



POST AND TELECOM
ADMINISTRATION
IN ICELAND

Draft decision

**Míla tariff for temporary connections on the
wholesale market for trunk segments of leased
lines**

1. July 2015

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1. Introduction

Míla ehf. tariff for temporary connections here under discussion is based on those obligations imposed on the company with the Decision of the Post and Telecom Administration (PTA) no. 20/2007 dated 14 September 2007.

The Mila products being dealt with in this cost analysis belong to the wholesale market for trunk segments of leased lines which is Market 14 pursuant to the EFTA Surveillance Authority (ESA) Recommendation from 2004.

The PTA has performed a market analysis of the wholesale market for trunk segments of leased lines and in the light of this analysis the Administration intends to maintain the obligation on Mila for price control on the company's goods and services on this market.

1.1 PTA Decision no. 20/2007

On 14 September 2007 the PTA made Decision no. 20/2007 on the designation of companies with significant market power and on the imposition of obligations on the wholesale market for terminating segments of leased lines (Market 13)¹ and trunk segments of leased lines (Market 14)².

The PTA came to the conclusion that the definition of Market 14 to be found in the ESA Recommendation³ applied in this country. The PTA decided to designate Míla as having significant market power on the wholesale market for trunk segments of leased lines (Market 14).

With the authority in Article 32 of the Electronic Communications Act an obligation for price control for trunk segments of leased lines was imposed on Mila. Mila was to keep cost accounting and to make a cost model for the calculation of prices for leased lines in wholesale, according to historical costs. In order for Míla to be able to demonstrate that the tariff for a specific kind of service or product is cost-oriented, it was necessary to introduce cost accounting that captured, identified, assessed and allocated the relevant costs to the services or products in accordance with recognised rules, that is to say a causal relationship.

The PTA proposed that the Mila tariff for leased lines should be based on costs and on objective criteria in accordance with the following rules:

- The same price should apply across the whole country.
- Tariffs for leased lines should normally be divided between installation charge and charge for use, that is to say a fixed lease price for a specific period of time.
- Where another division is used it shall be transparent and based on objective criteria.
- Tariffs for leased lines apply to all service items provided between net interconnection points where the user has access to the line.

¹ Wholesale terminating segments of leased lines.

² Wholesale trunk segments of leased lines.

³ See the EFTA Surveillance Authority Recommendation on the relevant markets from 14 July 2004.

The PTA made the condition that all changes to the Mila tariff for the wholesale market for trunk segments of leased lines should be notified to the PTA and that they would not come into force without endorsement by the PTA.

In accordance with the above the Mila tariff for temporary connections is subject to endorsement by the PTA.

1.2 Draft PTA Decision on market analysis of the wholesale market for trunk segments of leased lines

The PTA has made a market analysis for the wholesale market for trunk segments of leased lines (previously Market 14) and the preliminary draft analysis was submitted for consultation on 23 December 2014. The conclusion of the analysis is that circumstances in this country do not support the withdrawal of this market. Furthermore, circumstances on the market have not changed much from the circumstances that pertained in 2007. All wholesale of leased lines within the Skipti Group have been transferred to Mila. The number of companies on the market is more or less the same as in 2007. The PTA considers that significant and non-transitory entry barriers exist to the market and that active competition cannot be expected within the coming 2 to 3 years. Mila still has an overwhelmingly dominant market share, whether measured by revenue from leased lines (75-80%) or by number of active connections (72%). In addition to this the PTA intends among other things to maintain obligations on Mila for price control and for cost accounting.

1.3 Written communications with Mila

The PTA received a letter from Mila dated 25 November 2014 with a report on price calculations for temporary connections.

In a letter from Mila it was stated that the company considered it necessary to submit a special tariff for temporary connections as their technical design had changed significantly in recent months.

Previously, tariffs for radio and TV transmission of radio and TV programmes had been used but installations with such equipment were no longer made. In addition to this Mila had notified the decommissioning of TV and radio transmission on 10 February 2010. It was therefore not possible to continue using these tariffs.

With an email dated last 5 December, Mila requested amendments to the report that the company had already submitted. The amendments concerned notice for delivery for orders of connections categorised as other than temporary connections.

