

IBPT

Formulaire de couverture à joindre à la réponse à une consultation publique organisée par l'IBPT

INFORMATIONS GÉNÉRALES

Titre et date de la consultation :

Draft decision regarding cost accounting for Small Network Adaptations

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- Rien
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- L'identité de la personne physique de contact au sein du répondant
- Certaines parties de la réponse

Dans ce dernier cas, le répondant fournit une version publique et une version confidentielle de sa contribution. Dans la version confidentielle, les parties confidentielles sont clairement identifiées dans le corps du texte.

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Il est donc dans l'intérêt du répondant d'identifier de manière exhaustive et précise les informations confidentielles de manière à éviter que ces informations ne soient rendues publiques dans le cadre de la publication des résultats de la consultation publique.

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NOM, DATE ET SIGNATURE

Mobistar's comments to the BIPT's draft decision concerning the cost accounting for Small Network Adaptations

We thank the BIPT for this consultation on the “Draft decision regarding cost accounting for Small Network Adaptations”¹, hereafter referred as *SNA Consultation*.

Preliminary remarks:

This document constitutes a joined contribution of Mobistar SA and Mobistar Enterprise Services SA (MES). All references to *Mobistar* should be understood as Mobistar SA and Mobistar Enterprise Services SA. A reference to a specific company is done using *Mobistar SA* or *MES*.

We refer in this consultation to our contribution to BIPT's “Draft decision concerning the BRUO/BROBA/WBA 2010/BROTSoLL 2010 reference offers”², which will be referred to as *BRxx Consultation*.

In this contribution, we will first provide some general comments on the important impact that the SNA have operationally as well as the issues encountered by the alternative operators in relation with SNA.

We then comment the impact of this draft decision for the alternative operators in general and for Mobistar in particular as well as the different items addressed in the BIPT's draft decision.

We finally provide some comments on the cost-calculation of Small Network Adaptations fee.

¹ <http://www.bipt.be/ShowDoc.aspx?objectid=3347&lang=en>

² <http://www.bipt.be/ShowDoc.aspx?objectID=3359&lang=EN>



1 General comments

1.1 Important impact of Small Network Adaptations (SNA)

As extensively commented in Mobistar's contribution to the BIPT's *BRxx Consultation*, the "Small Network Adaptations" (SNAs) have an important operational impact on Mobistar's business (we also refer to the sections 6.6, 9.11, 13.2 and 13.3 of our contribution to the above-mentioned *BRxx Consultation*).

1.1.1 Increasing number of *Without Voice* orders

First, we note that the statistics of MES clearly demonstrate an increase of the number of *without voice* orders

This increase of *without voice orders* clearly shows the growing importance of users having packs with a VoIP voice component (and thus not using any PSTN service anymore) as well as the success of the business services which are delivered on raw copper³.

The increasing number of *without voice* orders automatically induces an increase of impact due to SNAs...as a SNA is only related to a *without voice* service.

1.1.2 Increasing number of SNAs

Secondly, as expected in the previous section, we notice an increasing number of SNA over time.

We note that our own figures are in line with the figures of the BIPT. Additionally there is clear an increase of SNAs over the last two years for MES.

We expect that the number of SNA will further increase in the future with the increasing importance of VDSL, especially when taking into account the fact that the customer must be connected via the direct pair for VDSL.

1.1.3 Negative impact of SNAs

Third, we wish to highlight the increasing importance of the SNA process as well as its negative impact for the end-user: the conjunction of the increase of *without voice* orders with the increase of SNA rejects on *without voice* orders logically results in an increasing impact of the SNAs on Mobistar's business.

In conclusion, we can state that the SNAs are becoming an important bottleneck for the economic development of the alternative operators as a significant part of the potential customers are impacted by SNAs. In the current situation, the SNA cost is prohibitive compared to the margins and the life-time of the end-user, which implies that the SNA can not be executed by the alternative operators.

³ We refer for example to Mobistar SA's

One Office Fix Pack (http://business.mobistar.be/go/en/soho/combined_solutions/one_office_fix_pack/overview.cfm) &

One Office Full Pack (http://business.mobistar.be/go/en/soho/combined_solutions/one_office_full_pack/overview.cfm)



1.1.4 Inadequate process for SNAs

Besides the impacts as described above, we also note that the processes developed by Belgacom in the frame of the SNA are not only inefficient but also have an important financial and operational impact for the alternative operators.

