, then ComReg should estimate the cost of pair gain removal across all DSL services (pooling) such as bistream, LLU, PPCs(EUL access), Ethernet Access etc, and allocate the cost to all (spread) as all benefit form these devices being removed. It is unfair to load the cost into LLU rentals.

Q. 20. Do you agree or disagree that the cost of faults relating to LS are already recovered by Eircom through fault repair charges? Please explain in detail your response.

A.20 When considering the assets utilised by line share three categories emerge regarding fault repair.

- Copper/Line fault from the customer to the handover point to the OAO in the exchange. This is the same physical asset used to provide the underlying voice telephony service and eircom fully recovers its cost of maintenance for this asset through line rental (whether PSTN or SB-WLR). Hence no fault repair charge should apply for LS copper/line faults as the cost has already been recovered in PSTN/SB-WLR line rental.
- Tie circuit connections in the local exchange. Given the exchange environment does not offer hostile conditions to pairs of wires, tie circuits are very high reliable components and eircom themselves in their Industry Process Manual Agree that faults on these circuits are rare. Also, as OAOs pay a separate rental for these maintenance charges are covered for these tie circuits. Hence no additional LS charge should apply for tie circuit faults.
- Specific Line share faults are more likely to be due to either electromagnetic radio interference into cables/overhead cabling (poles) etc or due to a deterioration of the underlying copper line where voice is still viable but DSL services are degraded. BT is of the view that it should be possible for eircom to repair such degradations. BT sees these as the sorts of issues that could be included in a line share fault charge on a cost orientated bases.

Q. 21. Do you agree or disagree that the costs of product development and management should be included in the monthly rental cost of LS? If so, please provide the appropriate costings associated with the LS service?

A.21 BT has no evidence of any marketing of LLU by eircom and does not perceive any marketing in the foreseeable future hence no costs should be allocated. BT is very surprised at the ComReg statement that it has no information of the likely costs month to month for management and development as such costs must be known in eircom when setting budgets and business plans, hence this information must exist in eircom. It is also surprising that ComReg has not used its formal powers to request such information which experience suggests other regulators do. If eircom do not know their month to month costs, then how do they comply with their obligation to set cost orientated prices for line share?

BT agrees that appropriate management costs running the product should feed through to the incremental charge. However, BT strongly disagrees that unnecessary or inefficient costs should be loaded into the products, such as the costs of systems or processes that are not required. BT considers that the most efficient costs would be achieved if eircom’s downstream bitstream service were to purchase line share the same as the other operators. This would remove duplication, provide instant volume to reduce per unit costs and offer the equivalence and non-discrimination that industry seeks. Until this is achieved eircom will always be providing LLU inefficiently and should only be allowed to recover efficient costs.

Q. 22. Do you agree or disagree that the costs of wholesale billing and administration should be included in the monthly rental cost of LS? If so, please provide the appropriate costings associated with the LS service?

A.22 BT agrees that the costs of wholesale billing and an appropriate level of administration should be included in the monthly rental costs of LLU as these are ongoing activities and costs to support the in-life operation of the service. However, BT would not expect to see eircom 'pad' out the costs with superfluous costs and allocations.

Q. 23. Do you agree or disagree that ComReg has reasonably assessed the per line incremental costs for providing LS? Please explain in detail your response.

A.23 Other than the cost of pair gain system removal BT considers that ComReg has reasonably assessed the incremental costs of providing LS for the eircom network.

Q. 24. Is there anything else in the attached report from Tera which you would like to comment on or correct? Please explain in detail any additional points you would like to make.

The LLU electrical diagram although it would work fine, appears to align more with the French solution and not the LLU Line share solution in Ireland and maybe attributing more costs to eircom than they are entitled. For example the splitter is owned by the OAO and there will be one less jumper/tie than shown.

Q. 25. Do you agree or disagree that the above proposed Decision Instrument is clear, unambiguous and practical? Please explain your view and, if relevant, propose alternative wording.

A.25 Other than the cost of pair gain system removal BT considers that ComReg Decision is clear and unambiguous.

3 Sky Ireland Ltd

ComReg Consultation: Rental Price for Shared Access to the Unbundled Local Loop

ComReg Document 08/106

Sky's response

Introduction

Sky welcomes the opportunity to respond to ComReg's consultation on the Rental Price for Shared Access to the Unbundled Local Loop. Although Sky does not currently offer broadband or telephony services in Ireland, our experience in establishing the fastest growing and award winning Sky Broadband service in the UK may offer some useful insights as to the appropriate conditions (including Line Share pricing – Sky's UK broadband services are at present based mainly on Line Share) in which competition can develop, to the benefit of consumers in terms of choice, price, innovation and coverage.

General Comments - Draft Decision

In its introduction, ComReg recognises the importance of LLU and its role in facilitating infrastructure-based competition between broadband service providers as a key element in bring increased benefits to consumers. In its response to ComReg's recent WPNIA consultation, Sky stressed the importance of LLU to the development of innovative, differentiated, and affordable broadband products.

Competition based on reselling the same wholesale products charged at a purely variable cost is simply an artificial arbitrage opportunity and brings insufficient added value to consumers. This has largely been the case in Ireland, and was the case in the UK prior to the reinvigoration of its LLU regime.

LLU-based competition, however, will encourage OAOs to invest in their own infrastructure, resulting in more vibrant competition, bringing increased benefits to consumers in terms of choice, innovation, pricing and coverage. Successful LLU should therefore lead to the emergence of ISPs with different business models.