In a letter from the PTA dated 14 January 2015, the PTA requested further arguments for the Mila reference for 24 hour lease being [...] ⁴ of the monthly charge. Furthermore the PTA

⁴ Confidential information.

requested that Mila update tables and text in the report in accordance with the company's requests for amendments to text.

In an email dated 26 January 2015 Mila submitted an updated report on Mila tariffs for temporary connections and in addition to this the company provided more detailed explanations of how it arrived at the proportion of the monthly charge to be used for 24 hour lease.

In an email dated 19 February 2015 the PTA requested explanations from Mila on the list of connected locations. In a tariff for temporary connections for individual transmissions from specific locations, Mila has compiled a list of locations which Mila has connected with a fixed connection to the fibre-optic line and this tariff applies to those locations. The PTA has requested explanations of the factors that decided the selection of locations on the list.

In reply from Mila on the same day it was stated that the locations on the list had fixed connections and it was assumed that it was likely that they would be used regularly for transmissions.

1.4 National consultation

The PTA opened a national consultation on the preliminary draft to the Decision here under discussion on 9 March 2015 and the consultation ran until last 30 March. The PTA received no comments.

2. Mila report on tariff for temporary connections

2.1 Introduction

In the Mila report dated 26 January 2014 the following was stated:

"Mila temporary connections are mainly two types. On the one hand there are temporary connections for TV, for example for showing sporting events and for election transmissions. On the other hand there are temporary connections for mobile phones in the event of a temporary increase in need for bandwidth, for example because of national festivals, scout jamborees and horse-riding events.

Some time ago there was a tariff used for radio and television data transfer for radio and TV transmissions but now connections with such equipment are no longer installed. In addition to this Mila notified the decommissioning of TV and radio data transfer on 10.2.2010. It was therefore not possible to continue using that tariff.

Today, Mila customers request fibre-optic for transmissions and Mila has provided such connections since the company took over the backbone network from Siminn. The current situation is that most sport halls and a number of other constructions in the Capital City Area, along with a number of sport halls in the countryside, are connected with fibre-optic. Mila customers have their own equipment which they connect to Mila fibre-optic lines. The work

required from Mila for such connections is naturally much less than when a fibre-optic connection is being requested for the first time, as the connections are already in place.

It is also quite common that customers request temporary connections or fibre-optic lines for TV transmissions or for mobile phones for a variety of events. The cost of setting up such connections varies greatly and this depends on available capacity and on the distance that has to be travelled to install the connections.

Mila therefore considers it necessary to divide the tariff for temporary connections into two parts. On the one hand there will be a tariff for fibre-optic which is intended for TV transmissions from specific locations and on the other hand a tariff for temporary connections with specific data transfer speeds or as appropriate fibre-optic.

Mila therefore hereby submits tariffs according to the above and the criteria for calculations of lease prices are listed here below.

All amounts are ex-VAT."

2.2 Summary

In the Mila report dated 26 January 2015 the following was stated:

"Tariff for temporary fibre-optic lines at specific locations

Mila offers a special tariff for temporary fibre-optic lines at specific locations. A prerequisite for a temporary connection according to this tariff is that the receiving end (B-end) is also directly connected and is in the Capital City Area.

[...]

This tariff is offered for fibre-optic lines connected from locations with fixed line connections to the following locations:

Fjöl意思völlur	Fjöl意思nir	Dalhús 2
Kópavogsvöllur	Breiðablik	Dalsmári 5
Hásteinsvöllur	IBV	Hamarsvegur
Framheimilið	Fram	Safamýri 26
Samsungvöllur	Stjarnan	Ásgarður
Hlíðarendi	Valur	Hlíðarendi
Víkingur	Víkingur	Traðarlandi 1
KR - heimili	KR	Frostaskjól 2
Laugardalsvöllur	KSI	Reykjavegur 15
Laugardalshöll	HSI	Engjavegur 8
Kaplakriki	FH	Kaplakrika
Fylkisvöllur	Fylkir	Fylkisvegur 6
Egilshöll	All	Fossaleyni 1
Digranes	HK	Digranesvegur
Austurberg Sportshall	ÍR	Austurberg 1-3
Ásvellir	Haukar	Ásvöllur 1
Grindavík	UMFG	Ásabraut 2
Akranes	IA	Jaðarbakkar
Keflavík	Keflavík	Sunnubraut 34
Njarðvík Sportshall	Njarðvík	Norðurstígur 2
Þorláksh. Sportshall	Þór	Hafnarberg 41
Kórinn		Vallarkór 12
AK Sportshall	Þór / KA	Hamar / Hólabraut
Althingi		Kirkjustræti
Town Hall		Tjarnargata 11
Reykjavík City Theatre		Listabraut 3
The National Theatre		Hverfisgata 19
Háskólabíó		Hagatorg
Harpan		Austurbakki 2

