



PÓST- OG FJARSKIPTASTOFNUN

Draft Decision

**Review of the Míla wholesale tariff for
terminating segments of leased lines
(Market 6/2008)**

Case no: 2018040002

11 March 2019

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1 Introduction

- 1) The Mila ehf. tariff for terminating segments of leased lines here under discussion is based on those obligations imposed on the company with the Decision of the Post and Telecom Administration (PTA) no. 8/2014 dated 6 May 2014.
- 2) The products covered by the Mila tariff belong to the wholesale market for terminating segments of leased lines which is Market 6 pursuant to the EFTA Surveillance Authority (ESA) Recommendation from 2008¹ (Market 6/2008). This concerns terminating segments of leased lines based on copper local loops and in particular, Ethernet over copper (EoC) and digital leased lines up to 2 Mb/s which use SHDSL technology (SHDSL leased lines).
- 3) The PTA planned conclusion is based on the Mila cost analysis for terminating segments of leased lines which the company initially submitted on 10 April 2018 and which was updated on 29 August 2018 in accordance with the planned conclusion on monthly price for copper local loops.
- 4) While analysing Market 6/2008, the PTA was also reviewing cost analysis for the Mila tariff for copper local loops (Market 4/2008) and for bitstream access (Market 5/2008). Because of the close relationship between these tariffs, it is necessary that they come into force together.
- 5) The draft PTA Decision on the Mila wholesale tariff for terminating segments of leased lines was submitted for national consultation which lasted from 21 December 2018 until 23 January 2019. The PTA did not receive any comments from stakeholders.
- 6) The following Sections cover the legal grounds, methodology and calculations that led to the PTA conclusion. The text of the Draft Decision describes the intended PTA position which can be subject to amendment until the final Decision is made, among other things as a result of comments from stakeholders. The wording of the Draft should be read with this in mind.

2 PTA Decision no. 8/2014

- 7) With reference to Article 17 of Act No. 81/2003 on Electronic Communications, as amended, the PTA analysed the wholesale market for terminating segments of leased lines (Market 6) and the PTA conclusion was published in the Administration's Decision no. 8/2014 on the designation of a company with significant market power and on the imposition of obligations on the wholesale market for terminating segments of leased lines on 6 May 2014.
- 8) With the authority of Article 32 of the Electronic Communications Act the PTA imposed the obligation on Mila that the wholesale tariff for terminating segments of the company's leased lines should be cost-oriented. When deciding prices for terminating segments of leased lines Mila shall apply the cost analysis methodology based on historical costs allocated to the services in question (HCA FAC) and the price of endpoint devices shall be based on replacement cost.

¹ ESA has now issued a new Recommendation on wholesale market definition for electronic communications services: EFTA Surveillance Authority Recommendation of 11 May 2016 on relevant product and service markets within the electronic communications sector susceptible to *ex ante* regulation in accordance with the Act referred to at point 5c1 of Annex XI to the EEA Agreement (*Directive 2002/21/EC of the European Parliament and of the Council on a common regulatory framework for electronic communication networks and services*).



9) When implementing its cost analysis Míla shall base its methodology on Chapter IV of Regulation no. 564/2011 on bookkeeping and cost analysis in the operations of electronic communications companies, such as on evaluation of operational assets, useful life and WACC. Furthermore, the PTA position shall be taken into account that was made known on criteria and calculations in the Administration's Decision no. 34/2011 with respect to cost analysis for terminating segments of leased lines.

10) In the decision it was stated that the wholesale tariff for access to terminating segments of leased lines would be based on the following main criteria:

- Allocation of costs shall be based on separation of accountancy for the access network, on Míla asset bookkeeping and on costs from Míla's bookkeeping system where opex for the access network is entered under bookkeeping accounts.
- Costs for lease of local loops shall be according to the Míla wholesale tariff for local loops in each instance.
- When assessing investments in equipment for terminating segments of leased lines, the price of the equipment shall be according to replacement cost of analogous new equipment (Modern Equivalent Asset, MEA) and to normal² renewal of such equipment.
- A depreciation methodology shall be used that reflects the value in use of an asset.
- The annuity method shall be used to calculate annual investment costs.
- The number of lines shall be calculated taking into account line equivalents.
- The cost of the access network shall be captured, including share of shared costs, management, IT and senior management in accordance with separation of accountancy.
- The required rate of return used shall be based on weighted average cost of capital³ (WACC real) from capital tied in assets used in connection with provision of service where the risk premium reflects the risk related to operations on the relevant market.
- Average unit cost for the whole country shall be calculated from allocated operational and investment costs divided by number of lines or line equivalents.