Experience in the UK has shown the importance of LLU in stimulating competition, reducing prices, and encouraging innovation. Until 2005, investment in LLU had been very limited and the only material competition to BT was via IPStream, resulting in high prices, identical services and the UK performing poorly in international league tables on broadband take-up. In 2005, BT, under pressure from Ofcom, brought in a very substantial price cut to both full and shared LLU and a number of positive developments have occurred e.g.

- Retail prices have decreased significantly e.g. Sky offers its basic broadband product for free to customers who take its TV and telephony product, Carphone Warehouse offers free broadband with its line rental and talk products
- there has been significant innovation around the product. e.g. LLU operators for the last three years have offered higher speeds than has been available on BT, Sky is unique in offering a genuinely unlimited usage product, BT has innovated around BT Vision and Tiscali around Tiscali TV

- Broadband penetration now stands at approx 60% of households

The large reduction in Line Share charges has acted in many ways as the catalyst to more effective downstream (LLU – based) competition and has been crucial to the success of LLU.

However, this has not been the case in Ireland. ComReg's latest quarterly report (December'08) suggests that Ireland lags significantly behind the EU average in terms of LLU lines as a proportion of total retail DSL lines (3.2% compared to an EU average of 28.8%). Given the importance of pricing of the incumbent's copper access products to Communications Providers, Sky considers that the high price for Line Share in Ireland to date has played a major role in the low level of LLU lines across the country.

It is also worth noting that the price reductions in the UK were accompanied by a significant effort by Ofcom to 'industrialise' LLU products and processes, which has also played an equally important role in successful LLU roll-out in the UK. Ofcom's investigation of the UK telecommunications market under the Enterprise Act in 2005 found that BT had an incentive to discriminate on non-price factors in the delivery of LLU and other wholesale products, which led to the establishment of a Telecoms Adjudicator to arbitrate between BT and LLU operators. The Telecoms Adjudicator has worked with industry to ensure the Openreach product set is 'fit for purpose'. This work has proved to be incredibly complex, covering areas such as equipment housing products, power, security and migration. Changes continue to be made to the LLU products through the Telecoms Adjudicator process, reflecting the complexity of the LLU products and processes involved.

Cost Allocation Methodologies

The reduction in the price of shared LLU that ComReg is proposing stems mainly from a change in its method of cost allocation. ComReg's consultants' report goes through a number of ways of allocating cost, including Ramsey-Boiteux Pricing, Efficient Component Pricing, Equi Proportionate Mark-Up and incremental costs. This is an extremely complex subject and one in which it is impossible for Sky to engage in this short response. All we would point out is the clear principle that regulation should aim to recover common costs only once between the various products that have those cost components. A solution in which costs are systematically over-recovered, as ComReg suggests has been in place to date, would clearly be inappropriate, not least due to the risk of over-recovery being highly distortive of downstream competition between Eircom and OAOs.

Conclusion

Sky's experience of the development of competition in other markets, such as the UK, has shown that it is not just the fact that regulated products and services will be provided that is important to the success of LLU, but the terms and conditions, including in particular the price, on which they are made available is crucial.

Sky believes that the proposed reduction in Line Share pricing, together with an appropriate system to ensure the LLU products and processes involved are 'fit for purpose',[1] will enhance the likelihood of increased competition in LLU based retail broadband services from existing operators and potential new entrants, providing innovative, differentiated and affordable broadband services to the consumer.

Sky March 2009

[1] Whatever the preferred solution in Ireland, it is critical that there is an effective and speedy way of resolving disputes around non-discrimination and the practical aspects of product delivery.

4 Vodafone Ireland Limited

Vodafone Response to the ComReg Consultation on the Rental Price for Shared Access to the Unbundled Local Loop

Ref. ComReg Document 08/106

Response Date: 11 Mar 2009

Introduction

Vodafone welcomes the opportunity to respond to this consultation. Our views in relation to the preliminary conclusions of ComReg's review of the Line Share rental price are set out fully in response to the consultation questions below.

Response to Consultation Questions

Q.1. Do you agree or disagree that in order for ComReg to meet its objectives it must review the current pricing and act on the conclusions of the expert report commissioned? Please explain in detail your response.

Yes. Vodafone believes that given the considerable time that has passed since the original decision in 2001, the evident inefficiency and competitive distortions arising from a 50% allocation of the common costs of the local loop to the Line Share service, and the major changes to the market that have occurred in the intervening period – particularly the completion of full rebalancing of tariffs to eliminate any cross subsidisation of access costs through call prices, require the current pricing review.

The current pricing of Line Share in the context of the price of ULMP, SB-WLR, and PSTN retail line rental, allows an inefficient over-recovery of costs by eircom that is acting as a serious and artificial obstacle to local loop unbundling on the basis of shared access. This has had an adverse effect on competition in the market to the detriment of consumer welfare. Vodafone therefore supports the high level conclusions of ComReg's review although, for reasons set out further in subsequent questions, we believe the maximum price for Line Share should be reduced to a maximum of €0.68 rather than €0.75 as currently proposed in the consultation document. Given the negative impact of the current Line Share price it is important that this revised Line Share price is implemented as soon as possible.

Q2. Do you agree or disagree that the existing obligation of cost orientation is not being met by the existing charging mechanism adopted by Eircom? i.e. 50/50 allocation of common costs of the local loop to LS. Please explain in detail your response.