Agreements on transmissions at specific locations

Mila considers it important to be able to make agreements with its customers on temporary fibre-optic lines in cases where there are many connections within a specific period of time. Mila proposes the following calculation rules for making such agreements:

	Capital City Area	Countryside		
		0-49 km	50-99 km	100- km
First transmission per connection location.....	40,098	82,700	114,450	146,200
Each additional transmission.....	10,279	25,400	38,100	50,800

This applies to the same locations as named in the tariff here above where it is assumed that Mila will provide backbone carriage to Reykjavik. If a customer provides his own backbone carriage then the tariff for the Capital City Area applies.

Conditions required for making an agreement:

- *The agreement shall be temporary and shall show dates for the period covered by the agreement.*
- *The agreement shall show all connection points covered by the agreement.*
- *Criteria for number of transmissions per location shall be shown in the agreement.*
- *Cost to the lessee if the number of transmissions is more than was allowed for.*
- *The lease price shall be stated in the agreement.*
- *The number of transmissions per month must be greater than one on average at each location (average number of transmissions per month /number of locations).*

Other temporary connections

Mila proposes the following tariff for other temporary connections:

Price for first-day*	Capital City	Countryside		
	Area	0-49 km	50 -99	100-
Ethernet 30 Mb/s.....	111,722	122,650	135,782	148,914
Ethernet 150 Mb/s.....	121,094	138,701	159,859	181,016
Fibre-optic lines.....	128,508	175,761	215,448	255,136

**If installation cost exceeds ISK 100,000, the difference is collected separately.*

Mila considers that a reasonable price for additional days is 15% of the monthly charge for the connection in question:

Price for additional day	Capital City	Countryside		
	Area	0-49 km	50 -99	100-
Ethernet 30 Mb/s.....	6,134	10,506	15,758	21,011
Ethernet 150 Mb/s.....	9,883	16,926	25,389	33,852
Fibre-optic lines.....	19,276	26,364	32,317	38,270

Price for additional day	Capital City	Countryside		
	Area	0-49 km	50 -99	100-
Ethernet 30 Mb/s.....	6,134	10,506	15,758	21,011
Ethernet 150 Mb/s.....	9,883	16,926	25,389	33,852
Fibre-optic lines.....	19,276	26,364	32,317	38,270

The general period of notice for providing a temporary connection is a minimum of 6 weeks. Mila reserves the right to reject orders received within this period as such notice is not considered sufficient to process the order in question. If Mila can process an order received within the six-week period of notice an additional charge of ISK 60,000 is made to cover inconvenience and additional costs."

2.3 Temporary fibre-optic lines for direct transmissions from specific locations

The following was stated in a Mila report dated 26 January 2015:

"Mila has installed fibre-optic lines from TV stations to most sports halls in the Capital City Area and to some sports halls in the countryside. In addition to this, connections have been made to fibre-optic lines at a number of other constructions from which live transmissions are made. The scope of the work involved in ordering and connecting these connections is much less than at locations where fibre-optic is not installed. In most instances it is however necessary to make some connections in telephone exchanges in order to direct traffic along the appropriate route to the TV station as parts of the routes are often used for other purposes when the lines are not in use.

In many cases there are regular transmissions from specific locations, for example in connection with competition series such as the Pepsi League. In such instances Mila considers it important to be able to offer temporary agreements.

In the following Sections there are calculations for lease price for specific transmissions and there is a proposal as to how charges should be calculated for temporary agreements.

