



Commission for  
**Communications Regulation**

## Decision Notice

### **Number Translation Codes:**

**Final Retention Rates to apply for NTCs from 1 December 1999 to 31 March 2002.**

<b>Decision No:</b>	<b>D10/03</b>
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## **1 Foreword by the Chairperson**

Number Translation Codes (NTCs) are services identified by their prefix whose prices do not vary with geographic area. An example is internet access (prefix 1890). This paper addresses the question of interconnection rates applicable to calls destined for such numbers. In situations where a call is originated on eircom's network to a service hosted by an OLO, eircom must pass on the retail revenue but is allowed retain a portion of that revenue less a retention to cover its own costs. It is these retentions that are the subject of this paper.

In this decision we set final retention rates for a number of NTC services for the periods from 1 December 1999 to 31 March 2000, 1 April 2000 to 31 March 2001 & 1 April 2001 to 31 March 2002. ComReg is currently reviewing the interim retention rates for the period 1 April 2002 to 31 March 2003 and proposes to issue revised rates in the coming weeks. In the interim period, the interim retention rates published in eircom's RIO should be used.

These services are of importance to customers who use the telecommunication networks to dial-up and access a wide range of further services - including accessing the Internet. The setting of final retention rates for the relevant periods will provide greater flexibility and commercial certainty to operators and service providers in the market

**Etain Doyle,**

Chairperson, Commission for Communications Regulation

## 2 Introduction

This Decision Notice sets final retention rates for various NTC services for the periods from 1 December 1999 to 31 March 2000, 1 April 2000 to 31 March 2001 & 1 April 2001 to 31 March 2002.

ComReg have reviewed eircom's justification of its costs and proposed charges for calls destined for the Internet and NTCs in the light of the principles set out in D4/00<sup>1</sup> and is reasonably satisfied that eircom's proposals are in accordance with these principles having regard to the comments made below. ComReg appreciates that these submissions date back to 1999 and eircom's cost allocation methods may not have been as detailed at that time. In some instances for earlier periods, ComReg has had to interpret what information was available as best it could. ComReg proposes to work with eircom in refining the format of future NTC submissions.

As part of our review of these proposals, ComReg requested eircom to submit a detailed impact study of the impact of these rate changes on the industry. eircom were not in a position to provide this study and ComReg understands that a number of reviews of the relevant billing system are ongoing for these periods. ComReg is disappointed in eircom's failure to provide the impact study and proposes to take an active interest in eircom's review of its billing systems, with the objective of ensuring that OLOs have been appropriately charged for NTC interconnect services over the period since December 1999.

While D7/00<sup>2</sup> states:- *"The Director/Chairperson will apply retrospection on an annual basis following calculation of final interconnect rates. Retrospective rates shall be calculated for all services, but shall only be applied where there is a material difference between interim and final interconnection rates on the revenues of operators"*

In the absence of an impact study, ComReg is not in a position to accurately determine if retrospection should apply. Therefore, ComReg will not at this point in time make a decision on the retrospection of payments arising from new retention rates pending the outcome of the various billing reviews of eircom's Interconnect Billing system. However ComReg reserves

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<sup>1</sup> ODTR 00/17- Interconnect Calls destined for Internet Services Decision D4/00 and Number Translation Codes.

<sup>2</sup> ODTR 00/31 eircom's Rio – Decision Notice D7/00 & Response to the Consultation.

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the right to retrospect payments resulting from these changes pending the outcome of eircom's reviews and will revisit this issue in July 2003.

The Commission therefore directs eircom:

- To set Final Retention Rates for the periods from 1 December 1999 to 31 March 2002.
- To submit to ComReg the Terms of Reference for the various Projects/Reviews initiated in relation to their Interconnect Billing System's.
- To report to the Commission on the progress of these projects/reviews on a fortnightly basis starting on 9<sup>th</sup> May 2003.
- To submit a detailed impact study to ComReg by 1 July 2003.

Appendices 1, 2, 3, & 4 sets out the final retention rates which will apply for the periods from 1 December 1999 to 31 March 2000, 1 April 2000 to 31 March 2001, 1 April 2001 to 30 September 2001 and 1 October 2001 to 31 March 2002.

Appendix 5 sets out some background information, including a brief overview of the most relevant legislation underpinning this Decision Notice and details of ComReg's other published documents on interconnection.

### 3 ComReg's Assessment

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

- A detailed review of the submission from *eircom* of its costs and its justification for rates for the periods in question;
- A consideration of the relevance of particular costs during the period concerned; and

D4/00 set out the principles governing the calculation of *eircom's* cost's incurred in providing call conveyance to NTCs. D4/00 permits *eircom* to recover four categories of retail costs from revenues collected from *eircom* customers calling NTCs hosted from OLO networks: Conveyance Charge, Billing, Cash Collection, Credit Management & Bad Debts costs.

