

**Price cap control compliance
Decision Notice 04/10**

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1. Introduction

On 26th April 2010, the Authority published "Public Consultation 03/10 – Price cap control compliance" in which it invited comments from all interested parties on questions relating to the compliance procedure with regard to price control obligations applicable to providers of electronic communications networks and services designated with significant market power (SMP).

The public consultation focused on the retail price controls imposed on Gibtelecom however, the Authority explained that the procedures proposed in the consultation would serve as a template for the enforcement of other similar SMP obligations, particularly SMP price control obligations.

By using the SMP retail price cap obligations imposed on Gibtelecom as an example, the Authority proposed a compliance procedure framework which provides guidance to all operators who now or in the future will be subject to any form of similar price controls. The public consultation, although more specific to Gibtelecom's retail price caps was non-confidential. However, the consultation included an additional annex (Annex B) which contained relevant confidential data applicable to Gibtelecom's case. As a requirement to protect commercial sensitivities Annex B was only available to Gibtelecom for comment. The Authority, in this Decision Notice will report on the responses to Annex B without compromising commercial sensitivities.

In Decision Notice 03/09, "SMP Obligations in relevant Retail Fixed Markets – Application of Rebalancing and a Price Cap control on Gibtelecom"¹, the Authority imposed three retail price caps on Gibtelecom which apply on an annual basis over the period from 1st May 2009 to 30th April 2012, a period of three years. This document builds upon what was established in the Decision Notice and explains any amendments and additions to the compliance process where necessary. All changes have taken into account operator resources and where possible have adhered to the principle of proportionality. Therefore every effort has been made to minimise the requirement of information provision.

Please note that this Decision Notice contains Annex A which shows the retail price cap compliance forms relevant to Gibtelecom only. Therefore only Gibtelecom will be provided with this Annex. All other interested parties will have this section omitted from their Decision Notice.

In public consultation 03/10 the Authority proposed the form in which SMP operators must submit price cap compliance information. The purpose of the consultation and this Decision Notice is to enhance transparency and increase legal certainty for market players.

The Authority received detailed submissions from one respondent listed below by the close of the consultation period.

The detailed responses to the consultation were provided by:

- Gibtelecom

¹ www.gra.gj.

The Authority thanks all respondents for their submissions. Having considered the views of all respondents, the Authority sets out in this document its conclusions regarding the price control compliance procedure.

1.1 Procedure

On 11th August 2008, the Authority published public consultation 06/08, "Retail Price Controls – Application of Rebalancing and a Price Cap control on Gibtelecom". The consultation dealt with the application of a retail price control on Gibtelecom, forming part of the SMP obligations described in Decision Notice 05/08² issued 11th August 2008. The Authority proposed to apply a retail price control on the SMP operator Gibtelecom in the following markets:

1. Retail access to the public telephone network at a fixed location
2. Retail national publicly available telephony services from a fixed location
3. Retail international publicly available telephony services from a fixed location

The consultation described the form of the retail price cap preferred by the Authority. The main parameters of the retail price cap were set out as follows:

1. Services subject to the price cap will face a price cap such that each year the (weighted) average of price changes shall not exceed inflation less 3 percentage points.
2. The price cap shall start on 1 January 2009 or as soon as possible thereafter and will last for three years.
3. The starting prices in the price cap will enable Gibtelecom to rebalance its tariff structure.
4. Two sub caps will apply to monthly exchange line charges, one for residential and one for business. These sub caps will constrain price increases each year not to exceed inflation plus 2 percentage points for residential and inflation plus 5 percentage points for business.

Taking into account all the comments received during the retail price control consultation and in particular comments in letters sent to the Authority by Gibtelecom, the Authority imposed on Gibtelecom in accordance with the existing SMP obligations the following retail price control obligations. These were set out in Decision Notice 03/09³.

1. A requirement that retail price changes for telephony services in the relevant markets shall not exceed inflation less 3 in each applicable year for three years. The retail price control shall apply on 1st May 2009 and end 30th April 2012.

² Decision Notice 05/08 – Decision and SMP Obligations, Retail Fixed Markets.

³ Decision Notice 03/09 - SMP Obligations in relevant Retail Fixed Markets – Application of Rebalancing and a Price Cap control on Gibtelecom.

2. Gibtelecom shall be allowed to rebalance retail tariffs in accordance with SMP transparency obligations applicable in the relevant markets. The Authority therefore permitted Gibtelecom to increase monthly line rental charges as stipulated in Table 1 below.

Table 1 Rebalanced monthly line rental charges

Line type	Rebalanced monthly line rental charges (£)	Current monthly line rental charges (£)
Residential	8.00	6.00
Business	12.00	10.00
Centrex	14.50	12.50

Gibtelecom was permitted to increase line rental charges, subject to the ceilings stipulated in Table 1 and the requirement that it shall publish changes to the terms and conditions at least 30 days in advance of implementation, and shall publish information on increases to tariffs at least 30 days in advance. **It was made clear that the above rebalancing was not to count as price changes (increases) for the purposes of compliance with the retail price cap starting 1st May 2009.**

3. Post any rebalancing (as described in 2 above) two sub-caps shall apply to the monthly line rental charges, one for residential and one for business. These sub-caps constrain price increases each applicable year not to exceed inflation plus 2 percentage points for residential line rental and inflation plus 5 percentage points for business line rental.

