



Date	Our reference	Page
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Subject

Case SE/2018/2086: Wholesale call termination on individual public telephone networks provided at a fixed location - Remedies

Case SE/2018/2087: Wholesale local access provided at a fixed location - Remedies

Request for information pursuant to Article 5(2) of Directive 2002/21/EC1
Follow up questions regarding the road-to-home connection

PTS would like to thank the Commission for the follow up questions, and please find below our answers on the questions. :

EC: We would like to come back with a question concerning the calculation of the road-to-home connection, the costs of which and its allocation is not very clear to us.

PTS: The access network that the model deploys goes from the access node to a FOS (fiber Optisk spridningspunkt), which is the distribution point and is the starting point of the final drop which consist of a horizontal part and a vertical part. The lateral length of the vertical part (duct and trench) is one (1) meter in the model and at the end of that meter is the border between the public and private domain (exit from street duct). The road-to-house is the part of the final drop that goes from the end of the lateral length to the building on the private domain. The following figure from the model documentation illustrates the different parts of the final drop and the road-to-house.

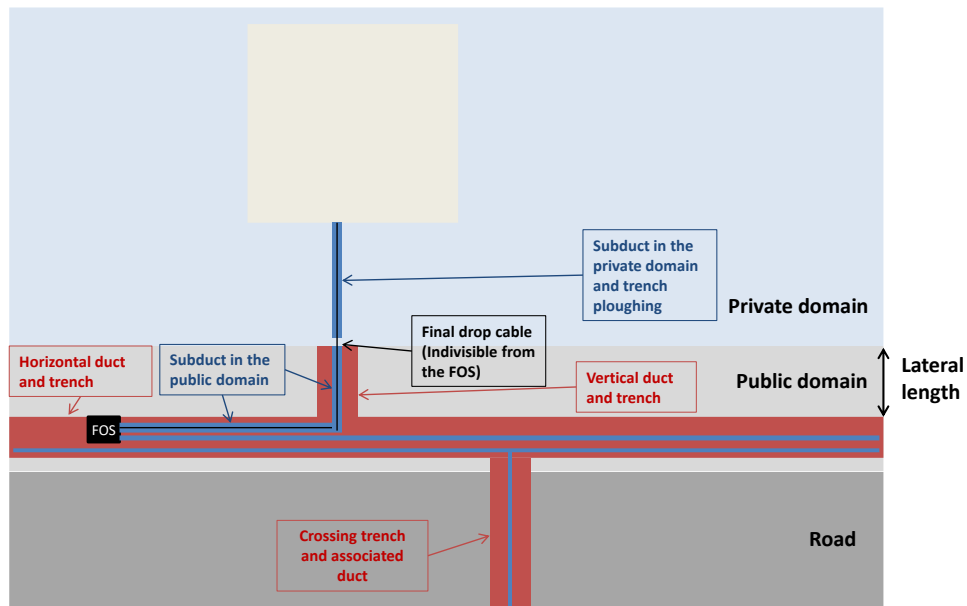
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Figure 1 – Schematization of the Road-to-House Assets



According to criteria 11 of the model reference document (MRD), the part of the final drop between the access node and private domain is annualized and becomes part of the cost base for the monthly rental charge. The part of the final drop on the private domain to the building, including the vertical trench (on the private domain, not the lateral length), is, on the Swedish market normally, financed through a one-off charge; and thus not included in the model. The exit from the street duct is placed vertically one meter from the horizontal trench and duct. The one meter is considered to be on public domain and the length is also called the lateral length. The following table details the different items in the final drop and what is included in the cost calculation.

Asset		Cost recovery methodology
Final drop cable		One-off
Final drop private civil engineering	Subduct in the private domain	One-off
	Ploughing (Trench Private)	One-off
Final drop public civil engineering	Subduct in the public domain	Monthly Rental Charge
	Vertical duct and trench equivalent to the lateral length (vertical portion of the sidewalk that is still in the public domain)	Monthly Rental Charge
	Horizontal duct and trench with Manholes	Monthly Rental Charge
	Crossing trench and ducts (Trench Asphalt)	Monthly Rental Charge
FOS		Monthly Rental Charge
NTP and BDFs		One-off
Distribution network		Monthly Rental Charge

Road-to-house assets cost recovery is determined with the following approach:

- All assets in the private domain are set to be recovered through the one-off upfront charge.
- All assets in the public domain are set to be shared with other networks and recovered through the monthly rental charge.
- The final drop cable, from the FOS to the NTP, is deployed all at once when the subscriber will activate the line and is then considered as recovered through the one-off upfront charge.
- The costs for NTPs and BDFs are set to be recovered through the one-off upfront charge.

EC: In addition we have received a submission from a third party who raises this issue, similarly as it was raised during the national consultations. Could you explain to us whether the price of the road-to-home connection is subject to cost orientation obligation? In particular, could you please explain whether the one off charges for the road-to-home connection are cost oriented? In case the road-to-home connection would not be cost oriented, as it can only be provided by the SMP operator, do you consider it likely that the SMP operator would artificially increase the road-to-home connection fees, in order to exploit the retail customers and to cross-subsidise its other operations (e.g. roll out of network)?

PTS: The road-to-house became an issue around 2007 when PTS at that time discovered that the SMP-operator had started to take a one-off charge for connecting new copper lines in single dwelling units. Subsequently, PTS excluded the last part of the final drop from the cost calculation in the hybrid model (the cost model currently in force). It was followed by lengthy legal processes which in the end gave PTS the right to apply the approach that the last part of the final drop, from the road to the house could be recovered through one-off charges and thereby excluded from the cost calculation of regulated prices. The one-off charge has never been price-regulated, but has become a market practice. With the deployment of fibre networks throughout Sweden by different network owners the one-off charges have become established practice. However have the level of charges varies between network operators. The practice has been a way for network builders to recover not only cost for the network deployment on the private domain, but also marketing costs and other costs related to connecting buildings; primarily single dwelling units and secondary homes. There has been, and still, is severe competition in the rollout of fibre networks in Sweden, which could be described as a competition *for* the market, and the focus has been to attract a sufficient number of customers in deployment areas. The current market situation makes it very unlikely that the SMP operator would artificially increase the road-to-home connection fees in order to cross subsidy other services.

Principle 11 of the MRD emphasizes that the access network is deployed to the building and ends in a Network Termination Point (NTP) or in the Building Distribution Frame (BDF), but that the cost calculation does not include the road-to-house.

As in the hybrid model, PTS does not take a stand at the level of the one-off charges in the new cost model. It should be noted that it is difficult to directly compare the one-off charge calculated for each service with a one-off charge for road-to-house that can amount to 20 000 kr incl. VAT (16 000 kr excl. VAT). The model only calculates the incremental/marginal cost for deploying the network to the house and has not the intention to calculate a complete

connection cost (e.g. including home connections, customer equipment (NTP), sales (customer acquisition), hole in the outer wall of the house, indoor wiring, project meeting with the contractor (actual network builder) and billing costs, etc.).

Finally, in the model, the deployment technique used for the road-to-home part is ploughing which is the least expensive deployment technique used in the model which not necessary is the case in the real life at all cases. However, since the calculation excludes the road-to-home the deployment technique for the road-to-home hasn't been subject to a complete real life calibration.