Mila has fixed fibre-optic connections in the following premises:

Place	Club	Address
Fjöl意思völlur	Fjöl意思nir	Dalhús 2
Kópavogsvöllur	Breiðablik	Dalsmári 5
Hásteinsvöllur	IBV	Hamarsvegur
Framheimilið	Fram	Safamýri 26
Samsungvöllur	Stjarnan	Ásgarður
Hlíðarendi	Valur	Hlíðarendi
Víkingur	Víkingur	Traðarland 1
KR - heimili	KR	Froastaskjól 2
Laugardalsvöllur	KSI	Reykjavegur 15
Laugardalshöll	HSI	Engjavegur 8
Kaplakriki	FH	Kaplakriki
Fylkisvöllur	Fylkir	Fylkisvegur 6
Egilshöll	All	Fossaleyni 1
Digranes	HK	Digranesvegur
Austurberg Sportshall	ÍR	Austurberg 1-3
Ásvellir	Haukar	Ásvöllur 1
Grindavík	UMFG	Ásabraut 2
Akranes	IA	Jaðarbakkar
Keflavík	Keflavík	Sunnubraut 34
Njarðvík Sportshall	Njarðvík	Norðurstígur 2
Þorláksh. Sportshall	Þór	Hafnarberg 41
Kórinn		Vallarkór 12
AK Sportshall	Þór / KA	Hamar / Hólabraut
Althingi		Kirkjustræti
Town Hall		Tjarnargata 11
Reykjavík City Theatre		Listabraut 3
The National Theatre		Hverfisgata 19
Háskólabíó		Hagatorg
Harpan		Austurbakki 2

A prerequisite for a temporary connection according to this tariff is that the receiving end (B-end) is also directly connected and is in the Capital City Area."

2.3.1 Temporary connections for individual transmissions from specific locations

The following was stated in a Mila report from 26 January 2015:

"The calculation of lease charge takes into account the existing fibre-optic tariff and also the tariff that applied for temporary TV and radio transmissions.

For the sake of simplicity the tariff is structured in such a way that the same price is charged for a temporary connection in the Capital City Area while the price in the countryside is higher as distances are longer because the fibre-optic lines are routed to the Capital City Area.

The Capital City Area

Fibre-optic connections for live transmissions for example from sports events, are composed of 2 fibre-optic lines in an access network and one fibre-optic line between telephone exchanges.

Here below one can see a typical calculation for the monthly charge for such fibre-optic lines, on the one hand for connections to Stöð 2 TV station and on the other hand for RUV the Icelandic National Broadcasting Service. It does not really matter which company is used as a reference as they are located close to each other in the Capital City Area.

[...]

The average monthly charge for such connections is ISK [...] and this amount is used when calculating the price for temporary connections.

In the tariff for temporary TV and radio transmissions the reference was that the lease price should be [...] of the monthly charge and further to this, all outlay costs were collected where it was necessary to install new lines for transmission of signals. These calculations allow for the same proportion for the first 24 hours. For additional days the reference is [...].

In addition to this there is an allowance for handling and reception of orders and for activation in Mila systems. [...]

According to this the lease price for fibre-optic line for up to one full day is:

[...]

[...].

The sooner an order is received the more efficiently it can be processed by Mila. For this reason Mila considers it necessary to collect a special charge should an order not be received with adequate notice.

When an order is received within 5 working days prior to the requested date of installation of the fibre-optic line, this will cause inconvenience and inefficiency for Mila as the priority of processing of orders will be disrupted. Mila considers it reasonable to allow for [...] ISK 36,000.

When an order is received within two working days prior to the requested date of installation of the fibre-optic line, this will cause even greater inconvenience and inefficiency for Mila and the priority of processing of orders will be more severely disrupted. Mila considers it reasonable to allow for [...] ISK 60,000.

Mila considers it important that there is pressure on companies to order the fibre-optic lines with good notice so that prioritisation and processing of orders by Mila can be as efficient as possible.

A prerequisite for a temporary connection according to this tariff is that the receiving end (B-end) is also directly connected and is in the Capital City Area.

Countryside

If one uses the traditional fibre-optic line tariff when providing temporary connections in the countryside, the lease price can become very high. Mila considers it appropriate to use a simple tariff and to structure the tariff in a similar manner to the tariff for Ethernet service. Mila considers it appropriate to base the tariff on 3 distance categories, under 50 km, 50 to 99 km and over 100 km.

[...]

