



**BELGIAN INSTITUTE FOR POSTAL SERVICES AND
TELECOMMUNICATIONS**

Reference:

**INFORMATION REQUEST
NECESSARY FOR THE COMPLETE EXAMINATION
OF THE EXISTENCE OF A PRICE SQUEEZE EFFECT
BETWEEN THE PRICES OF THE ETHERNET BROTSOLL LINES
AND
THE PRICES OF THE RETAIL OFFER OF BELGACOM**

Answer conditions

Deadline answer: le 29/09/2007
For the attention of : Belgian Institute for Postal Services and
Telecommunications
Ellipse Building - Building C
Boulevard du Roi Albert II 35
1030 Brussels
Contact person Alain Maton, Engineer-Advisor (+32 2 226 89
36)
Electronic mail address alain.maton@ibpt.be

Answers are to be sent only in electronic form.

Confidential parts shall be clearly defined.

This consultation takes part according to article 140 of the Act of 13 June 2005.

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CHAPTER 1. BACKGROUND

In its decision of 17 January 2007 on markets 7, 13 and 14, the Institute had imposed “non excessive” prices for wholesale Ethernet lines. The non excessive character of prices had to be monitored by a price squeeze test on a representative basket of lines.

The decision of 11 July 2007 laying down the guidelines on the evaluation of the effects of price squeeze clarified the main methodological options of the test and the procedure to be followed by the Institute.

Belgacom communicated its proposal of BROTSOLL Ethernet tariff offer (attached to this document) and declared that it was the same tariff as the retail tariff.

Because of this statement, the Institute analysed the existence of serious signs of price squeeze. Following a positive result it published a communication on 20 August 2008 and is therefore going to carry out a thorough test. This information request aims at gathering the information necessary for this test.

CHAPTER 2. TEST DESCRIPTION

Belgacom transmitted a list (per LEX pairs) of the Ethernet, Fast Ethernet and GigaEthernet leased lines it provides. The basket selected within the framework of the squeeze test is the whole set of these lines.

Q1 : Do you consider that this set is really a representative basket of the retail Ethernet lines ? If not, what should be added to it or removed from it? More particularly should the local retail Ethernet lines (two ends depending on the same LEX) from the list of Belgacom be included in it?

For the basket composed, the following elements should be assessed:

1. its retail business value by applying the retail tariff to it (which is the same as the BROTSOLL Customer sited tariff);
2. the discounts obtained by retail customers;

Q2 : According to your knowledge of the market, what are the discounts applied and/or what would be the average discount ?

In first analysis, a standard OLO network could be defined with as point of presence,

1. the LEXs representing an important concentration of Ethernet lines customers as well as
2. the LEXs with a significant number of collocation with minimum business customers or making it possible to reduce the distance of a considerable number of lines.

The information in possession of the Institute establishes that it is reasonable:

1. to only take LEXs with collocations (and therefore the wholesale Brotsoll Belgacom sited tariff) as most POPs of OLOs depend on LEXs meeting the previous criteria.
2. to only set aside the LEXs which closure was announced by Belgacom during the period 2013-2018 only if there is no significant collocation for the moment.

The list obtained in this way would be the following : 02AND, 02 BER/DIL, 02EUR, 02EVE, 02LIN, 02MAR, 02SAC, 02SCH, 02STRO, 02VIL, 02WOL, 03BER, 03CEN, 03HAV, 11HAS, 16LEU, 41LGE, 56KOR, 71GIL, 81NAM, 91GEN, 91PIE.

Q3 : Is this list representative and how should it possibly be modified ?

One should also take into account the existence of areas in which the OLOs own a fiber access infrastructure to avoid having to resort to the Partial Circuit.

The probability to resort to its own infrastructure was assessed at 50% around the LEXs 02BOS, 02EUR, 02EVE, 02LIN, 02MAR, 02NOR, 02SAC, 02STR, 02VIL, 02WOL, 03BER, 03CEN, 03HAV, 03ZUI, 09GEN, 09GKK, 09PIE.

Q4 : Is this list and the percentage representative and how should it possibly be modified ?

The discount obtained on the standard BROTSOLL price must be applied on the Partial Circuits defined in this way.

Q5 : According to your knowledge of the market, what are the discounts actually obtained on the wholesale market and/or the average discount ?

The costs supported by the OLOs must then be taken to guarantee the service equivalent to the basket selected.

Therefore, one has to calculate the Partial Circuit with the lower price to go from each end of the basket lines to the LEXs of the standard OLO network with as correction a 50% parameter when this LEX is situated in an area with own OLO fibres.

The cost of the OLO own fibre accesses is considered as equal to the cost of Belgacom for its own fibre accesses (confidential information communicated within the framework of the BROTSOLL SDH cost model).

Q4 : Do you consider this assessment of the cost of the OLO own fibre access appropriate ?

For the long-distance cost within the framework of the standard OLO network, one considers that the OLO long-distance backbone networks have a less important development and have therefore a higher access cost and a lower transport cost in comparison with Belgacom.

This valuation¹ of the Belgacom long-distance can be calculated with the retail tariff (identical to BROTSOLL Customer sited) as follows:

1. The difference in price between a Belgacom sited line and a Customer sited line is the valuation of access
2. The price of the Customer sited line from which the double of the above-mentioned is deducted can be considered as the valuation of the line without its accesses and thus as the long-distance line of Belgacom

The hypothesis chosen is the half cost of the Belgacom long-distance valuation.

Q5 : Do you consider this calculation of the transport cost as appropriate ?

¹ the word "valuation" is used here because the Institute has only prices at its disposal and not costs

Then, the other OLOs retail costs as defined in the decision of 11 July 2007 laying down the guidelines on the evaluation of the effects of price squeeze which clarified the main methodological options of the test and the procedure to be followed by the Institute have to be applied.

Q6 : Which values have to used for :

- a. Billing cost
- b. Customer credit management
- c. Help-desk
- d. Order handling
- e. Sales costs
- f. Marketing costs
- g. Operation management
- h. Cost of capital

Q7 : The respondent may add any information he considers relevant within the framework of this price squeeze test.

CHAPTER 3. COMMUNICATION OF THE COMMENTS

The interested parties may communicated their answers by 29 September 2008 at the latest at the email address alain.maton@ibpt.be . You are requested to clearly identify the confidential parts in your answer.