11) The Míla tariff shall be reviewed annually in accordance with annual updating of the cost analysis.

² PTA Decision no. 34/2011 used 50% reuse.

³ In accordance with Article 16 of Regulation no. 564/2011 the PTA decides on an annual basis the weighted average cost of capital (WACC) which electronic communications companies should use as a reference in their calculations.



3 PTA Decision no. 7/2017 on review of Mila wholesale tariff terminating segments of leased lines

12) In accordance with PTA Decision no. 8/2014, Mila submitted a cost analysis for wholesale access to terminating segments of leased lines in April 2015.

13) The Mila cost model was mostly structured in the same manner as the Mila cost analysis from 2011, see PTA Decision no. 34/2011 regarding cost analysis for terminating segments of leased lines.

14) The main change in the model that was the real number of local loops in use for each data transfer speed was used, whereas previously this number was estimated. This caused both an increase and decrease in local loop costs for varying data transfer rates. Opex was based on costs allocated to leased lines and Ethernet over copper. Shared opex was then divided proportionately between Ethernet over copper and leased lines, according to the number of connections. Investments were based on purchase price and unchanged usage of equipment was assumed.

15) The current Mila tariff for terminating segments of leased lines is based on the operational year 2016 and was decided with the PTA Decision no. 7/2017 dated 30 May 2017. The tariff is as follows:

Digital leased line within the same area

Speed	Monthly charge
64 kb/s	ISK 7,859
128 kb/s	ISK 8,140
256 kb/s	ISK 8,421
512 kb/s	ISK 8,983
2 Mb/s	ISK 9,124
Setup charge	ISK 87,907

Leased line between areas

Speed	Monthly charge
64 kb/s	ISK 8,288
128 kb/s	ISK 8,569
256 kb/s	ISK 8,850
512 kb/s	ISK 9,413
2 Mb/s	ISK 9,553
Setup charge	ISK 152,225

***Leased lines - single segment***

Speed	Monthly charge
64 kb/s	ISK 4,144
128 kb/s	ISK 4,284
256 kb/s	ISK 4,425
512 kb/s	ISK 4,706
2 Mb/s	ISK 4,777
Setup charge	ISK 76,112

Ethernet over copper

Speed	Monthly charge
5 Mb/s	ISK 11,298
10 Mb/s	ISK 12,704
15 Mb/s	ISK 14,110
20 Mb/s	ISK 15,516
25 Mb/s	ISK 18,328
30 Mb/s	ISK 19,031
35 Mb/s	ISK 19,734
40 -100 Mb/s	ISK 20,437
Setup charge	ISK 95,587

*Other service*

Service	Price
Transfer of digital line within area	ISK 36,532
Transfer of digital line between areas	ISK 73,064
Change of speed, digital line within area	ISK 16,899
Change of speed, digital line between areas	ISK 28,164
Cancellation, work commenced on setting up line.	ISK 8,884
Cancellation, work commenced on setting up endpoint equipment.	ISK 36,614
EYK transfer of connection	ISK 57,369
EoC Change of speed	ISK 16,889



4 Written communications with Míla

16) With reference to the Competition Authority Decision no. 7/2017, Míla submitted a cost analysis for terminating segments of leased lines based on the operational year 2017. [...] ⁴

17) On 29 August 2018, Míla submitted a revised cost model on the basis of recalculation of local loop prices and it is on this cost analysis that the PTA conclusion is based.

⁴ Information removed for purposes of confidentiality. The same applies to information provided in square brackets here below.

5 The PTA conclusion

5.1 General

18) In Sections 5.2 - 5.8 here below one can find the criteria and conclusions of the PTA Decision on the cost analysis here under discussion. There is discussion on the main aspects that the PTA considers important as criteria for the Administration's position when calculating a tariff for digital leased lines in the Mila access network, and in Ethernet over copper. The factors in question are the following:

- Weighted average cost of capital
- Number of lines
- Opex
- Working capital costs
- Calculation of lease price

19) The PTA conclusion is based on authority granted to the Administration in the Electronic Communications Act where reference is particularly made to Article 32 on price control and to Article 31 on separation of accountancy and to PTA Decisions nos. 8/2014 and 7/2017.