In the case of temporary connections in the countryside, in many instances one has to do set up routes for the SDH system despite the fact that the connection is delivered as fibre-optic. This means that work is required in excess of the work that takes place in the Capital City Area. [...]

The conclusion is thus as follows for the first 24 hours for a connection to the Capital City Area:

[...]

This tariff assumes that Mila is responsible for backbone carriage to the Capital City Area. If the customer handles this carriage himself then the tariff in Section 3.1.1 here above applies.

The sooner an order is received the more efficiently it can be processed by Mila. For this reason Mila considers it necessary to collect a special charge should an order not be received with adequate notice.

When an order is received within 5 working days prior to the requested date of installation of the fibre-optic line, this will cause inconvenience and inefficiency for Mila as the priority of processing of orders will be disrupted. Mila considers it reasonable to allow for [...] ISK 36,000.

When an order is received within 2 working days prior to the requested date of installation of the fibre-optic line, this will cause even greater inconvenience and inefficiency for Mila and the priority of processing of orders will be more severely disrupted. Mila considers it reasonable to allow for [...] ISK 60,000.

Mila considers it important that there is pressure on companies to order the fibre-optic lines with good notice so that prioritisation and processing of orders by Mila can be as efficient as possible.

Summary

Mila offers a special tariff for temporary fibre-optic lines at specific locations. A prerequisite for a temporary connection according to this tariff is that the receiving end (B-end) is also directly connected and is in the Capital City Area.

Tariff:

	Capital City	Countryside		
	Area	0-49 km	50-99 km	100- km
First 24 hours.....	62,122	121,375	161,062	200,750
Per day in excess of one.....	12,849	31,750	47,625	63,500
Additional charge - order within 5 working days.....	36,000	36,000	36,000	36,000
Additional charge - order within 2 working days.....	60,000	60,000	60,000	60,000

"

2.3.2 Agreements on transmissions at specific locations

The following was stated in a Mila report dated 26 January 2015:

"In the case of a period where it appears to be clear that there will be a significant number of transmissions from specific locations, Mila considers it important to be able to make special agreements on the lease price as the work required for connection and use of the fibre-optic lines is at a totally different level than is the case for individual transmissions.

An example of such agreements could be [...]. At the beginning of the season it is normally clear on which football grounds the games will be played and the number of games. It is therefore possible to make an offer on this basis and as Mila is obliged to provide comparable connections at the same prices and with the same conditions, it is important to have a calculation rule which can be referred to when an agreement is made. For the sake of simplicity the agreement would be an umbrella agreement on which payments would be made on a monthly basis and not for each transmission (game).

The following conditions must be in place for there to be an agreement:

- The agreement shall be temporary and shall show dates for the period covered by the agreement.*
- The agreement shall show all connection points covered by the agreement.*
- Criteria for number of transmissions per location shall be shown in the agreement.*
- Cost to the lessee if the number of transmissions is more than was allowed for.*
- The lease price shall be stated in the agreement.*
- The number of transmissions per month must be greater than one on average at each location (average number of transmissions per month /number of locations).*

Criteria for calculations:

- [...]*

Prices according to the above are as follows:

	Capital City	Countryside		
	Area	0-49 km	50-99 km	100- km
First transmission per connection location...	40,098	82,700	114,450	146,200
Each additional transmission.....	10,279	25,400	38,100	50,800

This tariff assumes that Mila is responsible for backbone carriage to the Capital City Area. If the customer takes responsibility for backbone carriage to Reykjavik then the tariff for the Capital City Area will apply.

Should the number of transmissions exceed the number specified in the agreement offer, an additional payment will be made for each transmission comparable to the price in the tariff for temporary connections at specific connection locations, unless otherwise agreed in the agreement.

2.4 Other temporary connections

The following was stated in a Mila report dated 26 January 2015:

"A few times a year, Mila customers request temporary connections at locations not specified in the list in Section 3⁵. This could be temporary connections for mobile phones for example in connection with national festivals or for TV transmissions. During this year Mila has for example provided temporary connections [...].

It is thus the opinion of Mila that it is not possible to use the tariff presented in Section 3 here above for these connections. These are few connections but in many instances the lines are long and there is significant cost involved in setting up the connections, and in addition to this they are normally connections with a specified data transfer speed.