- **Conveyance Charge**

Conveyance charge rates have been approved by ComReg on an interim or final basis and have been included in these proposals.

- **Billing and Cash Collection Costs**

D4/00 directed that billing & cash collection costs are to be allocated to services on the basis of call volumes. Billing and Cash collection costs have been extracted from *eircom's* 2001/02 separated accounts. While this information was not available in full in the 1999/00 & 2000/01 separated accounts, *eircom* did provide us with back up retail cost information for these periods. Analysis of these costs show that – with the exception of Charge card services – the retail cost per call falls into a narrow range. For this reason *eircom* proposed to exclude the Charge card costs and recover billing and cash collection costs for the remaining NTCs at a single average rate of cost per call over the remaining NTC's. *eircom* proposed this approach for considerations of practicality and ComReg agrees with *eircom* on this matter.

- **Credit Management and Bad Debt Costs**

D4/00 directed that credit management & bad debt costs are to be allocated on the basis of revenue collected. *eircom* have proposed that costs be allocated to these services as a fixed proportion of the collected revenue for those services, corresponding to an average credit management and bad debt cost as a percentage of revenue for all call traffic. ComReg disagrees

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with this allocation method for bad debts and, in line with a previous direction in relation to Near End Handover, has directed eircom to allocate bad debts on a service by service based on the separated accounts. This information was not available in full in the Separated Accounts for 1999/00 & 2000/01, and ComReg proposes to use eircom's allocation method for these periods.

**Decision 1. The Commission, after reviewing cost information from *eircom*, has determined that the rates set out in Appendix 1, 2, 3 & 4 for the periods from 1 December 1999 to 31 March 2000, 1 April 2000 to 31 March 2001 & 1 April 2001 to 30 September 2001 and 1 October 2001 to 31 March 2002 be adopted as final retention rates. This decision is made under Regulations 8(5), 8(6), 8(9), 8(10) and 10(3) of the European Communities (Interconnection in Telecommunications) Regulations, 1998, SI No. 15 of 1998.**

**Decision 2. The Commission directs *eircom* :**

- To submit the Terms of Reference for the various projects/reviews initiated into their Billing systems.
- To report to the Commission in writing on the progress of these projects/reviews on a fortnightly basis starting on 9<sup>th</sup> May 2003.
- To submit a detailed Impact Study by 1<sup>st</sup> July 2003.

The Commission reserves the right to retrospect payments resulting from changes in NTC interconnect rates pending the outcome of these reviews.

This Decision is made under Regulation 8 (10), 19 (8) of the European Communities (Interconnection in Telecommunications) Regulation, 1998, SI No 15 of 1998 and under Condition 3.1 of the General Telecommunication Licence.



**APPENDIX 1: Final Retention Rates for period from 1 December 1999 to 31 March 2000.**

<b>Service</b>	<b>Day</b>	<b>Evening</b>	<b>Weekend</b>	<b>Units</b>
1800	1.57	0.99	0.98	cents/min
1850	1.98	1.48	1.53	cents/call
1890	1.93	1.21	1.20	cents/min
1891	1.47	0.83	0.79	cents/min
0818	N/A	N/A	N/A	cents/min
0700	N/A	N/A	N/A	cents/min
1530	3.53	2.98	2.95	cents/call
1540	3.54	2.99	2.95	cents/min
1550	3.19	2.55	2.56	cents/min
1560	3.41	2.74	2.79	cents/min
1570	4.08	3.42	3.45	cents/min
1580	5.07	4.45	4.44	cents/min

**APPENDIX 2: Final Retention Rates for period from 1 April 2000 to 31 March 2001.**

<b>Service</b>	<b>Day</b>	<b>Evening</b>	<b>Weekend</b>	<b>Units</b>
<b>1800</b>	1.21	0.77	0.77	cents/min
<b>1850</b>	1.54	1.19	1.18	cents/call
<b>1890</b>	1.54	1.00	0.98	cents/min
<b>1891</b>	1.10	0.65	0.61	cents/min
<b>0818</b>	1.73	1.08	1.04	cents/min
<b>0700</b>	N/A	N/A	N/A	cents/min
<b>1530</b>	2.91	2.51	2.47	cents/call
<b>1540</b>	2.82	2.42	2.38	cents/min
<b>1550</b>	2.28	1.79	1.80	cents/min
<b>1560</b>	2.33	1.81	1.86	cents/min
<b>1570</b>	2.75	2.25	2.28	cents/min
<b>1580</b>	3.26	2.80	2.79	cents/min