20) Mila has submitted a description of the company's cost accounting, along with a report from an independent auditor. The Mila cost analysis is a revision of the cost model for terminating segments of leased lines, which was endorsed with the PTA Decision no. 7/2017, with the sole exception that Mila submitted a request that opex according to the revised model be reduced because of special circumstances in the year 2017.

21) The PTA conclusion is based on the Mila cost analysis from 10 April 2018 with the revision submitted by the company on 29 August 2018 and on the planned PTA conclusion on local loop prices.

5.2 Weighted average cost of capital

22) In its calculations, Mila uses 7.1% weighted average capital costs (WACC) in accordance with PTA instructions, see Mila cost analysis for copper local loops.

5.3 Number of lines

5.3.1 Mila cost analysis

23) The Mila cost analysis is based on the number of lines in December 2017.

24) Mila calculates the line equivalents in the same manner as in the previous cost analysis.

25) When assessing the number of local loops in each data transfer speed, Mila uses the number of connections and local loops in each data transfer speed were added together to calculate the average.



	Number of segments	Number of local loops	Average number	Rounding
64 kb/s.....	[...]	[...]	[...]	[...]
128 kb/s.....	[...]	[...]	[...]	[...]
256 kb/s.....	[...]	[...]	[...]	[...]
512 kb/s.....	[...]	[...]	[...]	[...]
2 Mb/s.....	[...]	[...]	[...]	[...]

26) The Mila conclusion on line equivalents is shown in the tables here below:



	Number	Number of equivalents	Number of underlying local loops		
			Number of local loops	Average number of local loops	Current number
Ethernet over copper					
5 Mb/s.....	[...]	[...]	[...]	[...]	[...]
10 Mb/s.....	[...]	[...]	[...]	[...]	[...]
15 Mb/s.....	[...]	[...]	[...]	[...]	[...]
20 Mb/s.....	[...]	[...]	[...]	[...]	[...]
25 Mb/s.....	[...]	[...]	[...]	[...]	[...]
30 Mb/s.....	[...]	[...]	[...]	[...]	[...]
35 Mb/s.....	[...]	[...]	[...]	[...]	[...]
40 Mb/s.....	[...]	[...]	[...]	[...]	[...]
45 Mb/s.....	[...]	[...]	[...]	[...]	[...]
Digital leased line within area					
64 kb/s.....	[...]	[...]	[...]	[...]	[...]
128 kb/s.....	[...]	[...]	[...]	[...]	[...]
256 kb/s.....	[...]	[...]	[...]	[...]	[...]
512 kb/s.....	[...]	[...]	[...]	[...]	[...]
2 Mb/s.....	[...]	[...]	[...]	[...]	[...]
Digital leased line between areas					
64 kb/s.....	[...]	[...]	[...]	[...]	[...]
128 kb/s.....	[...]	[...]	[...]	[...]	[...]
256 kb/s.....	[...]	[...]	[...]	[...]	[...]
512 kb/s.....	[...]	[...]	[...]	[...]	[...]
2 Mb/s.....	[...]	[...]	[...]	[...]	[...]
Digital leased line single segment					
64 kb/s.....	[...]	[...]	[...]	[...]	[...]
128 kb/s.....	[...]	[...]	[...]	[...]	[...]
256 kb/s.....	[...]	[...]	[...]	[...]	[...]
512 kb/s.....	[...]	[...]	[...]	[...]	[...]
2 Mb/s.....	[...]	[...]	[...]	[...]	[...]
	[...]	[...]	[...]		

5.3.2 The position of the PTA

27) The Mila calculation of line equivalents is in accordance with calculations in the last cost analysis of terminating segments of leased lines. The PTA raises no objections to Mila calculations of line equivalents and the conclusion is that the calculation for the lease price shall be based on [...] line equivalents. This is a decrease of [...] % in equivalents between the years. Line equivalents are divided such that [...] are for Ethernet over copper and [...] for digital leased lines (SHDSL).