4. Gibtelecom was permitted to remove the free call allowance of £1.25 per month available to all residential customers subject to the requirement that it shall publish the changes to the terms and conditions at least 30 days in advance of implementation, and shall publish information on the implied increase in the line rental at least 30 days in advance.

Table 2 below summarises the services within the retail price cap, the associated starting prices and information about the application of sub-caps.

Table 2 Services in the retail price cap, starting prices and sub-caps

Specific Set of services	Starting Price	Included in sub-cap?
Connection Fee	£60	No
Residential monthly rental fee	£8.00	Yes, x=Inflation + 2%
Business monthly rental fee	£12.00	Yes, x=Inflation + 5%
Centrex Line	£14.50	No
Unit price national fixed to fixed calls	6p	No
Local DQ	25p per call	No
International DQ	50p per call	No
International Direct Dial charges	Tariff as at August 2008	No

5. There are three Price Control Years over the periods: 2009-10, 2010-11 and 2011-12.

6. In addition a price control on retail fixed to mobile services in the form of a cost orientation obligation applies. Gibtelecom shall demonstrate compliance by reference to the three main cost components of the services:

- (i) Wholesale fixed call origination which is subject to a SMP price control obligation;
- (ii) Wholesale mobile termination which is also subject to a SMP price control obligation; and
- (iii) Other costs (such as a proportion of overheads).

The Authority was notified by Gibtelecom that the rebalancing allowed as part of the retail price control obligations was to be introduced contemporaneously with per second billing for local telephony calls. Per second billing for local calls is a requirement under the SMP obligations stipulated in Decision 05/08.

The Authority was provided with estimates by Gibtelecom that showed tariff rebalancing, the removal of free call allowance and the introduction of per second billing for local calls would provide a net benefit to almost all residential and business subscribers.

1.2 Structure of this document

The rest of the Decision Notice is structured as follows:

Section 2 - Responses to the Public Consultation

Summarises the responses to the public consultation and presents the Authority's position.

Section 3 – Compliance with retail price caps

This section outlines the procedure for compliance with the retail price cap controls and contains the compliance forms to be completed for compliance assessment.

Section 4 – Retail price control sub-cap compliance forms

This section contains the compliance forms for the retail price control sub-caps.

Section 5 – Compliance test for retail fixed to mobile call cost orientation obligation

This section will concentrate on the price control on retail fixed to mobile calls and the compliance forms to be used.

2. Responses to the Public Consultation

In this section the Authority summarises the responses to the public consultation on the price cap control compliance procedure.

Question 1: Do you agree that the deadline for the compliance statement should be four months after the end of each price control year? If not, please give reasons for your answer?

Views of Respondents

Gibtelecom accepted a deadline of four months after the end of each price control year for the submission of their compliance statement for the second and third price control year. However, for the first price control year they pointed out that this deadline would not be feasible as the Decision Notice had not yet been published and by the time it would be published they would have less than four months in which to complete their compliance statement.

They asked the Authority to consider extending the deadline for submission of their compliance statement for the first price control year.

Authority's Position

The Authority acknowledges Gibtelecom's concern over the timing of the publication of this decision notice and the subsequent effect this will have on the four month deadline for the submission of the compliance statement. The Authority must emphasise that it was as a result of the timing of the public consultation 03/10 that the Authority decided to lower the amount of data required from Gibtelecom for the first price control year in order to verify compliance with the price controls thereby alleviating the incumbent of this added burden. However, given Gibtelecom's concerns, the Authority is willing to extend the deadline to 30th September 2010 for the submission of the first compliance statement in order for Gibtelecom to get acquainted with entire compliance process. For price control year 2 and 3, the deadline will stand at four months after the end of each price control year i.e. 31st August 2011 and 31st August 2012.

The first price control year deadline is 30th September 2010.

The second price control year deadline is 31st August 2011.

The third price control year deadline is 31st August 2012.

Question 2: Do you agree that the compliance statement should refer to the calendar year which corresponds to two years prior to the end of the price control year? If not, please give reasons for your answer?

Views of Respondents

Gibtelecom stated that they were not clear on the Authority's statement that read, "the compliance statement shall make use of regulatory accounts data". They said

that this implied that they should use the information from the Accounting Separation Report (ASR) that they provide to the Authority every year.

Gibtelecom were of the view that the information from the ASR could not be used to populate the compliance statement as the purpose and data behind the ASR was different to that meant to demonstrate compliance. Instead, Gibtelecom suggested that if the Authority was looking for data that had gone through an independent verification process, then the Authority should rely on Gibtelecom's statutory audited financial statements for the completion of the compliance statement.

The incumbent had no objection in principle in using such information for the period suggested in the question.

Authority's Position

The Authority raises no objections to Gibtelecom using statutory audited financial statements for the purpose of completing the compliance statement at the end of each price control year.

With regard to the compliance statement referring to the calendar year which corresponds to two years prior to the end year, the Authority notes that Gibtelecom agrees to this.

The compliance statement should refer to the calendar year which corresponds to two years prior to the end of the price control year for e.g. price control year 1 corresponds to period 1st January 2008 to 31st December 2008.