Vodafone agrees that the existing obligation of cost orientation is not being met by the existing charging mechanism employed by eircom as the current €8.41 price for the Line Share product allows eircom to systematically over-recover the costs of the local loop. Given that tariffs are now fully rebalanced, all the common costs of the local loop are already recovered from the line rental price either at retail or wholesale level. To allow allocation of 50% of the common costs of the local loop to the Line Share price in this situation is therefore entirely contrary to the existing regulatory obligation of cost orientation.

Q3. Do you agree or disagree that the Full LLU monthly rental price has up to now allowed Eircom to recover the full cost of the Local loop based on FL-LRIC principles? Please explain in detail your response.

Yes. The current price of ULMP based on the BU-LRIC model used by eircom has, at a minimum, allowed eircom to recover the full cost of the local loop.

Q4. Do you agree or disagree that the existing price methodology for LS could act as a barrier to further investment by OAOs to the detriment of competition and overall consumer welfare? Please explain in detail your response.

Yes. The current price of ULMP fully recovers the cost of the local loop, but the current price methodology for LS does not make any allowance for this and continues to require that 50% of the calculated common cost of the local loop is recovered from LS, as reflected in the current wholly excessive monthly rental price of €8.41 charged for shared access. This inefficiently high price for shared access is seriously and artificially undermining the business case for competition in the market by OAOs on the basis of LLU and is thereby distorting the level and nature of competition in the provision of fixed voice and data products to the detriment of consumer welfare.

Vodafone also considers that the current price of LS raises significant concerns regarding the existence of a margin squeeze, contrary to the current regulatory obligations on eircom prohibiting this competition restricting practice.

Vodafone contends that if the current over recovery of costs reflected in the current price of LS is not addressed in a timely manner then there is a serious risk that robust competition in the market by OAOs on the basis of greater infrastructure investment using LLU will not be realised.

Q5. Do you agree or dis-agree that the current implementation of the previous ODTR decision D8/01, insofar as it relates to LS recurring charges and the methodology for the calculation of LS recurring charges, creates an anomaly when compared to the recovery of costs through Full LLU monthly rental charges. Please explain in detail your response.

Yes. Please see the response to question 4.

Q6. Do you agree or disagree that the methodology adopted in 2001 is not appropriate in 2008 or going forward to comply with the cost orientation obligation as set out in D8/04. Please explain in detail your response.

Yes. The methodology of a 50:50 allocation of the common costs of the local loop between narrowband and broadband services adopted in 2001 was based on incomplete information and developed in an environment where broadband services had not achieved any significant degree of penetration in the market. The serious limitations of the 2001 decision and methodology together with the dramatic changes in market conditions in the intervening period since mean that this decision and approach is now completely inappropriate and inconsistent with the cost orientation obligation currently imposed on eircom.

Q7. Depending on your answer to the above do you agree or disagree that ComReg should withdraw D8/01, insofar as it relates to LS recurring charges and the methodology for the calculation of LS recurring charges. Please explain in detail your response.

Vodafone agrees that ComReg should withdraw D8/01 as it relates to LS recurring charges and the methodology for the calculation of these charges for the reasons set out in the response to question 6.

Q8. Do you agree or disagree that based on the information analysed to date by various experts, namely Frontier Economics and Tera on behalf of ComReg that Eircom fully recovers all costs of the Access network through either retail line rental, SB-WLR or LLU monthly charges through FLRIC cost recovery principles.

Yes. As retail tariffs are now acknowledged to have been fully rebalanced, eircom fully recovers all costs of the access network through either retail line rental, SB-WLR or LLU monthly charges.

Q9. Do you agree or disagree that the above criteria (and as further set out in the Tera Report) forms a sound basis for assessment when reviewing regulated prices? Please detail in full your response.

Vodafone agrees that the criteria as set out in the Tera report are the appropriate factors to consider in reviewing the current regulated price of the Line Share product.

Q10. Do you agree or disagree that HCAs are generally not an appropriate basis on which to set regulatory pricing decisions and that few regulators have used them in the past without detailed analysis and transparency. Please detail in full your response.

Vodafone agrees that historic cost accounts (HCAs) are generally not an appropriate basis on which to set regulatory pricing decisions. The significant shortcomings of a pricing methodology based on HCAs outlined by ComReg, such as the insufficient disaggregation of the available information to enable verification of compliance by the SMP undertaking with its cost orientation obligation, and the likely presence of legacy inefficiencies in the actual costs reported, mean that independent cost models based on a bottom up FL-LRIC approach should be used to the fullest extent possible.

Vodafone believes that ComReg should require the preparation of the accounts for the Access network on a CCA basis so that a reconciliation approach to the determination of regulated prices using the results of both the bottom up FL-LRIC and top down CCA methodologies can be used going forward.

Q11. If you believe that the HCAs of Eircom are a suitable basis on which to base regulatory pricing decision, do you believe that the current presentation of these accounts allows for the determination of appropriate regulated prices? Please detail in full your response.

Please see the response to question 10.

Q12. Do you agree or disagree with the above summary, if not please provide any additional information you might have? Please detail in full your response.

Vodafone does not have specific knowledge of the methodologies used by NRAs in other countries for setting LS prices but has no reason to believe that ComReg's summary of the position is inaccurate.

Q13. Do you agree or disagree that the proposals of ComReg will not have an impact on infrastructure investment of alternative platforms? Please explain in detail your response.