Mila here calculates the price for the most common speeds but there is nothing to prevent the connections being provided at other speeds. Mila therefore considers it normal that in the case of a request for another data transfer speed, the prices for such connections would be calculated using the same methodology.

The tariff for trunk line connections which is now being processed by the PTA is as follows:

	Fixed-price	Price/km
Ethernet 30 Mb/s.....	35,344	1,388
Ethernet 150 Mb/s.....	56,945	2,236
Fibre-optic line, one thread outside built-up area.....		7,538

This tariff is structured in the same manner as the tariff in Section 3, that is to say the Capital City Area, distances less than 50 km, 50 to 99 km and 100 km and over. The same methodology is used as in Section 3 with respect to price difference between distance categories.

As stated in Section 3 with respect to distances in the Capital City Area, the average length is just under [...]. The calculation of the monthly price in the Capital City Area uses that distance. As in Section 3, the distance 25 km is used in the category 0-49 km.

⁵ Section 2.3 in this Draft Decision.

According to the above the monthly charge for these connections is as follows:

Monthly charge	Capital City	0-49 km	50 -99	100-km
	Area			
Ethernet 30 Mb/s.....	40,895	70,037	105,055	140,074
Ethernet 150 Mb/s.....	65,888	112,841	169,261	225,681
Fibre-optic lines.....	85,659	211,666	317,499	423,332
Setup charge.....	96,386	96,386	96,386	96,386

The tariff for trunk lines and fibre-optic lines now being processed by the PTA is used as a reference.

Mila considers that a reasonable charge for the first 24 hours is [...] with the addition of ISK 96,386 setup charge. It is clear that handling and setting up of the connections is comparable with the setting up of traditional leased lines. It is therefore normal that the setup charge should be included in the price. It is also clear that in some instances the cost of setting up could far exceed ISK 96,386. In those instances, Mila collects installation costs in excess of ISK 100,000.

According to the above the monthly charge for these connections is as follows:

Price for first-day*	Capital City	Countryside		
	Area	0-49 km	50 -99	100-km
Ethernet 30 Mb/s.....	111,722	122,650	135,782	148,914
Ethernet 150 Mb/s.....	121,094	138,701	159,859	181,016
Fibre-optic lines.....	128,508	175,761	215,448	255,136

*If installation cost exceeds ISK 100,000, the difference is collected separately.

Mila considers that a reasonable price for additional days is [...]:

Price for additional day	Capital City	Countryside		
	Region	0-49 km	50 -99	100-km
Ethernet 30 Mb/s.....	6,134	10,506	15,758	21,011
Ethernet 150 Mb/s.....	9,883	16,926	25,389	33,852
Fibre-optic lines.....	19,276	26,364	32,317	38,270

The general notice for providing a temporary connection is a minimum of 6 weeks. Mila reserves the right to reject orders received within this period as such notice is not considered sufficient to process the order in question.

If Mila can process an order received within the six-week period of notice an additional charge of ISK 60,000 is made to cover inconvenience and additional costs."

3. The position of the PTA

The Mila tariff for temporary connections is based on the Mila leased line tariff. Those changes are taken into account that were proposed for the leased line tariff and that were submitted to national consultation on 23 December 2014.

When calculating the price for temporary connections the cost of leasing connections and their installation is estimated. In order to estimate the cost of connections the monthly lease price is taken into account and [...].

The PTA requested further explanations on how this proportion was decided by Mila. In an email dated last 26 January, Mila mentions that the decision on this proportion [...] was made in the light of the tariff for temporary TV and radio transmissions which had been in force for many years.

The number of temporary connections per annum was not sufficient to be able to use an estimate of the number of days of lease as a reference. In the case of locations with a fixed connection, the number of transmissions during the period June to September would be just under [...].

It would therefore be necessary to use other methodologies to assess the price. Mila worked on the assumption that were the company to provide this service it would need to have free capacity in the system and it is expensive to reserve capacity. For this reason it would not be reasonable to collect 1/30 of the monthly charge for a 24-hour lease. Furthermore Mila considered it too expensive for customers to pay a full monthly charge for fibre-optic lines which were only being used for a 24-hour period. The price had to lie somewhere between the two. [...]