Question 3: Do you also agree that for the first year a reduced amount of data should be required from Gibtelecom in order to confirm compliance with the price controls? If not, please give reasons for your answer?

Views of Respondents

Gibtelecom explained that for the first price control year it was not reasonable for the Authority to ask for additional information and compliance requirements if this would affect the delivery of the first compliance statement by 31st August 2010.

Gibtelecom directed the authority to their response for question 1 above.

Authority's Position

Further to the Authority's position in question 1 above, the Authority believes that for the first price control year the reduced amount of data required from Gibtelecom is reasonable and will be less of a regulatory burden. In addition, the Authority has agreed to extend the deadline for the delivery of the first compliance statement to 30th September 2010.

A reduced amount of data shall be required of Gibtelecom for the first compliance statement.

Question 4: Do you agree with the Authority inserting values in steps A-E and for Gibtelecom to make clear its position on these values? Do you agree that one party should notify the other party of any disagreement with the inserted values within ten business days? If not, please give reasons for your answer?

Views of Respondents

Gibtelecom agreed with the Authority inserting values in steps A-E and was content to check the values inserted by the Authority. Gibtelecom asked when the Authority intended to issue the form for the first price control year to Gibtelecom for checking. Additionally, Gibtelecom wanted clarification on the timing for the issuance of forms with the inserted values for Price Control years two and three.

With regard to the timescales for notification by Gibtelecom to the Authority of any disagreements with the figures inserted by the Authority, Gibtelecom agreed to the ten business day's deadline. The respondent questioned whether it was safe to assume if the Authority would also be subject to the same timescale, on the basis that this would provide greater regulatory certainty, should the Authority disagree with any of the figures inserted by Gibtelecom.

Authority's Position

The Authority is pleased that Gibtelecom have no objections to the Authority issuing all PCY forms with inserted values in steps A-E for all three price control years. The form for price control year one (PCY1) will be issued with this decision notice publication. For price control years two and three, the Authority will issue forms PCY2 and PCY3 as soon as the compliance procedure is completed for the preceding year. This will take ten business days if no disagreement is expressed by either party.

Gibtelecom's assumption as to whether the Authority will also be subject to the same timescales for notification by Gibtelecom to the Authority of any disagreements with the figures inserted by the Authority is correct. As stated in consultation 03/10, the Authority, as well as Gibtelecom, is subject to the ten business day deadline when one party is in disagreement over the value inserted in the relevant PCY form.

Form PCY1 will be issued with this Decision Notice at Annex A.

Forms PCY2 and PCY3 will be issued as soon as the compliance procedure is completed for each preceding year.

The Authority will be issuing all PCY forms with inserted figures in steps A to E for all three price control years.

The Authority as well as Gibtelecom is subject to a ten business day deadline when one party is in disagreement over the value inserted in a PCY form.

Question 5: Do you agree with the proposed way of measuring inflation in the retail price control compliance statement? If not, please give reasons for your answer.

Views of Respondents

Gibtelecom is satisfied with the Authority's proposed method of measuring inflation in the retail price control compliance statement. However, Gibtelecom pointed out that the Authority had made some typing and arithmetical errors in the calculations for inflation rates. They also highlighted that some of the retail price indices had been quoted incorrectly and added that these figures should be corrected.

Authority's Position

The Authority will use an average of the inflation rate over a 12 month period preceding Price Control Year 1 to reflect the revenues accrued and costs incurred by Gibtelecom throughout the 12 month period, this being October 2007 through to July 2008.

The Authority has reviewed the data used to compute inflation in form PCY1 and agrees with Gibtelecom's findings that there is indeed a typing error for the retail price indices for the quarter October 2008 to July 2009 and has amended these accordingly. Gibtelecom was also correct in pointing out an arithmetical error in the calculation of the inflation rate for the second price control year in PCY2. The Authority notes the correct figure to be 3.18% and will now be included in the relevant form for price control year 2. With regards to the price indices, please see section 3 for an amended version of the data table used to compute inflation.

The inflation rate is calculated by taking an arithmetic average of the annual change in the general index of retail prices over the period October to July of the relevant year. For e.g. in price control year 1 an average figure will be calculated for the period October 2007 to July 2008.

Question 6: Do you agree with the proposed penalties for dealing with non-compliance? If not, please give reasons for your answer.

Views of Respondents

Gibtelecom did not agree with the proposed penalties for dealing with non-compliance.

The respondent disagreed with the carryover period of one year and asked that this period be extended to more than one year to balance out the highs and lows of any inflationary pressures in the future. They asked the Authority to be aware that by keeping carryover to a very limited time this could have an undesirable effect on pricing in times where retail price indices (RPI) are above the offset productivity factor (i.e. where RPIs are higher than 3%). Gibtelecom also pointed out that by limiting carryover to one year Gibtelecom could find itself in a position where they would be looking into carrying out a review of the charges for those services under the regulated basket, with a view to making full use of the year's available carryover.

With regards to non-compliance for a particular price control year, Gibtelecom also disagreed with the Authority's second form of carryover (negative carryovers) and said that the Authority was not being consistent with its views towards positive carryovers. Gibtelecom also asked why negative carryovers could be moved across more than one year unlike the positive carryovers which could only move across one year.