5.4 Opex

5.4.1 Mila cost analysis

28) The following table is in the Mila analysis which shows how opex is divided:

“Opex 2017:	Total	Depr./int.	Local loops	Before depr. int.
61,300 Leased lines in access network	[...]	[...]	[...]	[...]
61,301 Peripherals, Capital City Area	[...]	[...]		[...]
61,302 Peripherals, West-West fjords	[...]	[...]		[...]
61,303 Peripherals, North Iceland....	[...]	[...]		[...]
61304 Peripherals East Iceland.....	[...]	[...]		[...]
61305 Peripherals, South Iceland....	[...]	[...]		[...]
61,310 EoC peripherals.....	[...]	[...]		[...]
Total	[...]	[...]	[...]	[...]

29) Setup charges are partly deducted from opex in the same manner as in the last analysis.

	Setup charges	Allocated to capex	Deducted REK
EoC - Setup charges.....	[...]	[...]	[...]
EoC - Transit charges.....	[...]		[...]
EoC - Change of speed.....	[...]		[...]
Digital line single segment - transit....	[...]		[...]
Digital line single segment- Setup charge.	[...]		[...]
Retraction, work on endpoint devices commenced.	[...]		[...]
	[...]	[...]	[...]

30) The following table, which shows the division of opex between leased lines and Ethernet over copper, is shown in the Mila cost model:

	EoC	SHDSL
Separable costs.....	[...]	[...]
Shared costs.....	[...]	[...]
Setup charges.....	[...]	[...]
	[...]	[...]
Number of segments	[...]	[...]
Cost/segment per month	[...]	[...]
Use in current analysis	[...]	[...]

31) In the Mila discussion on exceptions in the previous cost analysis, the following is stated about opex for terminating segments of leased lines:

“As can be seen in the calculations, opex increases significantly between the years, i.e. from just over ISK [...] million to just over ISK [...] million. At the same time connections decrease by a factor of [...] % to [...] %. The increase in opex can be partly explained by the fact that in the year 2017, there were 2 employees responsible for operating EoC, one of whom was being trained as the other employee was leaving Mila. Another factor was that there were many instances of equipment being uninstalled, as evidenced by the extent of the decrease in connections, Leased lines in the access network are a product that is in the latter part of its



life-cycle, as company connections in the access systems and fibre-optic are replacing them, and competition from other electronic communications companies is also a factor. [...]”

Costs for copper local loops

32) Mila uses the same method to decide the number of local loops behind each speed and this conclusion is used in Mila’s calculations of local loop costs for each line segment.

	Number
64 kb/s.....	[...]
128 kb/s.....	[...]
256 kb/s.....	[...]
512 kb/s.....	[...]
2Mb/s.....	[...]

33) When calculating local loop costs for Ethernet connections, Mila uses the following table of the number of local loops for the various connection speeds:

	Number
5 Mb/s.....	[...]
10 Mb/s.....	[...]
15 Mb/s.....	[...]
20 Mb/s.....	[...]
25 Mb/s.....	[...]
30 Mb/s.....	[...]
35 Mb/s.....	[...]
40 Mb/s.....	[...]
45 Mb/s.....	[...]

34) The Mila calculation of local loop costs is based on the conclusion of the cost analysis for access to copper local loops which the PTA has endorsed and which is submitted in the national consultation at the same time as the draft decision on tariff for terminating segments of leased lines.

5.4.2 The position of the PTA

35) Mila has submitted information on opex for access to terminating segments of the company's leased lines for the year 2017.

36) In the Mila review of the cost model from the previous cost analysis, using opex figures for the year 2017, it came to light that opex is approximately ISK [...] million. Opex for 2016 was about ISK [...] million, which means there was an approximate ISK [...] million increase between the years which is an increase of [...].

37) There are precedents for the PTA having asked for a reduction of opex for leased lines in the event of a substantial increase in costs, and this was the case with the costs for the operational year 2014. The turnover from terminating segments of leased lines is small in comparison with local loops and bitstream service and this market is declining rapidly as can



be seen by the number of connections. This means that the impact of exceptions can be proportionately large and can cause a very substantial increase in unit prices.

38) As stated by Mila, there were special circumstances in the year 2017, which increased costs [...]. The PTA accepts this change in the light of the circumstances described by Mila.

39) The PTA endorses the Mila conclusion that opex per month for each segment is ISK [...] ⁵ for EoC and ISK [...] ⁶ for digital leased lines (SHDSL).

40) The costs for local loops are calculated on the basis of the average number of local loops in each data transfer speed and on the copper local loop tariff.