**APPENDIX 3: Final Retention Rates for period from 1 April 2001 to 30 September 2001.**

<b>Service</b>	<b>Day</b>	<b>Evening</b>	<b>Weekend</b>	<b>Units</b>
<b>1800</b>	1.30	0.85	0.86	cents/min
<b>1850</b>	1.63	1.18	1.18	cents/call
<b>1890</b>	1.61	1.06	1.02	cents/min
<b>1891</b>	1.22	0.74	0.67	cents/min
<b>0818</b>	1.64	1.27	1.18	cents/min
<b>0700</b>	2.61	1.76	1.59	cents/min
<b>1530</b>	2.94	2.51	2.45	cents/call
<b>1540</b>	2.73	2.29	2.24	cents/min
<b>1550</b>	2.20	1.76	1.71	cents/min
<b>1560</b>	2.09	1.66	1.60	cents/min
<b>1570</b>	2.20	1.76	1.71	cents/min
<b>1580</b>	2.38	1.95	1.89	cents/min

**APPENDIX 4: Final Retention Rates for period from 1 October 2001 to 31 March 2002.**

<b>Service</b>	<b>Day</b>	<b>Evening</b>	<b>Weekend</b>	<b>Units</b>
<b>1800</b>	1.28	0.83	0.87	cents/min
<b>1850</b>	1.63	1.17	1.19	cents/call
<b>1890</b>	1.60	1.03	1.00	cents/min
<b>1891</b>	1.04	0.64	0.58	cents/min
<b>0818</b>	1.56	1.25	1.17	cents/min
<b>0700</b>	2.75	1.79	1.61	cents/min
<b>1530</b>	3.38	2.75	2.67	cents/call
<b>1540</b>	3.07	2.48	2.40	cents/min
<b>1550</b>	2.29	1.81	1.75	cents/min
<b>1560</b>	2.11	1.66	1.61	cents/min
<b>1570</b>	2.20	1.76	1.71	cents/min
<b>1580</b>	2.35	1.93	1.87	cents/min

## **APPENDIX 5: Background Information**

### **Background**

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

### **Legislative Background**

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

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

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

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

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

In addition, guidance in the form of recommendations issued by the EU Commission on interconnection and the setting of rates intended to help Member States realise the objectives of the Interconnection Directive is relevant. Of particular note are the following:-

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

### **Related Decisions and Documents.**

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

- "Interconnection Rates in the Irish Telecommunications Sector", November 1998, ODTR 98/52 and "Interconnection Rates in the Irish Telecommunications Sector - Report on Remaining Reference Interconnect Offer Rates", November 1998, ODTR 98/60.
- ODTR 99/17 "The Development of Long Run Incremental Costing for Interconnection", Consultation Paper- March 1999.
- ODTR 99/38 "The Development of Long Run Incremental Costing for Interconnection Decision Notice D6/99 and Report on Consultation Paper ODTR 99/17"
- ODTR 99/35 "Accounting Separation and Publication of Financial Information for Telecommunications Operators - Decision Notice D5/99, Consultation Report and Issues for Further Consideration."
- ODTR 99/52 "Accounting Separation and Publication of Financial Information for Telecommunications Operators - Decision Notice D10/99."
- ODTR 99/43 "Costing Methodologies for use in Accounting Separation - Decision Notice D8/99 and Report on the Consultation".
- ODTR 99/16 "Telecom Éireann's Reference Interconnection Offer, Consultation Paper"
- ODTR 00/31 "Eircom's Reference Interconnect Offer- Decision Notice D7/00 & Report on the Consultation."
- ODTR 00/59 "Accounting Separation and Publication of Financial Information for Telecommunications Operators Decision Notice D9/00 & Issue for Further Consideration"

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- ODTR 00/72 "Accounting Separation and Publication of Financial Information for Telecommunications Operators, Supplemental Information referring to Decision Notice D9/00, Decision Notice D10/00,".
- ODTR 01/24 "Eircom's Reference Interconnect Offer & Accounting Separation and Publication of Financial information for Telecommunication Operators- Report on the Consultation & Decision Notice D7/01."
- ODTR 99/46 "Interconnection for Calls destined for Internet Services and Number Translation Codes" – Decision Notice D9/99.
- ODTR 99/25: "Interconnection for Calls Destined for Internet Services and Number Translation Codes – Consultation Paper".
- ODTR 00/17 "Interconnection for Calls destined for Internet Services and Number Translation Codes" – Decision Notice D4/00.