Gibtelecom also questioned the reimbursement figures suggested by the Authority and mentioned that these were arbitrary, and would be difficult to apply in terms of practicality and logistics of carrying out such an exercise. They also asked how the Authority intended to handle the identification of which service the refunds would relate to.

The incumbent also suggested that a mechanism should exist whereby minor differences in price control mechanisms were accepted and not penalised. They asked the Authority for some flexibility in the calculations that would incorporate rounding differences where these are not material.

Authority's Position

The Authority is not persuaded by the arguments of Gibtelecom regarding the limiting of carryover to one-year. The Authority notes that a one year period has been applied in other best practice regulatory jurisdictions, such as the United Kingdom, and is not aware of it causing problems for operators in those countries. The Authority is also unconvinced by the example citing inflation above the productivity offset factor. In designing the price control compliance arrangements, the Authority has always been mindful of this possibility and fails to see how the purpose of the retail price control is in any way undermined by restricting the time period of carryover to one year.

It should be remembered that the purpose of carryover is to provide Gibtelecom some flexibility, so that it does not feel constrained to make decisions within a current price control year that may possibly not serve the interest of the consumer and the firm. By implication, flexibility is at its greatest when carryover is permitted without expiration. On the other hand, this could lead to a situation where price changes are seriously out of kilter with changes in retail prices relative to the productivity offset factor X. For this reason, the Authority views a one year period for carryover as appropriate and reasonable.

The remarks presented by Gibtelecom against a one year period are not supported by evidential reasoning. Furthermore, the Authority is not able to identify detrimental costs arising due to inflation exceeding the productivity offset factor and carryover being limited to one year. If Gibtelecom claims it would make price changes (increases) above what would otherwise materialise as a result of the one year carryover, this is not a problem as the Authority is confident that the choice of the productivity offset factor at 3 is sufficient to protect consumers. It will always be the case that the average of the price changes for services in the regulated basket must fall by at least 3% in real terms in each year of the price control.

The Authority wishes to clarify that positive carryover calculated in a price control year T for example, will be permitted as carryover within the price control

compliance arrangements in year T+1. This situation is not mandated and Gibtelecom may choose to ignore the positive carryover, or only take account of some fraction. From year T+2 any carryover unused derived from year T shall expire.

The Authority wishes to clarify that negative carryover calculated in price control year T will be mandated for application in year T+1. The Authority provided a clear hypothetical numerical example in its Public Consultation 03/10 on page 19 illustrating this point. Negative carryover is not permitted to extend over two periods.

The Authority set out a penalty mechanism in Public Consultation 03/10. This is directed at penalising Gibtelecom where it fails the retail price control compliance test and is not able to demonstrate that it has pursued actions where it reasonably expected to comply with the test. The financial penalty is concurrent with the treatment of negative carryover that would arise in this instance.

The penalty applied to Gibtelecom would comprise compensation awarded to consumers equal to the value of the negative carryover. Should negative carryover arise, the Authority would be receptive at that time to proposals from Gibtelecom on a reimbursement scheme. One possible reimbursement scheme would be to offer each line rental account an equal share of the negative carryover in the price control year following the year where compliance fails, in the form of a one-off discount on the monthly line rental charge.

In the unlikely event that compliance failure occurs in two consecutive price control years and Gibtelecom is not able to demonstrate that they reasonably expected to meet compliance, it shall compensate customers three times the negative carryover calculated in the second of the price control years. The distribution of compensation will take the same form as stated in the preceding two paragraphs.

The Authority wishes to point out that it has every confidence in Gibtelecom meeting compliance and therefore it is unlikely that negative carryover will be a feature. However, there may be occasions where rounding of prices within the price control basket might lead to a 'small' negative carryover. The Authority does not wish to execute penalties where non-compliance occurs either because of unexpected events or reasonable rounding procedures.

Therefore the Authority will authorise legitimate negative carryover in certain circumstances. Legitimate negative carryover will be permitted only where the Authority is notified by Gibtelecom before the end of the price control year in question that negative carryover is likely, and where it is shown the negative carryover is 'small' and due to rounding procedures.

Positive carryover will only be allowed for one year.

Negative carryover is not permitted to extend over two periods.

Penalties will result upon failure to meet the retail price control compliance tests.

If penalties arise, the Authority will consider proposals from Gibtelecom on a reimbursement scheme. One possible reimbursement scheme would be to offer each line rental account an equal share of the negative carryover in the price control year following the year where compliance fails, in the form of a one-off discount on the monthly line rental charge.

When compliance failure occurs in two consecutive price control years and the Gibtelecom is not able to demonstrate that they reasonably expected to meet compliance, it shall compensate customers three times the negative carryover calculated in the second of the price control years.

Question 7: Do you agree with the Authority's proposal to make use of calendar year regulated accounting data for revenue? Do you also agree with the non-disclosure of the data supplied in the final two columns of Form 1A? If not, please give reasons for your answers.

Views of Respondents

With regards to the use of the calendar year regulated accounting data for revenue, Gibtelecom referred the Authority to their reply for question 2 above.

Gibtelecom agreed with the Authority's proposal not to disclose the data supplied in the final two columns of Form 1A as this information is commercially sensitive.

Authority's Position

The Authority agrees with Gibtelecom and will not make public the values in the final two columns of Form 1A in order to safeguard commercial sensitivities.