Vodafone agrees that the proposed LS monthly rental price will not have an impact on infrastructure investment in alternative platforms as the total cost of the local access network in aggregate is recovered from subscribers and there is no proposal to set the LS price below the incremental cost of provision. Vodafone does however differ with ComReg on the specific LS price that is consistent with incremental cost. Vodafone believes that the actual incremental cost is somewhat lower than the €0.75 currently proposed. Our view on the appropriate price is fully detailed in response to subsequent questions.

Vodafone considers that ComReg's proposals are likely to alter the relative attractiveness of use of different regulated wholesale products for the provision of broadband services. As the current LS price is excessive and has led to over-recovery of eircom's costs it has distorted the market and artificially deterred alternative operators from competing in DSL service provision on the basis of use of shared access to the local loop. ComReg's current proposals will address this anomaly and contribute to a more efficient price structure for regulated wholesale products. At least some existing demand for use of Bitstream to provide broadband services to end users is therefore likely to switch to use of the LS product.

Q14. Do you agree or disagree that the above methodologies form an appropriate basis on which to consider the methodology options available to ComReg? Please explain in detail your response.

Vodafone agrees that the 10 methodologies as set out in Figure 5 of the consultation document comprehensively cover the main methodology options available and form an appropriate basis on which to consider the optimal allocation of the common costs of the local loop.

Q15. Taking into account the table above, which methodology do you think is the most appropriate and why taking into account the regulatory objectives of ComReg as set out? Please explain in detail your response.

Economic theory has clearly established that the Ramsey Boiteux pricing rule is the optimal methodology to determine how a common fixed cost should be attributed across a number of services. Ramsey pricing maximises social surplus subject to the constraint that common fixed costs must be fully and efficiently recovered. This pricing approach minimises the distortion to consumption arising from the mark-ups over incremental cost required to cover fixed costs, with the mark-up for each service being inversely proportional to its respective price elasticity of demand (a smaller part of the common costs being allocated to services that are more price sensitive). Vodafone notes that Tera, in section 5.11 of its report, agrees that the Ramsey Boiteux methodology is the first-best solution but conclude that the very high information requirements and difficulties in implementation mean that this method does not satisfy the simplicity/practical criterion and should not therefore be adopted.

Vodafone acknowledges that the requirement of the Ramsey Boiteux methodology for information on market price elasticities of demand for the PSTN line rental and Line Share services mean that while it is the optimal approach to apply in theory, it is impractical to properly implement in this instance. In the likely case where a small proportion of the common costs of the local loop were allocated to Line Share as the outcome of this methodology, the associated requirement to implement a downward adjustment to the retail price of PSTN line rental for lines being unbundled on the basis of the Line Share product could be problematically complex.

Consequently Vodafone considers that the incremental pricing methodology proposed is on balance the most appropriate methodology to use for the allocation of the common costs of the local loop between the Line Share and PSTN line rental services. While incremental pricing of Line Share is not consumer welfare maximising as it does not achieve an optimal allocation of the common costs between the two products, it is practical to implement and achieves all the other criteria that have been set out. Vodafone also considers that as it is reasonable to assume that the price elasticity of demand for PSTN line rental is relatively inelastic, and that for broadband services relatively elastic, this approach is unlikely to lead to an outcome considerably at variance with the Ramsey Boiteux approach in terms of the final price determined for the Line Share service.

Q16. Do you agree or disagree that the above diagram (figure 6) is a fair representation of the costs involved in providing the LS services? Please explain in detail your response.

Vodafone considers that the diagram is a reasonable representation of the costs involved in providing the LS service.

Q17. Do you agree or disagree that ComReg has considered all incremental costs from the list above? Please explain in detail your response.

ComReg has, to Vodafone's knowledge, considered all the applicable incremental costs of providing the LS product in the list.

Q18. Do you agree or disagree that lines with pair gain system should be allowed to be unbundled? If so, what do you believe is a reasonable cost associated with pair gain removal and how should it be recovered? Please explain in detail your response.

Vodafone agrees that line with a pair gain system should be allowed to be unbundled. Vodafone considers that it is important in the interests of the promotion of competition and the promotion of social inclusion that customers currently availing of fixed services on lines where a pair gain system is present should not be precluded from availing of broadband services provided by OAOs on the basis of shared access to the local loop. The associated cost of pair gain removal is properly recovered from the LS monthly rental cost.

Vodafone does not have detailed information on the inputs to the calculations underlying the estimated cost of facilitating pair gain removal of €0.36 per line (based on the 10 year depreciation period proposed by Tera). These inputs relate to the proportion of all lines on which pair gain is used, and the per unit investment cost of replacing pair gain systems where they are present so as to enable provision of DSL services. Vodafone considers that, except where there are valid grounds for withholding data for reasons of commercial confidentiality, full transparency should be provided on these elements and the associated calculations to obtain the costs per line of pair gain removal under the various depreciation periods as set out in Figure 7.

In the current absence of full visibility of the detailed information on the underlying inputs driving the investment cost of pair gain removal, Vodafone considers that the costs per line per month appear to be reasonable. However Vodafone contends that a depreciation period of at least 180 months, rather than the 120 months currently proposed, would be more appropriate and consistent with the conclusions of ComReg's recently published consultation document and Draft Decision on the review of the regulatory asset lives of eircom (ComReg document 09/11).