The PTA makes no objection to reckoning 24 hour lease price as [...]. The PTA concurs with the Mila view that it is neither possible to use the full monthly price nor 1/30 part of the monthly price. On the one hand one must take into account the consideration that the product is not available for monthly lease while it is in temporary lease and on the other hand take into account the use of the systems excess capacity.

3.1 Temporary connections for individual transmissions from specific locations

Mila calculates average monthly prices for 14 transmission locations in the Capital City Area on the basis of the fibre-optic line tariff, see the list of transmission locations in Section 2.3 here above. The price calculation is based on the charge for 2 fibre-optic threads in an access network and one fibre-optic thread between telephone exchanges. The average monthly price for these locations is ISK [...]. The part of the monthly payment borne by a 24-hour lease is ISK 32,122 on the basis of the above specified proportion [...].

Instead of collecting a setup charge, Mila uses a charge based on time [...].

According to this the lease price for fibre-optic line in the Capital City Area per day is ISK 62,122, which is approximately 34% of the average monthly price plus the setup charge.

Mila then proposes that the price for each day in excess of one should be [...].

When calculating short-term connections in the countryside, Mila takes into account the structure of the tariff for Mila Ethernet service. Three distance categories are used: category 1 is 0-49 km, category 2 is 50-99 km and category 3 is 100 km or longer.

Mila calculates the average monthly price for the first category where the reference is [...]. The part of the monthly charge in 24-hour lease in the distance category 0-49 km is thus [...]. The part of the monthly charge in 24 hour lease for the other distance categories is found by multiplying this amount by 1.5 for the 50-99 km category and by 2 for the hundred kilometre or longer category.

Mila allows for more work in receiving orders, registration, activation and connections in the countryside than in the Capital City Area, that is to say [...].

According to this the lease price for fibre-optic in the countryside per day is ISK 121,375 in category 1 (0-49 km), ISK 161,062 in category 2 (50-99 km) and ISK 200,750 in category 3 (100 km or longer).

Mila calculates the price for each day in excess of one in the same manner as was done in the Capital City Area, [...].

Mila plans to impose a special charge should an order for a temporary connection be received at very short notice as this would create additional costs for the company. Should an order be received within 5 working days the charge is ISK 36,000 and ISK 60,000 if it is received within 2 working days.

The PTA makes no objections to the Mila methodology described here above. The planned conclusion for temporary connections for individual transmissions from specific locations is thus as follows:

Tariff for temporary connections at specific locations

	Capital City	Countryside		
	Region	0-50 km	50-99 km	100- km
First 24 hours	62,122	121,375	161,062	200,750
Per day in excess of one	12,849	31,750	47,625	63,500
Order within 10 working days	36,000	36,000	36,000	36,000
Order within 2 working days	60,000	60,000	60,000	60,000

3.2 Agreements on transmissions at specific locations

Mila has prepared a special discount tariff for those instances where an agreement is made for transmissions or a specific period of time.

Mila sets certain conditions for the definition of what is considered to be an agreement on transmissions in this respect and they are specified in Section 2.3.2 here above.

Mila bases this tariff on the same criteria as the tariff for temporary connections for individual transmissions [...]. In addition to this Mila allows for each transmission in excess of the first

transmission at each location during the period of the agreement will be calculated according to the price for an additional day.

The PTA makes no objections to the Mila calculations and criteria for its discount tariff as described here above. The planned conclusion on agreements on transmissions during a specific period is thus as follows:

Tariff for agreements for transmissions during a specific period

	Capital City	Countryside		
	Region	0-49 km	50-99 km	100- km
First transmission per connection location	40,098	82,700	114,450	146,200
Each additional transmission	10,279	25,400	38,100	50,800

3.3 Other temporary connections

Other temporary connections cover connections at locations not specified in the table in Section 2.2 here above.

Mila calculates the day lease price as [...] of the monthly lease price as before. In addition to this a [...] kilometre average distance to locations within the Capital City Area is used and the same methodology is used when calculating the price for varying distance categories. Mila furthermore allows for [...].