Gibtelecom shall make use of the information used to build the statutory audited financial statements produced every year for the financial year ending 31st December two years prior to the end of the control year.

The Authority will not disclose confidential data found in the final two columns of Form 1A.

Question 8: Do you agree with the Authority's methodology in calculating the figures in Form 1A? If not, please give reasons for your answers.

Views of Respondents

Gibtelecom did not have any major issues with the Authority's methodology in calculating the figures in Form 1A as long as these calculations took into account changes in volumes. They referred to their response to Question 12 of public consultation 06/08, Retail Price Controls – Application of Rebalancing and a Price Cap control on Gibtelecom.

They also stated that the company's comments under this particular question should be read in conjunction with their responses to questions 2 above and 9 and 10 below.

Authority's Position

The Authority has taken due care to ensure that the retail price control obligation applied to Gibtelecom possesses desirable incentives. The price control is a retail price cap known internationally as either 'RPI-X' or 'CPI-X', which has recognised desirable incentive properties. First, Gibtelecom has every incentive to lower its operating costs and exploit efficiency gains – as it is able to share such gains at its discretion between shareholders and consumers.

Secondly, the regulated basket does not constrain and is not intended to constrain Gibtelecom's ability to expand or contract volumes in each price control year. The retail price control is implemented by using revenues obtained from the sale of regulated services. It does not constrain revenue in the price control year, rather it constrains the revenue associated with the situation where the firm is assumed to sell the same volume as in the previous year. This is done so that the revenue change translates directly into a measure of price change. Clearly if the price control used actual volume of sales in the price control year, this would not enable the Authority to assess how prices have changed compared to the previous year.

If Gibtelecom sells more or less than the previous year's volume of sales for regulated services, this is perfectly compatible with the retail price control and the company does not face any adverse consequences as a result. Actual volume changes may arise because of factors such as population change and other demand and supply side factors, and the retail price cap is purposely structured to accommodate these changes. This feature has worked in many countries where such price controls have applied.

The Authority is confident that its retail price control compliance arrangements do not hinder the incentives for the company to grow its business and apply efficiency savings. These are strong virtues of the price cap being applied.

Question 9: Do you agree with the Authority's methodology for computing the change in price of fixed to fixed domestic calls? Do you agree with the Authority's proposal to make use of a simple arithmetic average in the absence of readily available data about minutes of traffic across the three calling periods for fixed to fixed domestic calls? If not, please give reasons for your answers.

Views of Respondents

Gibtelecom did not have any major concerns with the Authority's proposed way of calculating the change in price of fixed to fixed domestic calls. However, they pointed out that this system did not cater for more than one change in prices over a particular year, should this occur. They suggested that column II of Form 1B should show average prices in order to handle any price changes throughout the year.

Gibtelecom stated that there was no need for the Authority to use arithmetic averages as they had already found a way to extract data on the number of minutes across the three calling periods for fixed to fixed domestic calls.

Authority's Position

The Authority welcomes Gibtelecom's approval regarding the methodology for computing the change in price of fixed to fixed local calls. Additionally, the Authority notes Gibtelecom's comment regarding form 1B, and has decided to make these changes to the forms for price cap years 1, 2 and 3 with immediate effect. Although the Authority notes that Gibtelecom have not had any price changes during the first price control year, it nonetheless will appear in the form for year 1 in order to avoid having two different forms for year 1 and years 2/3 respectively. The amendment will be done to column II of form 1B and will now state "Average Price (pence per second)" in order to cater for more than one change in prices over the price cap year.

The Authority also welcomes Gibtelecom's commitment to extract data on the number of minutes for fixed to fixed calls across the three calling periods. This means that the data extracted will result in a more accurate calculation.

Gibtelecom has agreed with the Authority's methodology for computing the change in price of fixed to fixed local calls.

Gibtelecom will be providing data on the number of minutes across the three calling periods for fixed to fixed domestic calls and therefore there is no need to use a simple arithmetic average in the absence of calling data.

Column II of Form 1B will now require average prices in pence per second in order to cater for more than one change in price over the price cap year.

Question 10: Do you agree with the Authority's methodology for computing the change in price of IDD calls? Do you agree with the Authority's proposal to make use of a simple arithmetic average based on 'major' IDD calling services in the absence of readily available data about minutes of traffic for IDD calls? If not, please give reasons for your answers.

Views of Respondents

Gibtelecom agrees with the Authority's methodology for computing the change in price of IDD calls.

Gibtelecom explained that there was no need for the Authority to use arithmetic averages based on major IDD calling services in the absence of available data, as they believed they had found a way to extract data on the number of minutes across the three calling periods for international direct dialled calls.

Authority's Position

The Authority, as per its comments on question 9 above, welcomes Gibtelecom's acceptance of the methodology and Gibtelecom's decision to extract data across the different calling periods for the major IDD calling services so as to obtain a more accurate figure.

Gibtelecom has agreed with the Authority's methodology for computing the change in price of IDD calls.

Gibtelecom will be providing data on the number of minutes across the three calling periods for international direct dialled calls and therefore there is no need to use a simple arithmetic average in the absence of calling data.

Question 11: Do you agree with the Authority's proposal with regard to Gibtelecom only needing to check the figures in all tables for the price control year 2009/10? If not, please give reasons for your position.