41) The Mila cost analysis for access to copper local loops has been under review with the PTA and the PTA conclusion is that the monthly price for access to copper local loops will be ISK 1,558.

42) Accordingly, the local loop costs will be as follows:

Digital leased line, each segment

	Number	Cost per segment
64 kb/s	[...]	[...]
128 kb/s	[...]	[...]
256 kb/s	[...]	[...]
512 kb/s	[...]	[...]
2 Mb/s	[...]	[...]

Ethernet over copper

	Number	Cost per segment
5 Mb/s	[...]	[...]
10 Mb/s	[...]	[...]
15 Mb/s	[...]	[...]
20 Mb/s	[...]	[...]
25 Mb/s	[...]	[...]
30 Mb/s	[...]	[...]
35 Mb/s	[...]	[...]
40 Mb/s	[...]	[...]
45 Mb/s	[...]	[...]

5.5 Equipment costs

5.5.1 Mila cost analysis

43) Mila states that no new products have been purchased and that an unchanged price for equipment will be used.

⁵ Instead of ISK [...].

⁶ Instead of ISK [...].

**Digital leased line within area**

44) The conclusion of Mila calculations of setup charges and monthly charges for equipment items for leased lines within an area is as follows:

	Unit price	Number	Total	Utilisation	Setup charge	Monthly: Charge
SHDSL-2 DTM DC G703S LT/NT.	[...]	[...]	[...]	50%	[...]	[...]
Installation.....	[...]	[...]	[...]		[...]	[...]
Opex.....					[...]	[...]
Total					[...]	[...]

Leased lines between areas

45) The conclusion of Mila calculations of setup charges and monthly charges for equipment items for leased lines between areas is as follows:

	Unit price	Number	Total	Utilisation	Setup charge	Monthly: Charge
LR-SHDSL-s_DTM AC G703S...	[...]	[...]	[...]	50%	[...]	[...]
LR SHDSL-2 LCM.....	[...]	[...]	[...]	50%	[...]	[...]
LRMOD X21.....	[...]	[...]	[...]	50%	[...]	[...]
Installation.....	[...]	[...]	[...]		[...]	[...]
Transport.....	[...]	[...]	[...]		[...]	[...]
Opex.....					[...]	[...]
Total					[...]	[...]

Leased lines - single segment

46) The conclusion of Mila calculations of setup charges and monthly charges for equipment items for one segment of a leased line is as follows:

	Unit price	Number	Total	Utilisation	Setup charge	Monthly: Charge
SHDSL-2 DTM DC G703S LT/NT.	[...]	[...]	[...]	50%	[...]	[...]
LR SHDSL-2 LCM.....	[...]	[...]	[...]	50%	[...]	[...]
LRMOD X21.....	[...]	[...]	[...]	50%	[...]	[...]
Installation.....	[...]	[...]	[...]		[...]	[...]
Transport.....	[...]	[...]	[...]		[...]	[...]
Opex.....					[...]	[...]
Total					[...]	[...]

Ethernet over copper

47) The conclusion of Mila calculations of setup charges and monthly charges for equipment items for EoC is as follows:



	Total	Utilisation	Setup charge	Monthly: Charge
Equipment for EoC.....	[...]	50%	[...]	[...]
Installation.....	[...]		[...]	[...]
Opex.....			[...]	[...]
Total			[...]	[...]

5.5.2 The position of the PTA

48) The calculation of setup charges and monthly charges are in accordance with the methodology used in the previous Mila cost analysis for tariff for terminating segments of leased lines. Equipment is assessed at [...] % of repurchase price. Half of the purchase price and the costs of installation are allocated to the setup charge and half to the monthly charge (annual payment). The decision on the monthly charge is based on 7.1% WACC and on a 6.67-year lifetime of the equipment.

49) The PTA raises no objections to the Mila calculations on the monthly charge for equipment and to the setup charge.

5.6 Calculation of lease price

50) The monthly charge for leased lines is composed of opex, costs for equipment and for local loop leasing as has been specified here above. This is a unit cost.