First, we note that the reason for these rejects is unclear & un-transparent.

We have noticed that all these successful installations at the second attempt were almost all rejected after validation at the first attempt. This means that at the first attempt the Belgacom technician rejected the order because of SNA and that at the second attempt the Belgacom technician was able to install the line. This obviously raises concerns on the efficiency and quality of the validation process...

Secondly, we deplore that Belgacom had a very restrictive interpretation of the SLA applicable for SNA. Indeed, it considered a SLA of 20 working days as from the moment of detection; this resulted in very long installation times for cases where Mobistar agreed to execute a SNA (typically for business applications). Such long delays have an important negative impact to the image of the alternative operator which is especially damageable for the business market.

We welcomed BIPT's clarification in its *BRxx Consultation* (we refer to section 9.11 of our answer to the *BRxx Consultation*) where we confirmed that we have always contested the fact that this SLA was applicable from the time of detection of the SNA and fully supported BIPT's proposal to clarify that the maximum installation time for an order with SNA may not exceed 20 working days.

Thirdly, the SNA process implemented by Belgacom was very inefficient from the alternative operator's point of view.

In order to avoid the execution of a SNA, the order had to be cancelled once the need for a SNA was detected (either at the order validation or at the SNA detection after validation). Such process is clearly not effective and it is only recently that the alternative operators have the option to specify at the order submission that a SNA is 'not allowed' for a specific order. The inefficiency of the original process resulted not only in additional operational difficulties but also in additional costs as a certain number of SNAs were billed by Belgacom as they were executed although the alternative operators had send a cancellation.

2 Comments on the draft decision

2.1 Introduction

We welcome the clear description of the regulatory frame as the clear description of the scope of this decision. We also thank the BIPT for a clear description of what must be understood as SNA (we also refer to Figure 1) which is defined a (1) the installation, (2) the replacement or (3) the move of the *introduction cable* between the *Network Termination Point (NTP)* at the end-users premises and Belgacom's *distribution cable* in the street.

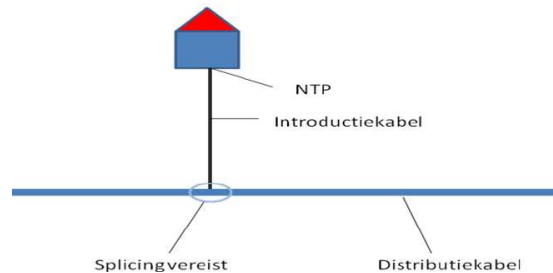


Figure 1: Illustration of a SNA

We understand that the methodology used by the BIPT for the calculation of the costs in relation with SNA or the *SNA Cost model* has not changed but that only the way these costs are charged (which is one off vs monthly rental fee) has changed.

We note that the BIPT reserves its right to eventually review the *SNA Cost model* in order to verify its cost orientation as well as if these costs taken are the ones of an efficient operator.

2.2 SNA cost model

We understand that cost model for SNA has been developed by Bureau Van Dijk for the decision of *BRUO/BROBA One-off fee decision*⁴ of 2007 and that it has not changed since then.

The SNA cost has been defined by a weighted average of the costs of three different SNA-cases:

- (1) Cases where a new *introduction cable* must be placed
- (2) Cases where new pairs must be spliced of an existing *introduction cable*
- (3) Cases where the *introduction cable* must be moved to another *distribution cable*

2.3 Proposed adaptations

We understand that the proposed changes consist of adding a *SNA fee* to the current *BRUO raw copper* rental fee in order to cover all the costs related to the execution of SNAs. This concretely means that there will not be any one-off fee in case of SNA as these costs will already be embedded in the '*BRUO raw copper*' rental fee.

⁴ Besluit van de Raad van het BIPT van 4 september 2007 met betrekking tot "one-time fees" voor BRUO & BROBA

2.4 Positive impact of the proposal

The fact that currently the costs for Small Network Adaptation are invoiced as a one-off fee of approximately 450€ hugely affects the alternative operators.