Views of Respondents

Gibtelecom was content with the Authority's proposal on this matter and also referred the Authority to their response to question one above related to the timing of the public consultation.

Gibtelecom acknowledged the fact that for price control years two and three they would check the figures inserted by the Authority in fields A to E in Forms RSCY and BSCY. On these same forms they would complete fields F to J and they would also insert all the values in forms SCRA and SCBA. However they stated that the public consultation did not explain clearly by when these forms would have to be submitted. Gibtelecom also asked whether the Authority would be providing Gibtelecom with the subsequent years' forms to complete and verify and by when.

They also asked whether the same timescales as those suggested and discussed in question four above would apply for the validation of the completed fields i.e. ten business days for the regulated firm, and the Authority.

Authority's Position

As per the Authority's comments to question 4 above, the form for price control year 1 (PCY1) will be issued to Gibtelecom at the same time as the publication of this Decision Notice. Gibtelecom is to submit the PCY1 form by the extended deadline of 30th September 2010. For price control years 2 and 3, these will be issued as soon as the compliance procedure is completed for the preceding year. This will take ten business days if no disagreement is expressed by either party. The Authority, as well as Gibtelecom, is subject to the ten business day deadline when one party is in disagreement over the value inserted in the relevant PCY form.

Gibtelecom will only need to check figures in all tables relating to the retail sub caps for the first price control year 2009/2010.

Question 12: Do you agree with the proposed penalties for dealing with non-compliance? If not, please give reasons for your answer.

Views of Respondents

Gibtelecom did not agree with the proposed penalties.

They particularly mentioned that in cases of negative carryover for the line rental sub baskets, they did not agree with amending the starting price for the following year. They suggested using a percentage figure as would be the case for the proposed non-compliance penalties under the general basket of services.

The incumbent also showed that they disagreed with the compensation procedure in the event of non-compliance and referred the Authority to their response to question 6 where they explained their general views on the matter.

In the event that a refund is awarded to customers for repeated non-compliance in the line-rental sub-baskets, Gibtelecom inquired as to how this would be factored into form 1A and form PCY so that "double-counting" would not take place.

Authority's Position

Negative carryover for the line rental sub-caps is designed to ensure that the starting price at the beginning of a price control year is equal to the maximum allowable monthly line rental charge. This can be expressed either in monetary terms or percentage terms. Throughout, the Authority has chosen to apply monetary values to the carryover on the individual sub-caps, as this is possible due to the single service subject to regulation in each case. The Authority also believes that expressing carryover in this form for the sub-caps is clearly understandable to the public, Gibtelecom and other authorised operators.

The Authority has commented on the application of penalties in the position outlined in question 6. The Authority proposes a similar approach here with regard to reimbursement in the case of negative carryover occurring in a sub-cap. In the event of negative carryover, the Authority recommends that customers receive a reimbursement for the overcharge on the monthly line rental in the form of a one-off payment or discount, and the application of an appropriate adjustment to the starting price in the current price control year so that the line rental charge complies with the price cap.

For example, if the residential line rental charge were £9 on average in a price control year, and the ceiling permitted is £8.70, Gibtelecom would be required to reimburse its residential subscribers $12 \times 30p = £3.60$, and carryover would be defined as minus 30p so that the starting price in the following price control year is £8.70.

If the ceiling permitted in the price control year is £8.90 the line rental charge at the start of the price control year of £9.00 would also exceed the cap and this would trigger a possible two-period consecutive penalty charge. On the other hand, if the ceiling were calculated as £9.10, the company has discretion with regard to the rental charge up to this value.

It should be emphasised that reimbursement has no bearing on prices faced by customers for the purposes of computing compliance with the price caps. A penalty is a punishment equivalent to a fine and hence is a deterrent measure against breaching the sub-cap.

In the event of non-compliance in regard of a line rental sub-cap, double counting would not arise. Any compensation that may be paid to customers would not be counted retrospectively as influencing the price faced by customers.

Carryover in each line rental sub-cap is expressed in monetary terms.

Reimbursement of excessive line rental charges, arising in the case where compliance fails, does not influence the prices faced by customers.

The procedures for reimbursing customers in the event of a failure to comply with a line rental sub-cap may be negotiated with the Authority as and when required.

Compensation is a penalty intended to provide a strong incentive to Gibtelecom to comply with the line rental sub-caps and would not give rise to double-counting.

Question 13: Do you agree with compliance test for the wholesale mobile termination charge in terms of Gibtelecom's fixed to mobile calls? If not, please give reasons for your answer.

Views of Respondents

Gibtelecom did not agree with the compliance test for the wholesale mobile termination charge.

The incumbent explained that the Authority had previously calculated an implied mobile termination rate in the absence of mobile regulatory data and that a glide-path price control had been imposed. An accounting separation report for the year ended 31 December 2008 had been recently submitted which now provided audited details on Gibtelecom's mobile termination services which now showed that the cost of terminating a call on the mobile network was 9.52p/min.

Gibtelecom argued that this figure should be set as the wholesale mobile termination rate and that it should replace the current implied rate and associated glide-path controls as it was calculated in accordance with the regulatory principles and obligations on cost orientation.

