

**Decision no. 00-1176**  
**Of the Autorité de Régulation des Télécommunications**  
**dated 31 October 2000**  
**Adopting the guidelines for the verification of the cost orientation of tariffs for local loop access**

The Telecommunications Regulator (*Autorité de Régulation des Télécommunications-ART*),  
having regard to:

The Post and Telecommunications Code, in particular article D. 99-24

Decision no. 00-1171 of the *Autorité de Régulation des Télécommunications* dated 31 October 2000 in application of article D. 99-24 of the Post and Telecommunications Code

and having considered the matter on 31 October 2000,

According to article D. 99-24 of the Post and Telecommunications Code, *"the operators mentioned in the first paragraph of article D. 99-23 must provide the Autorité de Régulation des Télécommunications, at its request, with all necessary information demonstrating that the tariffs applied are cost oriented"*.

The purpose of these guidelines is to define how ART is to apply this provision of the code, by adopting measures which will guarantee the security and trust of all players.

In adopting these measures, ART pursues the same goals which led it to establish, with the abovementioned decision no. 00-1171, the list of relevant costs for access to the local loop and the average long run incremental costs method (LRIC). Thus, the same principles of cost orientation, efficiency, non-discrimination and fair and long-lasting competition, as explained in the abovementioned decision, will guide ART in the requests and verifications it will have to make with respect to France Telecom's offer for access to the local loop.

ART will add to, and refine, these guidelines whenever necessary. They are not binding and do not modify current legislation. Moreover, by adopting these principles ART does not give up its right to change them. It will do so, when necessary, either in the general interest, or in response to particular circumstances.

**Decides:**

**Article 1** – The guidelines regarding the verification of cost orientation for access to the local loop, as they appear in the annex to this decision, are adopted.

**Article 2** – This decision will be published in the *Journal Officiel* of the French Republic.

Delivered at Paris on 31 October 2000

The Chairman

Jean-Michel Hubert

### **Guidelines from ART relating to the verification of cost orientation for local loop access**

ART will use two main methods in verifying that the tariffs applied by France Telecom for its local loop access offer are cost oriented:

- international comparisons which will be added to as unbundling occurs in other countries and the corresponding reference offers are published; these comparisons may be modelled in order to take into account specific national situations
- the provision by France Telecom of information which supports the evaluations presented in the reference offer; this information will be provided in a bilateral framework, with, if necessary, intervention by a certifying authority

In order to do this, ART has listed the information that France Telecom will have to submit to ART for the various services it provides.

#### **a) and b) Full unbundled access and shared access**

In conformity with the list of relevant costs established in application of article D. 99-24 of the Post and Telecommunications Code, the costs for access to the local loop include:

- infrastructure usage costs
- costs of providing the copper pair
- costs of locating disturbances

##### *i. The use of infrastructures*

The capital costs are taken from the LRIC model used and correspond to the economic depreciation of the investment costs for civil engineering infrastructures, cables and distribution points.

ART will examine the total and unit value of each network component, as well as its value for each pair in service.

Concerning civil engineering, the France Telecom model will include the infrastructure share rate with France Telecom's general network, networks using other local loop technologies (optical fibre, cable) or networks from other industries (electricity, water, sewers, etc.). ART will determine whether these rates are credible with respect to current practices in local loop networks and based on the principle of efficiency.

For cables, the France Telecom model will provide ratios of capacity in service over available capacity per element (distribution, feeder). ART will examine whether the determined ratios are current in local telecommunications copper pair networks and acceptable with regard to the principle of efficiency.

In order to justify the unit costs used in the model, France Telecom will be required to submit invoices or estimates representative of the cost of operations today. ART will examine the extrapolation done by France Telecom between the unit costs indicated by these invoices or estimates, for occasional operations, and those representing the construction of a complete copper local loop network.

*ii. Providing the copper pair*

This includes both administrative and technical costs incurred by the incumbent operator in providing a copper pair as ordered, or in providing non-voice frequencies.