The negative impact is particularly acute for the non-business market as the alternative operator can not afford such initial sunk cost which can not be recuperated. Indeed such initial cost can not be recovered for consumers as the margins are too low and because of the limited contractual period (the customer can usually leave the OLO without penalty after one or two years).

It is clear that only Belgacom is able to bare the costs for a SNA as Belgacom will in any event benefit of an income for the line which has been installed by the SNA: either the end-user remains a customer of Belgacom and pays a subscription fee to Belgacom, either the end-user becomes a customer of an alternative operator and the OLO pays a copper rental fee to Belgacom. In case an OLO has to support the cost of the SNA, he will only benefit of revenues as long as the end-user remains a fixed service customer.

2.3 Proportionality of the proposal

As explained previously, the only operator benefitting of the current situation is Belgacom. In case the SNA costs are spread over all the active lines and thus included in the copper rental fee, the alternative operator will be able to supply all end-users also where a SNA is required as this will become economically sound.

This huge enhancement will solve the issues described in section 1.1.3 and will improve the *consumer customer's* experience and further promote competition.

We fully agree with the BIPT that the proposed way to invoice the SNA is logical and beneficial for all the operators. Indeed, all the operators are benefitting of a SNA as it increases the number of potential end-users (as a new line is installed).

Mobistar fully agrees with the BIPT that the costs of the SNA are only bared by the *without voice / raw copper* lines. A SNA is indeed usually caused by the need of a new introduction cable because of the absence of free pairs or the absence of an introduction cable (case 1 & 2 as described in section 2.2). As these cases are only caused by orders in relation with *without voice / raw copper* lines⁵, it is justified that the SNA costs are based on the active pairs and applicable only on the *without voice / raw copper* lines.

⁵ As correctly stated by the BIPT, only case 3 as described in section 2.2 relates to a *shared line* service. It is indeed only when the existing pair is not suited for broadband services because of spectral saturation and that the introduction cable must be moved to a new distribution pair that a SNA occurs.

3 Comments on the cost-calculation of the SNA fee

3.1 Calculation SNA cost

We fully agree with the BIPT with the method applied by the BIPT for the calculation of the SNA fee as described in the introduction of Annex 1 of the draft decision.

As correctly stated by the BIPT it is important to avoid that costs are counted twice in the frame of this decision. It is thus fully correct to remove the billing costs of the SNA cost that will be taken into account for the calculation of the SNA fee as these billing cost are already embedded in the copper rental fee. We invite the BIPT to verify that other costs are not double counted.

At this stage, we also wish to highlight that the SNA cost resulting from the cost-model seems excessive. We therefore invite the BIPT to reassess the parameters used in the cost-model developed by Bureau Van Dijk in order to ensure that the calculated cost is indeed cost-oriented in accordance with the obligation imposed on Belgacom. Mobistar is at BIPT's disposal to help challenging the different costs taken into account.

3.2 Calculation yearly SNA investments

We fully agree with the BIPT's calculations and projections as summarized in figure 8 of the draft decision:

- **Active Pairs:** we fully agree that the defect pairs should not be taken into account and a yearly reduction of 2,4% is effectively in line with what has been witnessed in the past period
- **Number of Orders:** we agree with the global number of orders to be taken into account as well as with the small increase of 1% for the period 2010-2015 resulting from expected increase of customers caused by the success of triple play packs based on DSL as well as the authorities' efforts to promote broadband.
- **Percentage SNA:** an increase of SNA compared to the past period can indeed be expected further to the increase of VDSL orders.

We invite the BIPT to monitor the consistency between the expected figures and the reality in order to ensure the correctness of the assumptions.

3.3 Calculation unit for SNA per pair

We have no particular remarks in relation with the calculation of the SNA investment costs based on Tilted Annuity Method as the method as well as the different parameters are fully justified by the BIPT.

3.4 Calculation SNA fee

As described in section 4 of Annex A of the draft decision, we fully agree with BIPT's decision to split the amount applicable for the SNA fee in different periods (2010-2012 and 2013-2015). It is indeed important to avoid yearly price changes and to ensure some stability in the copper rental fee (incl. SNA).