

alto

alternative operators in the communications market

Response to Consultation on Rental price for Shared Access to the Unbundled Local Loop

ComReg 08/23

Date: 16th April 2008

ALTO response to ComReg consultation on Rental Price for LLU Line Share

1. ALTO welcomes the opportunity to respond to the above consultation as LLU Line Share is a very important component of competition in the Irish Broadband Market
2. ALTO believes that the current price charged for this access service is
 - a. Too expensive given the prices prevailing in other comparable markets
 - b. Represents an over recovery of costs by eircom
 - c. Give an in-built advantage to the eircom Bitstream products contributing to a margin squeeze
 - d. When coupled with migration costs make it prohibitive for customers to exercise choice
3. An unattractive Line share price has the effect of inhibiting OAOs who offer products that differentiate on product attributes as well as price. This restricts
 - a. Broadband penetration
 - b. Market growth
 - c. Investment by OAOs
4. The proposal by ComReg to introduce an interim price pending full review of LLU pricing is a prompt response to a problem in the market and is welcomed by ALTO

Q. 1. Do you agree or disagree with the reasoning set out above? In particular do you agree or disagree that current LLU Line Share pricing may represent an over recovery of cost by Eircom and may make it unduly difficult for LLU Line Share users to compete against Eircom's wholesale broadband product? Please detail your response and where possible supported with evidence.

A1 ALTO agrees with the reasoning above. The LLU Line Share pricing represents an over recovery of costs. Further the differential between Bitstream and Line Share rental costs makes it uneconomic for an OAO to provide a line share service. In addition the costs of migrating from a Bitstream to a line share product are also prohibitive. This is effectively a margin squeeze.

Q. 2. Do you agree or disagree that ComReg should now revoke previous ComReg Decision Notice D8/01, insofar as it relates to LLU Line Share Recurring Charges and the methodology for the calculation of LLU Line Share Recurring Charges, as it is no longer appropriate, given the changes in the broadband market and the demand for LLU Line Share and the over recovery of cost that this decision gives rise to? Please detail your response and where possible supported with evidence.

A2 Continuation of the current pricing for line share in the current dynamic market would continue an over recovery of eircom costs as the market continues to grow. Furthermore, the inherent cost advantage of Bitstream distorts competition in the market which will not be reversible given the high costs of migration. Thus ALTO agrees that the ComReg Decision Notice D8/01 should be revoked as it applies to line share recurring charges.

Q. 3. Do you agree or disagree that based on the above comparison to other countries that LLU Line Share in Ireland is expensive? Please detail your response and where possible supported with evidence.

A3 ALTO agrees with the analysis presented that LLU Line Share in Ireland is expensive compared with other countries.

Q. 4. In the context of the 'Ladder of Investment' approach, do you agree or disagree that ComReg's policy should be to encourage investment in LLU products where viable? Please detail your response and where possible supported with evidence.

A4. Encouraging investment by OAOs in LLU enables intense competition. LLU allows for differentiation of products as well as price and is compatible with the Ladder of Investment approach.

Q. 5. Do you agree or disagree with ComReg's conclusion which states interplatform competition should not be negatively impacted by ComReg decision to amend the anomaly in price of LLU Line Share that exists with previous decision D8/01? Please detail your response and where possible supported with evidence.

A5 ALTO agrees that it is unlikely that platform competition will be negatively impacted by reducing the price of LLU LS. Price is only one factor, service and product specifications also contribute to a competitive market.

Q. 6. Do you agree or disagree with ComReg's proposed approach and preliminary conclusion? Please detail your response and where possible supported with evidence.

A6 ALTO agrees with ComReg's proposed approach and the preliminary conclusion that any decision should reflect the principle that costs should not be over recovered.

Q. 7. Do you agree or disagree with ComReg's proposal to apply a benchmark price of €2.94 per month to LLU Line Share until a full review of LLU pricing has been completed by ComReg, failing an appropriate alternative being proposed by industry? Please detail your response and where possible supported with evidence.

A7 ALTO agrees with Comreg's proposal to apply a benchmark price of €2.94 per month to LLU Line Share until the full review of LLU pricing has been completed.

It addresses the current problem of LLU price levels expeditiously and being interim in nature will allow for appropriate adjustments later when considered with full LLU process.

Q. 8. Do you agree or disagree that if Benchmarking is rejected outright that Option 1 would still be the next appropriate alternative? Please detail your response and where possible supported with evidence.

A8 If benchmarking is rejected outright then Option 1 (incremental pricing) would be the best option for prompt implementation to remove existing distortion.

Q. 9. What do you believe is a reasonable price for LLU Line Share, taking into account the concerns and principles outlined in this consultation? Please detail your response and where possible supported with evidence

A9 A price of €2 would recover costs and at the same time boost competition by the provision of differentiated products at attractive prices, increase broadband penetration and attract investment.

Q. 10. Do you agree or disagree that the above proposed Decision Instrument is clear, unambiguous and practical? Please detail your response and where possible supported with evidence.

A10 The proposed Decision Instrument is clear, unambiguous and practical in the opinion of ALTO.