Vodafone notes that the basis on which Tera recommends a 10 year (120 month) depreciation period is that economic asset lives are currently lower than in the UK. However in section 4.30.3 of ComReg document 09/11 on the review of the regulatory asset lives of eircom, ComReg itself proposes a regulatory asset life of 20 years for pair gains systems. ComReg also highlighted in the present consultation the current inconsistency of the regulatory asset lives of the fixed incumbent in Ireland with those adopted in other countries and the particular importance of a comparison with the regulatory asset lives used by BT in the U.K., many parts of which have a topography and climate very similar to Ireland.

The Tera recommendation does not appear to take account of the proposed new regulatory asset lives proposed by ComReg. In the context of the proposal in ComReg document 09/11 for a 20 year regulatory asset life for pair gains systems, and the highlighted relevance of the regulatory asset lives of BT in the U.K, Vodafone considers that it is therefore appropriate that the costs of pair gain removal in Ireland are depreciated over a minimum of 15 years (180 months) in line with the depreciation period used by Ofcom in the U.K. mentioned by Tera in their report. **The pair gain removal costs per line per month should therefore be a maximum of €0.29 and not €0.36 as recommended by Tera.**

Q19. Do you consider that an incremental cost of €0.36 per line per month for pair gain removal is correct and reasonable, if it is established that lines with pair gain systems can be unbundled? Please explain in detail your response, with additional reference to the depreciation period chosen.

No. For the reasons set out in the response to question 18, Vodafone considers that an incremental cost per line per month for pair gain removal of a maximum of €0.29 is appropriate on the basis of using a minimum 15 year depreciation period rather than a 10 year depreciation period.

Q20. Do you agree or disagree that the cost of faults relating to LS are already recovered by Eircom through fault repair charges? Please explain in detail your response.

Vodafone agrees that the cost of faults relating to LS are already recovered by Eircom through the separate fault repair charges. Therefore if the cost of faults were to be included in the allowable costs for the determination of the cost oriented monthly rental price for LS, this would allow eircom to over recover its costs and would undermine competition and investment by providing a distorted price signal to the market.

Q21. Do you agree or disagree that the costs of product development and management should be included in the monthly rental cost of LS? If so, please provide the appropriate costings associated with the LS service?

Vodafone considers that, in principle, the costs of product development and management should be included in the monthly rental cost of LS. However robust justification for any product development costs would have to be provided before these could be considered for possible inclusion.

Q22. Do you agree or disagree that the costs of wholesale billing and administration should not be included in the monthly rental cost of LS? If so, please provide the appropriate costings associated with the LS service?

Vodafone agrees that the costs of wholesale billing and administration should be included in the monthly rental cost of LS. The amount of €0.39 per line per month set out in section 6.2 of the consultation document appears to be a reasonable estimate of this cost but it is not clear from ComReg document 04/11 exactly how this estimate was determined.

Q23. Do you agree or disagree that ComReg has reasonably assessed the per line incremental costs for providing LS? Please explain in detail your response.

Vodafone broadly agrees that ComReg has reasonably assessed the per line incremental costs of providing the line share product. However Vodafone considers that a minimum depreciation period of 15 years rather than the 10 year period currently proposed by Tera should be used in the determination of the incremental cost per line per month of pair gain removal. As this reduces the pair gain removal cost proposed from €0.36 to a maximum of €0.29, the total monthly price of Line Share per line as a result should not exceed a maximum price of €0.68.

Q24. Is there anything else in the attached report from Terra which you would like to comment on or correct? Please explain in detail any additional points you would like to make.

There are no other matters in the Tera report on which Vodafone feels it is necessary to comment.

Q25. Do you agree or disagree that the above proposed Decision Instrument is clear, unambiguous and practical? Please explain your view and, if relevant, propose alternative wording.

Vodafone has just two observations with regard to the text of the proposed Decision Instrument.

In sections 1 and 2 of the Draft Decision Vodafone notes that references to the specific ComReg documents relevant to the decision, such as the Decision Instrument designating eircom with SMP in the relevant market, have not been included in the Draft Decision. Vodafone assumes that this omission was intended in the context of the Draft Decision but that the specific references will be included in the text of the Final Decision.

In paragraph 5.2 of the text of the Draft Decision, Vodafone would like to highlight an apparent typographical error. Vodafone considers that the word ‘affect’ should be replaced with the word ‘effect’ in this paragraph.

Vodafone otherwise agrees that the proposed Decision Instrument is clear, unambiguous and practical.

5 Smart Telecom

See ComReg Document 09/66s(a) – Smart Telecoms response to Consultation Document No. 08/106

6 Magnet Networks Limited

Lineshare Pricing

Q. 1. Do you agree or disagree that in order for ComReg to meet its objectives it must review the current pricing and act on the conclusions of the expert report commissioned? Please explain in detail your response

Each of ComReg's five objectives is impacted by a non review of the current pricing structure.

1. *Promote Competition*
   Failing to review lineshare pricing fails to promote competition as it makes it unattractive for an OAO to migrate its bitstream customers in its footprint. It ensures that OAO's remain purchasing eircom's bitstream product rather than innovating within the lineshare sphere. If the only product on offer is bitstream and from the Quarter 3 2008 Comreg quarterly report only 20,770 number of lines are unbundled, this is only 3.3% of the overall DSL lines, this shows that no real and meaningful competition exists. The question must be asked why this is the case? Magnet Networks feel that answer is pricing and the current exorbitantly high price of lineshare in Ireland.