For these connections Mila allows for a full setup charge in its calculations. The setup charges is ISK 96,386. Mila furthermore intends to collect installation costs should the cost of installation exceed ISK 100,000. It is stated by Mila that in some instances the cost of installation could far exceed the amount collected for the setup charge. The PTA points out that in the Mila cost analysis for the tariff for trunk segments of leased lines, allowances made for part of installation costs being collected with monthly charges where the estimated cost of installation is higher than 100,000. As in this case the lease period is less than one month, the situation can arise that part of the installation costs will not be collected with the setup charge that Mila has included in the price for these temporary connections.

In this tariff, Mila calculated prices for the most common speeds on offer.

The PTA makes no objections to Mila calculations and criteria. The planned conclusion for other temporary connections is thus as follows:

Tariff for other temporary connections

Price for first-day	Capital City	Countryside		
	Region	0-49 km	50-99 km	100- km
Ethernet 30 Mb/s	111,722	122,650	135,782	148,914
Ethernet 150 Mb/s	121,094	138,701	159,859	181,016
Fibre-optic lines	128,508	175,761	215,448	255,136

Price for additional day	Capital City	Countryside		
	Region	0-49 km	50-99 km	100- km
Ethernet 30 Mb/s	6,134	10,506	15,758	21,011
Ethernet 150 Mb/s	9,883	16,926	25,389	33,852
Fibre-optic lines	19,276	26,364	32,317	38,270

3.4 The PTA conclusion

As stated here above, the PTA makes no objections to the planned Mila tariff for temporary connections. The complete tariff is published in Appendix I.

The tariff is based on the Mila tariff for trunk segments of leased lines which means that this is not a case of a traditional cost analysis but rather an elaboration of discounts that Mila plans to offer when connections are leased for short duration.

The provisions of chapter 3 in Mila's reference offer applies to the coming into force of the new tariff. There it is stated that Mila shall inform the service purchaser of amendments to the tariff with at least 60 days' notice. In this instance PTA considers it appropriate that the tariff change shall apply on the turn of a month and that the new tariff will come into force on the next turn of the month after the 60 days' notice has passed.

Currently, all PTA's decisions regarding tariff changes are subject to national consultation and consultation with ESA. As a result of this change in procedure the process time of PTA's price decisions prolonged considerably. This applies to the consultation time as well as the work involved in preparation for consultation, processing of the result of the consultation, translations, etc.

In order to take into account the interests of the parties to the market in question the PTA has allowed Mila to notify the service purchasers about the amendments to the tariff when PTA has sent the draft decision formally to the ESA for consultation. The notification will apply as long as PTA's final decision will not alter the tariff from the draft decision. If the tariff in the final decision differs from the draft decision Mila shall notify the service purchaser of the new amendments to the tariff with the same notice as stated here above.

The Decision

The Post and Telecom Administration endorses the Mila ehf. Tariff for temporary connections as submitted on 26 January 2015.

Lease prices for temporary connections shall be in accordance with Appendix I to this Decision.

The provisions of chapter 3 in Mila's reference offer applies to the coming into force of the new tariff. There it is stated that Mila shall inform the service purchaser of amendments to the tariff with at least 60 days' notice. In this instance PTA considers it appropriate that the tariff change shall apply on the turn of a month and that the new tariff will come into force on the next turn of the month after the 60 days' notice has passed. Mila may notify the service purchasers about the amendments to the tariff when PTA has sent the draft decision formally to the EFTA Surveillance Authority (ESA) for consultation. The notification will apply as long as PTA's final decision will not alter the tariff from the draft decision. If the tariff in the final decision differs from the draft decision Mila shall notify the service purchaser of the new amendments to the tariff with the same notice as stated here above.

The new Mila ehf. tariff shall be part of the company's reference offer for leased line service from the same date.

This Decision can be appealed to the Appellate Committee for Electronic Communications and Postal Affairs, see Article 13 of Act no. 69/2003 on the Post and Telecom Administration. The appeal shall have reached the Appellate Committee four weeks from the time that the party in question became aware of the Decision of the Post and Telecom Administration. Costs for an appeal are according to Paragraph 5 of Article 13 of the same Act, and in addition to this there is a special appeal charge to the amount of ISK 150,000, pursuant to Article 6 of Regulation no. 36/2009 on the Appellate Committee for Electronic Communications and Postal Affairs.

Reykjavík, XX, XX 2015

Hrafnkell V. Gíslason

Óskar Þórðarson

Appendix I: Tariff for temporary connections.