They pointed out that the Authority was already obtaining the cost-based termination rates annually via Gibtelecom's ASR's and that there was no need to compute or justify Gibtelecom's mobile termination rate in the price control compliance procedure.

Authority's Position

The Authority is not persuaded by Gibtelecom's assertions made in regard to the compliance test for the wholesale mobile termination charge on fixed to mobile calls. Firstly Gibtelecom stated that in accordance with regulatory principles and obligations on cost orientation, it argued that the recently calculated mobile termination rate of 9.52p/min (2008 figures) should substitute the current implied rate, as calculated by the Authority using Gibtelecom's figures, and the associated glide path price controls. The Authority is of the view that the incumbent cannot simply substitute an agreed price control established in a market review with a calculation based on Gibtelecom's 2008 Accounting Separation report (ASR). Gibtelecom is currently subject to price control SMP obligations for mobile call termination and these can only be revised following a market review procedure.

Furthermore, Gibtelecom is suggesting that with this new cost-oriented mobile termination rate there would no longer be a requirement to compute or justify it using the proposed compliance check in the public consultation 03/10. Gibtelecom's proposed solution to disregard the compliance check and instead rely solely on the ASR to prove compliance would negate the Authority's duty to carry out an in-depth compliance check all together. The Authority would then be unable to carry out its functions in enforcing the retail price controls.

Gibtelecom is required to submit Form 3 on the wholesale termination compliance test for fixed to mobile calls in order for the Authority to check compliance with Gibtelecom's wholesale mobile termination charge.

Question 14: Do you agree with using the value of 15.3% as a proxy for the mark-up to cover common costs? If not, please give reasons for your answer.

Views of Respondents

Gibtelecom agreed with using the value of 15.3% as a reasonable rate of return to cover common costs and overheads.

Gibtelecom added that the mobile termination rate should be set at that calculated in their recently submitted ASR and not at the implied mobile per minute call termination cost.

Authority's Position

The Authority agrees with the 15.3% mark-up value to cover common costs.

Gibtelecom shall use the value of 15.3% as a reasonable rate of return to cover common costs.

Question 15: Do you agree with compliance test for the fixed to mobile cost orientation obligation? If not, please give reasons for your answer.

Views of Respondents

In principle Gibtelecom disagreed with the compliance test for the fixed to mobile cost orientation obligation.

They believed that the Authority should allow them to review their own mobile termination rate in accordance with their cost orientation obligations which they recently submitted in their ASR.

Gibtelecom was of the view that any compliance test should take into account the fixed to mobile price reductions made over the past few years which were based on the Authority's implied (non-cost oriented) mobile termination rates.

Authority's Position

The cost-orientation SMP obligation is clear and requires that Gibtelecom's retail fixed to mobile voice calls should be set at a price not exceeding cost. This is the principle underpinning the Authority's compliance test.

In applying the test, the Authority makes use of regulated ceilings on the costs of the two key elements of a national fixed to mobile voice call: fixed voice call origination and mobile voice call termination. The ceilings derive from SMP obligations. In practice Gibtelecom's internal accounts may reveal the actual cost of fixed voice call origination and mobile voice call termination to vary from these ceilings.

Form 4 in the Price Cap Control Compliance public consultation document 03/10 sets out clearly the assumptions used by the Authority to compute an estimate of the retail Gibtelecom fixed to mobile calling charges, and then compares the estimates with the maximum allowable costs as permitted under the SMP obligations, including allowance for a 15.3% mark-up for common costs.

The compliance test is simple and relies entirely on data applicable in the price control year.

Gibtelecom shall complete Form 4 for the fixed to mobile cost orientation compliance test.

Question 16: Do you agree with the proposed penalties for dealing with non-compliance? If not, please give reasons for your answer.

Views of Respondents

Gibtelecom disagreed with the proposed penalties especially as the implied mobile termination rates were not consistent with the data available through the audited mobile ASR.

They went on to say that until they were allowed by the Authority to revise their own mobile termination rates it would not be appropriate for the company to provide further comments on this particular question. They also referred the Authority to their responses under questions 6 and 12 above.

Authority's Position

The Authority directs the reader to the position articulated in response to question 6 above. The Authority proposes to apply a compensation scheme as described in the position given at question 6 above.

For the SMP cost-orientation obligation to work Gibtelecom must face an incentive that exposes it to a cost in the event of non-compliance. The Authority does not accept the claims made that the data in the ASR should be used. As argued in the response to question 15, the Authority only needs to make use of ceilings which are set out clearly in various SMP obligations placed on Gibtelecom. It was also noted that accounting costs in the ASR for fixed voice call origination and mobile voice call termination may vary from the SMP obligation ceilings. However, such variation is of no significance in regard to the compliance test. The ASR is designed to serve a different regulatory purpose.

In the event of non-compliance with the fixed to mobile cost orientation SMP obligation, Gibtelecom shall be required to make appropriate reductions in retail fixed to mobile tariffs in the price control year immediately following the one in which compliance fails.

Penalties shall require Gibtelecom to reimburse fixed line customers an amount equivalent to the revenue associated with failing to meet compliance.

When compliance failure occurs in two consecutive price control years and Gibtelecom is not able to demonstrate that they reasonably anticipated to meet compliance, it shall compensate fixed line customers three times the amount that is equivalent to the revenue associated with failing to meet compliance in the second subsequent year.