2. *Promote interests of the users within the community*
   Users interest have shifted from using the internet as a mere tool to book flights or order books to somewhere they watch videos, stream movies, listen to the radio e.g. RTE's Operation Transformation allows viewers to log on and follow exercise programmes and cooking demos. Users are now using more bandwidth intensive applications and with eircom's bitstream a users bandwidth is capped at a contended rate of 7.6Mbps or if some are lucky a contended 12Mbps. By having a high line share price it is making it unattractive and difficult for OAO's to migrate their customers. High lineshare pricing is preventing the user from receiving higher uncontedned broadband speeds. These higher speeds will enable customers residential or busiess to watch these cooking demo's, work from home etc. A failure by Comreg to review lineshare pricing is ignoring the interest of the end user.

3. *Ensure that there is no distortion or restriction of competition*
   Imposing such a high line share price is restricting eircom's competitors from offering lineshare. The cost of broadband from eircom business 3 MB is €24.79 excluding VAT whilst Magnet Networks 3MB business product costs €29 excluding VAT. With the difference between bitstream and lineshare is €4.21 it is not viable for an OAO to incur the investment cost to provide a service which looks uncompetitive. Imposing such a high lineshare price is restricting competitors from offering line share. It blatantly shows that there is a distortion of competition. This pricing structure should be addressed immediately.

4. *Encouraging efficient investment in infrastructure and promoting competition.*

With the bitstream price €2.84 higher than the Lineshare price there is no incentive to unbundle exchanges. However, once these exchanges are unbundled and the investment is made by the OAO the OAO is again penalised if they want to provide their current bitstream customer within that exchange a better service. Please see the below return on investment table showing that there is no incentive for an OAO to migrate bitstream customers. Thus, the high lineshare price does not encourage competition but actually fetters it and hinders efficient investment.

	Bitstream cost (Average)	Line share cost	Difference	Cost to migrate	payback in months
	€13.96	€8.42	€5.54	€48.50	9
	€13.96	**€8.42**	**€5.54**	**€95.50**	**18**
Proposed Lineshare Pricing	€13.96	0.75	€13.21	€48.50	4

5. *Encouraging access to the internet at a reasonable cost to the end users.* OAO's would love free and fair unfettered competition. This competition would ensure reasonably priced broadband and would saturate the market to ensure that the majority of the population had access to reasonably priced broadband. However, the high lineshare price further inhibits an OAO from migrating customers and makes unbundling unattractive as it is a cost borne by the OAO and invariably passed on the the end user, thus raising broadband prices. Therefore, these broadband prices look unreasonable when compared with the eircom bitstream offering. Eircom can ensure their pricing is at all times structured so that lineshare pricing looks unreasonable, as is currently occurring with eircom's proposed price reduction. This margin squeeze is being facilitated by a high line share price.

Q. 2. Do you agree or disagree that the existing obligation of cost orientation is not being met by the existing charging mechanism adopted by Eircom? i.e. 50/50 allocation of common costs of the local loop to LS. Please explain in detail your response.

Simply splitting the cost 50/50 between the two services is not cost orientated. Cost orientation in Magnet Networks' view would be outlining the cost of providing the service. The original intention when the copper cable was laid by eircom was to provide voice services. Once this service is provided the provision of other services on this line is incidental i.e. data. Thus, the provision cost should be incidental rather than apportioned 50/50.

Q. 3. Do you agree or disagree that the Full LLU monthly rental price has up to now allowed Eircom to recover the full cost of the Local loop based on FL-LRIC principles? Please explain in detail your response

Magnet Networks agree that full LLU monthly rental price has allowed eircom to recover the full cost of the local loop under FL-LRIC principle.

Q. 4. Do you agree or disagree that the existing price methodology for LS could act as a barrier to further investment by OAOs to the detriment of competition and overall consumer welfare? Please explain in detail your response

Magnet Networks believes that the existing methodology does act as a barrier to further investment. The OAO has to invest to unbundle the exchange and build the backhaul and pay eircom all associated charges. Once this is paid the OAO then has to pay eircom further line rental charges to provide a customer services. Thus, before an OAO can acquire a customer it has expanded a large sum of money to unbundle an exchange and then must consider potential returns on investment and profits before pricing a product. A high line share product erodes any profit or return. A lineshare service priced greater than an eircom bitstream product cannot compete fairly. Thus, allowing a margin squeeze exist in the market. Comreg are complisant in this margin squeeze by approving eircom's bitstream pricing. The end user may not understand the difference and their decision will be a priced based one. This exorbitant lineshare price is acting as a barrier to further OAO investment in Irish telecoms. This pricing structure also ensures that eircom are over recovering their sunk costs which further inflates their profit margin, lowers contended broadband prices and thus further hindering OAO investment.

Magnet Networks believes that without a doubt the line share pricing acts as a barrier to investment. The end users welfare was not considered when setting the original price and its imperative that this pricing is altered to ensure that the customer is considered. The reduction to .75cent or Magnet Networks .39 cent will open high speed broadband to end users, thus encouraging high speed broadband take up and further feeding into the much lauded knowledge economy.