51) The conclusions of calculations of lease prices can be found in the following tables:

Digital leased line within the same area

Monthly charge							
Speed	Equipment	Operations	Local loops	Total	Previous price	Increase	
64 kb/s	[...]	[...]	[...]	8,503	7,859	8%	
128 kb/s	[...]	[...]	[...]	8,815	8,140	8%	
256 kb/s	[...]	[...]	[...]	9,126	8,421	8%	
512 kb/s	[...]	[...]	[...]	9,749	8,983	9%	
2 Mb/s	[...]	[...]	[...]	9,905	9,124	9%	
Setup charge				87,907	87,907	0%	

*Leased line between areas***Monthly charge**

Speed	Equipment	Operations	Local loops	Total	Previous price	Increase
64 kb/s	[...]	[...]	[...]	8,934	8,288	8%
128 kb/s	[...]	[...]	[...]	9,245	8,569	8%
256 kb/s	[...]	[...]	[...]	9,557	8,850	8%
512 kb/s	[...]	[...]	[...]	10,180	9,413	8%
2 Mb/s	[...]	[...]	[...]	10,336	9,553	8%

Setup charge

152,225	152,225	0%
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*Leased lines - single segment***Monthly charge**

Speed	Equipment	Operations	Local loops	Total	Previous price	Increase
64 kb/s	[...]	[...]	[...]	4,467	4,144	8%
128 kb/s	[...]	[...]	[...]	4,623	4,284	8%
256 kb/s	[...]	[...]	[...]	4,778	4,425	8%
512 kb/s	[...]	[...]	[...]	5,090	4,706	8%
2 Mb/s	[...]	[...]	[...]	5,168	4,777	8%

Setup charge

76,112	76,112	0%
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*Ethernet over copper***Monthly charge**

Speed	Equipment	Operations	Local loops	Total	Previous price	Increase
5 Mb/s	[...]	[...]	[...]	11,887	11,298	5%
10 Mb/s	[...]	[...]	[...]	14,224	12,704	12%
15 Mb/s	[...]	[...]	[...]	15,003	14,110	6%
20 Mb/s	[...]	[...]	[...]	16,561	15,516	7%
25 Mb/s	[...]	[...]	[...]	19,677	18,328	7%
30 Mb/s	[...]	[...]	[...]	20,456	19,031	7%
35 Mb/s	[...]	[...]	[...]	21,235	19,734	8%
40 -100 Mb/s	[...]	[...]	[...]	22,014	20,437	8%

Setup charge

95,587	95,587	0%
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52) As can be seen here above the tariff items increased to a varying degree in price. The weighted average price increase of the monthly charges is 8% on the basis of sold connections in December 2017. The building price index has increased by about 1.6% between the years 2016 and 2017, while the wage index has increased by 6.8%. This increase is therefore in excess of price increases since the current tariff came into force.

53) The PTA raises no objections to the above described Mila methodology for calculating the lease price for access to terminating segments of leased lines.

5.7 The PTA conclusion

54) In Decision no. 8/2014 the PTA imposed an obligation for price control on Mila for access to terminating segments of leased lines with the authority of Article 32 of the Electronic Communications Act. Pursuant to Paragraph 4 of Article 32 of the same Act it was prescribed that the tariff for the access in question should be cost-oriented and should fulfil specific conditions.

55) In accordance with the PTA Decision no. 21/2014, the Mila tariff for terminating segments of leased lines was decided in the PTA Decision no. 7/2017 after close scrutiny of Mila costs for this service and of the cost model used by Mila for its calculations.

56) The PTA Decision no. 8/2014 prescribes an annual update of the cost model for terminating segments of leased lines. In accordance with the above and pursuant to PTA Decision no. 7/2017, Mila submitted a cost analysis of bitstream service on 10 April 2018, where the cost model that had been endorsed in the PTA Decision no. 7/2017 was updated with data from the 2017 operational year as described in the sections here above. As stated by Mila, there were special circumstances in the year 2017, which increased costs [...]. The PTA accepts this change in the light of the circumstances described by Mila. In this context, it is appropriate to point out that by far the largest part of opex is salaries and that the salaries index increased by 6.8% between the years 2016 and 2017. In the opinion of the PTA, this increase in opex is within the limits of what one might expect on the basis of the development of salary costs.

57) The PTA conclusion is based on the cost model submitted by Mila on 10 April 2018, which was updated on 29 August 2018 for the update of the planned monthly charges for copper local loops.