*Administrative costs*

Some of these costs are specific to unbundling, whereas others are representative of activities performed by France Telecom for its own needs.

*Technical costs*

France Telecom must justify these costs by submitting the time and cost of required personnel. The ratio of indirect costs must match that of similar operations at France Telecom and must be taken from France Telecom's accounts.

In any case, the technical and administrative costs of ordering and delivering a line in unbundling will have to match those for ordering and delivering a traditional line.

*iii. Disturbance location*

If this service is an *ad hoc* service, and in order to allow ART to evaluate its costs, France Telecom must determine the hourly cost of personnel assigned to this type of task as well as the times required. If the costs are on a fixed fee basis as part of the recurring tariff for the copper pair, France Telecom will also have to justify the failure rate used.

The values submitted by France Telecom will have to match those in its accounts.

Should France Telecom offer services requiring more guaranteed fault clearing time than those it offers its own customers, it will have to justify the additional costs it incurs.

**c) Providing information required to provide access to the local loop**

These costs are those incurred by France Telecom for setting up a mapping system to provide operators with the addresses and coverage zones of the distribution frames and for the use of France Telecom's existing information system which provides the characteristics specific to a pair.

These costs include investments made by France Telecom and the cost of operating the system. France Telecom will justify investment and operation costs incurred with their invoices and costs of the personnel assigned to this task.

#### **d) Co-location**

As part of co-location, France Telecom will provide third party operators with the following services:

- building set-up
- provision and installation of equipment
- space
- electrical power

##### *Building set-up*

France Telecom will submit estimates and invoices for the works performed to prepare the co-location rooms to ART on request so that it might examine the amount of this service.

##### *Providing and installing equipment*

These services can include a number of components which will depend on the requests made by operators. Moreover, ART considers that the operators using unbundling will have sufficient experience to appreciate the price of these elements.

Under these conditions, ART considers that France Telecom should include the price of these services in its reference offer with a sufficient degree of detail:

- each of the provision and installation services must be valued
- for each, the price must be broken down to show the provision cost for France Telecom and, the cost of installation as a number of hours and an hourly rate

ART will intervene if necessary at the request of the parties in the event of a dispute regarding the quantities or their unit price.

##### *Providing space*

For France Telecom, the price of this service corresponds to the immobilisation of suitable premises; ART considers that the relevant ratio is the annual price of this service per  $m^2$  provided to the operators.

Under these conditions, it will examine the cost orientation of the tariff for this service with respect to:

- average costs incurred by France Telecom: the average cost is defined as the cost of the buildings with respect to the surface area used by France Telecom
- average market price per  $m^2$  of technical space if such information is available and usable

*Providing electrical power*

France Telecom will have to recover from operators the share of its own electrical power bills corresponding to the power consumption of the operators. This share will have to be calculated objectively and on a non-discriminatory basis.

**e) Connecting requesting operator equipment to the network**

Upon request from ART, France Telecom will have to submit estimates and invoices for this service and/or the costs of the personnel performing this task.

**f) Other relevant costs**

*Creating applications specific to access to the local loop and adapting the existing information system*

Upon request from ART, France Telecom will have to submit estimates and invoices for this service and/or the costs of the personnel performing this task.

*Entities responsible for implementing access to the local loop*

The evaluation of the costs of these entities must take into consideration the fact that the size of the teams must be adapted to the volume of requests. The "indirect/direct costs" ratio used will have to be representative of the same ratio in similar France Telecom entities (DIVOP, EGP), and must be taken from France Telecom's accounts.

*Invoicing*

The implementation of the billing system specific to unbundling is covered in the section "*Creating applications specific to access to the local loop and adapting the existing information system*".

France Telecom will have to justify recurring costs incurred in invoicing access to the local loop.

*Shared costs*

France Telecom will have to justify common cost items and their value.