Q. 5. Do you agree or disagree that the current implementation of the previous ODTR Decision D8/01, insofar as it relates to LS recurring charges and the methodology for the calculation of LS recurring charges, creates an anomaly when compared to the recovery of costs through Full LLU monthly rental charges. Please explain in detail your response

Magnet Networks agrees the there is an anomaly between the cost recovery employed in full LLU and Lineshare. Full LLU recover is calculated through FL-LRIC. Line share is arbitrary price recovery based on a cost orientation that is submitted by eircom without further examination. As stated by ComReg, bitstream accounts are not separately provided and thus it is hard to monitor the true price of either narrowband and line share.

Q. 6. Do you agree or disagree that the methodology adopted in 2001 is not appropriate in 2008 or going forward to comply with the cost orientation obligation as set out in D8/04. Please explain in detail your response

Since 2001 technology has advanced dramatically and what a person used broadband for un 2001 is different to 2009. In 2001 dial up broadband was the predominant form of broadband access. In 2009, if a subscriber can not get 3Mbps or 4Mbps they are upset. Expectations are much higher amongst consumers in 2009. Thus, the methodology adopted in 2001 was adopted for compliance reasons rather than thinking of the evolution of broadband use without end users welfare being considered. In 2009, it is imperative that ComReg adhere to their objectives to ensure a methodology is used that has as its focus competition and providing services to the end user at a reasonable cost.

Q. 7. Depending on your answer to the above do you agree or disagree that ComReg should withdraw D8/01, insofar as it relates to LS recurring charges and the methodology for the calculation of LS recurring Please explain in detail your response

Magnet Networks believe that withdrawal of D08/01 is necessary, only if replacing it with a methodology outlined in this consultation.

Q. 8. Do you agree or disagree that based on the information analysed to date by various experts, namely Frontier Economics and Tera on behalf of ComReg that Eircom fully recovers all costs of the Access network through either retail line rental, SB-WLR or LLU monthly charges through FLRIC cost recovery principles

Magnet Networks agree with the information analysed of the various experts that eircom recovers all their costs from retail line rental, SB-WLR and LLU monthly charges.

Q. 9. Do you agree or disagree that the above criteria (and as further set out in the Tera Report) forms a sound basis for assessment when reviewing regulated prices? Please detail in full your response

Magnet Networks agree with that the criteria form a sound basis for assessment when reviewing regulated prices. There criteria are broad in scope and thus represent ideas thus ensuring effective debate around the most effective pricing principle to assist and facilitate competition.

Q. 10. Do you agree or disagree that HCAs are generally not an appropriate basis on which to set regulatory pricing decisions and that few regulators have used them in the past without detailed analysis and transparency. Please detail in full your response

Magnet Networks agree that HCAs are not an appropriate basis to set regulated pricing as they take account of historic costs obtained from the incumbent. HCA's fail to take into account versatility of copper and the interoperability of services and thus is not a true reflection on the actual cost as providing that service. It would allow the incumbent charge twice for the same line for different uses as noted in charging for voice and data delivered over the same copper cable. Thus, the incumbent is receiving double payment for the one asset. HCA's also prevent transparency to the true cost of the provision of an individual service.

Q. 11. If you believe that the HCAs of Eircom are a suitable basis on which to base regulatory pricing decision, do you believe that the current presentation of these accounts allows for the determination of appropriate regulated prices? Please detail in full your response

No as per answer in Question 10.

Q. 12. Do you agree of disagree with the above summary, if not please provide any additional information you might have? Please detail in full your response.

As Magnet Networks has not taken a review of others nations approaches we are unable to give an conclusive agreement.

Q. 13. Do you agree or disagree that the proposals of ComReg will not have an impact on infrastructure investment of alternative platforms? Please explain in detail your response.

Magnet Networks agree with Comreg that Comreg's proposal will not have impact as investors/OAO's take into account different things not just line share when deciding to invest in technology.

Q. 14. Do you agree or disagree that the above methodologies form an appropriate basis on which to consider the methodology options available to ComReg? Please explain in detail your response

Magnet Networks agree that the above methodologies form an appropriate basis on which to consider the methodology options available to Comreg.

Q. 15. Taking into account the table above, which methodology do you think is the most appropriate and why taking into account the regulatory objectives of ComReg as set out? Please explain in detail your response.

Magnet Networks believe that the incremental methodology is the most effect as it has satisfied Comreg's objectives. Thus, it allows eircom to recover their costs while still ensuring that the end user is receiving a value for money product. It also allows the OAO to offer the service and still make a return on investment.

Q. 16. Do you agree or disagree that the above diagram (figure 6) is a fair representation of the costs involved in providing the LS services? Please explain in detail your response.

Overall Magnet Networks agree however would like to point out that a cable has 1000 lines but for line share the capacity is halved due to the fact that a cable is needed to split the voice and the other is for data. With fully unbundled each 1000 line can be used.

Q. 17. Do you agree or disagree that ComReg has considered all incremental costs from the list above? Please explain in detail you response.

Overall Magnet Networks agree with the list however some things such as pair gain removal may be considered but the cost should be disregarded. Some costs have a minimal impact and this has been identified by ComReg e.g. product development and management.

Q. 18. Do you agree or disagree that lines with pair gain system should be allowed to be unbundled? If so, what do you believe is a reasonable cost associated with pair gain removal and how should it be recovered? Please explain in detail your response.

Magnet Networks do not believe that pair gain should be included because each customer is paying for a full copper pair into their residence. Thus, eircom should not recover for something that should not exist.

Q. 19. Do you consider that an incremental cost of €0.36 per line per month for pair gain removal is correct and reasonable, if it is establish that lines with pair gain systems can be unbundled? Please explain in detail your response, with additional reference to the depreciation period chosen.