58) In addition to the increase in opex, the local loop price for copper local loops, increases and the tariff for leased lines is largely based on the monthly charge for copper local loops. The cost for equipment remains however unchanged. The conclusion is an 8% average increase of monthly prices for terminating segments of leased lines. Other items in the Mila tariff remain unchanged.

59) In accordance with the criteria discussed here above, the PTA endorses the following Mila tariff for access to terminating segments of leased lines which are based on copper local loops:

***Digital leased line within the same area***

Speed	Monthly charge
64 kb/s	ISK 8,503
128 kb/s	ISK 8,815
256 kb/s	ISK 9,126
512 kb/s	ISK 9,749
2 Mb/s	ISK 9,905

Setup charge	ISK 87,907
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Leased line between areas

Speed	Monthly charge
64 kb/s	ISK 8,934
128 kb/s	ISK 9,245
256 kb/s	ISK 9,557
512 kb/s	ISK 10,180
2 Mb/s	ISK 10,336

Setup charge	ISK 152,225
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Leased lines - single segment

Speed	Monthly charge
64 kb/s	ISK 4,467
128 kb/s	ISK 4,623
256 kb/s	ISK 4,778
512 kb/s	ISK 5,090
2 Mb/s	ISK 5,168

Setup charge	ISK 76,112
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Ethernet over copper

Speed	Monthly charge
5 Mb/s	ISK 11,887
10 Mb/s	ISK 14,224
15 Mb/s	ISK 15,003
20 Mb/s	ISK 16,561
25 Mb/s	ISK 19,677
30 Mb/s	ISK 20,456
35 Mb/s	ISK 21,235
40 -100 Mb/s	ISK 22,014

Setup charge	ISK 95,587
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60) Mila has also specified that the company does not intend to make changes to the tariff for the following service:

Service	Price
Transfer of digital line within area	ISK 36,532
Transfer of digital line between areas	ISK 73,064
Change of speed, digital line within area	ISK 16,899
Change of speed, digital line between areas	ISK 28,164
Cancellation, work commenced on setting up line.	ISK 8,884
Cancellation, work commenced on setting up endpoint equipment.	ISK 36,614
EYK transfer of connection	ISK 57,369
EoC Change of speed	ISK 16,889

61) All prices are ex VAT.

62) The PTA intends to commence soon a new market analysis of markets 4 pursuant to new recommendations from ESA from 2016 on the definition of wholesale markets for telecommunications, and these markets cover similar service as market 6/2008. After the Administration has analysed this market, a decision will be made on whether to maintain those obligations imposed on Mila pursuant to the PTA Decision no. 8/2014. The PTA plans to commence a national consultation of the market analysis for Market 4 in November or December this year.

63) Until the time that a new decision is made, the PTA Decision no. 8/2014 on the implementation of obligations for price control will apply. In that Decision, it is stated that the tariff shall be reviewed annually in accordance with the annual update of the cost analysis according to the cost model that has now been endorsed. On the grounds of proportionality, PTA also have to take into consideration work in relation to other cost analysis to be provided by Mila. In accordance with this, Mila shall submit an update of the current cost model for the operation year 2017, by 1 October 2019.



The Decision

- 1) The Post and Telecom Administration endorses the Míla ehf cost analysis pursuant to the most recent update of the analysis which was received by the Administration on 29 August 2018.
- 2) Setup charges and price per month for leasing shall be in accordance with Appendix I to this Decision.
- 3) Míla ehf. shall notify the coming into force of the new tariff with at least 60 days' notice. The new tariff Míla ehf. shall come into force concurrently with the new Míla Tariff for access to copper local loops. The new Míla ehf. tariff shall be part of the company's reference offer for leased lines, on the coming into force of the above specified price changes.
- 4) 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 to be paid pursuant to Article 6 of Regulation number 36/2009 on the Appellate Committee for Electronic Communications and Postal Affairs. Pursuant to Paragraph 4 of Article 13 of the same Act, a party can also refer a decision of the Post and Telecom Authority directly to the courts without the case having been first referred to the Appellate Committee. Such a case shall be brought within 3 months from the time that the party in question received knowledge of the Administration's decision. Referral of the case does not postpone the legal impact of the decision of the Administration. Referral of the case direct to the courts, prevents the Appellate Committee from being authorised to process an appeal.

Reykjavík, XX XX 2019

Hrafnkell V. Gíslason

Óskar Þórðarson

Appendix I: Tariff