As above.

Q. 20. Do you agree or disagree that the cost of faults relating to LS are already recovered by Eircom through fault repair charges? Please explain in detail your response.

Yes, recovered in the ARO.

Q. 21. Do you agree or disagree that the costs of product development and management should be included in the monthly rental cost of LS? If so, please provide the appropriate costings associated with the LS service?

No as the product has already been developed.

Q. 22. Do you agree or disagree that the costs of wholesale billing and administration should be included in the monthly rental cost of LS? If so, please provide the appropriate costings associated with the LS service?

Agree but costing is minimal.

Q. 23. Do you agree or disagree that ComReg has reasonably assessed the per line incremental costs for providing LS? Please explain in detail your response.

Magnet Networks disagree as pair/gain should be excluded and thus the line share price should be .39 cent.

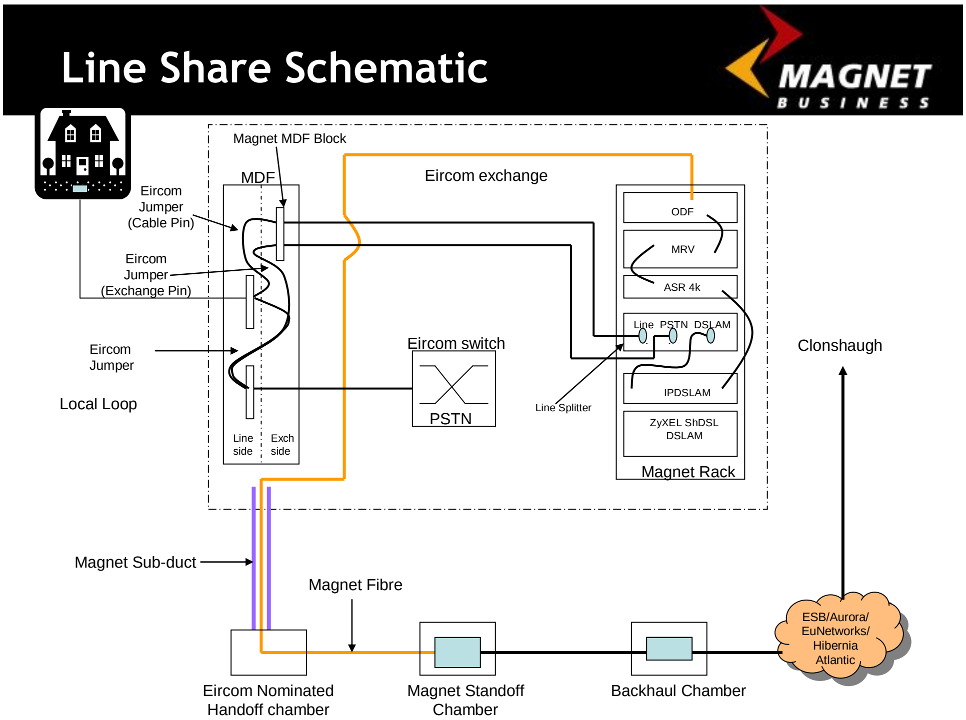
Q. 24. Is there anything else in the attached report from Tera which you would like to comment on or correct? Please explain in detail any additional points you would like to make.

Nothing to add.

Q. 25. Do you agree or disagree that the above proposed Decision Instrument is clear, unambiguous and practical? Please explain your view and, if relevant, propose alternative wording

Overall agree with the Decision Instrument however, Magnet Networks suggest .39cent price.

Magnet Networks Line Share Schematic.



7 Alternative Operators in the Communications Market ("ALTO")

alto
alternative operators in the communications market

ALTO Response to the ComReg consultation for the Rental Price for Shared Access to the Unbundled

<u>ComReg 08/106</u>

ALTO welcomes this consultation of the Local Loop Unbundling – LLU, Line Share Pricing.

ALTO strongly agrees that eircom is over recovering its costs with its Line Share price of 8.41 Euro per month, on top of the payment it receives for line rental and charges for all the other components of LLU. It is quite apparent to the industry that eircom has been increasing the line share price year on year.

Ireland now has one of the highest line share prices in Europe. This has impeded the development of LLU, is bad for consumers and has inhibited investment. It may also be said that this could be anti competitive.

ALTO, through its association with ECTA in Brussels has realised that market stimuli have been employed in other countries such as France, the UK and more recently Greece and this is now the time for similar stimuli in Ireland.

LLU pricing levels are inhibiting opportunities for competition and the customer as highlighted by the recent ECTA report which identifies a linkage between countries that have exploited LLU to the full and improved broadband features overall.

ALTO's view is that the ComReg proposal is transparent and methodical. One issue is whether the number of carrier systems is completely accurate and as high as ComReg's retained consultants Tera have stated. A concern would be that disproportionate influences on rental prices are a problem if figures are inaccurately reflected. ALTO generally considers the analysis work balanced and correct. The carrier and indeed customer should decide through purchasing decisions which network they want to use.

ALTO is of the view that Decision notice D8/04 is now potentially acting against the interests of the market and consideration should be given to withdrawing the Decision notice, either in its entirety or in part, irrespective of the outcome of this consultation to allow line share pricing to default to existing regulation on cost orientated pricing.

ALTO remains committed to assisting ComReg in facilitating competition in the market.

11 March 2009