3. Compliance with retail price caps

Taking into account all the comments received during public consultation 03/10, the Authority has included below the compliance forms which must be filled in and submitted to the Authority in order for a compliance check to be carried out.

In Gibtelecom's case, the relevant compliance forms can be found in Annex A. The forms apply to all price control years, however the confidential values inserted in certain tables relate to the first year only. This Annex is only available to Gibtelecom.

Form PCY1: Price Control Year 1 – 1 May 2009 to 30 April 2010

STEPS			VALUE	GRA CHECK	Gibtelecom CHECK
A	'IRP' (INFLATION): AVERAGE ANNUAL % INCREASE IN IRP THROUGH JULY 2007 – JULY 2008		%		
B	OFFSET PRODUCTIVITY FACTOR 'X'		%		
C	IRP – X	A – B	%		
D	CARRYOVER FROM 2008 ('ROW L' VALUE PREVIOUS YEAR'S FORM)		%		
E	CONTROLLING PERCENTAGE	C + D	%		
F	TOTAL 2008 REGULATED REVENUE (SEE TABLE 1A)	TOTAL (i) FROM FORM 1A	£		
G	MAXIMUM ALLOWABLE REVENUE CHANGE ON 2008 VALUES	E x F	£		
H	REVENUE CHANGE ON REGULATED SERVICES BASED ON 2008 VALUES	TOTAL (ii) FROM FORM 1A	£		
I	COMPLIANCE TEST	IS H < G?	Y/N		
J	REGULATED REVENUE IN PCY1	F + H	£		
K	PERCENTAGE CHANGE IN REGULATED REVENUE	$[(J - F)/F] \times 100$	%		
L	CARRYOVER TO NEXT YEAR	E – K	%		

The inflation rate is calculated by taking an arithmetic average of the annual change in the general index of retail prices over the period October 2007 through to July 2008. The data used by the Authority are shown below:

Data used to compute inflation in Form PCY1⁴

Quarter (month/year)	General Index of Retail Prices	Percentage change over last 12 months % (Inflation)
October 2006	117.41	2.30
January 2007	117.77	2.60
April 2007	119.18	2.70
July 2007	120.17	2.70
October 2007	120.68	2.80
January 2008	120.78	2.60
April 2008	122.87	3.10
July 2008	125.83	4.70
October 2008	126.08	4.50
January 2009	124.13	2.80
April 2009	126.28	2.80
July 2009	129.12	2.60
October 2009	129.66	2.80
January 2010	128.41	3.40

Source: Table 55 Index of Retail Prices: All Items, 1998 – 2009, Government of Gibraltar Abstract of Statistics 2008, Statistics Office 2009, at http://www.gibraltar.gov.gi/images/stories/PDF/statistics/Abstract_of_Statistics_2008.pdf and at <http://www.gibraltar.gov.gi/statistics>.

⁴ The relevant indices of retail prices have been amended as per Gibtelecom's comments to public consultation 03/10.

Form 1A: Price Control Year 1– Prices, Quantities and Revenues

SERVICE	I = 09/10 STARTING PRICE (£)	II = 09/10 AVERAGE PRICE (£)	III = % CHANGE I & II	IV = 2008 REVENUE (£ 000)	V = III x IV (£ 000)
CONNECTION FEE					
RESIDENTIAL LINE RENTAL					
BUSINESS LINE RENTAL					
CENTREX					
FIXED TO FIXED LOCAL CALLS	<i>See Form 1B</i>	<i>See Form 1B</i>	<i>VALUE (b) Form 1B</i>		
LOCAL DIRECTORY ENQUIRIES					
INTERNATIONAL DIRECTORY ENQUIRIES					
*INTERNATIONAL DIRECT DIALING (WEIGHTED AVERAGE OF CALLS FOR STANDARD PERIOD)			<i>VALUE (b) Form 1C</i>		
*INTERNATIONAL DIRECT DIALING (WEIGHTED AVERAGE OF CALLS FOR CHEAP PERIOD)			<i>VALUE (b) Form 1C</i>		
TOTAL				(i)	(ii)

Form 1B: Price Control Year 1– Fixed to Fixed local call retail prices⁵

FIXED TO FIXED LOCAL CALLS	I STARTING PRICE 08/09 PRICE (PENNY PER UNIT)	II 2009/10 AVERAGE PRICE (PENNY PER SECOND)	III % CHANGE (OF I & II)	IV TOTAL MINUTES (2008)	V = WEIGHT = IV/VALUE (a) (%)	VI = III x V = WEIGHTED CHANGE (%)
PEAK (MON-FRI 09:00-13:00)	6P FOR 2 MINUTES	*3P INITIAL CHARGE AND 0.025				
STANDARD (MON-FRI 08:00-09:00 & 13:00-18:00)	6P FOR 3 MINUTES	*3P INITIAL CHARGE AND 0.0167				
CHEAP (MON-FRI & WEEKENDS/PUBLIC HOLIDAYS 18:00-08:00)	6P FOR 9 MINUTES	*3P INITIAL CHARGE AND 0.006				
TOTAL			-----	VALUE (a)	100%	VALUE (b)

⁵ Column II now shows an average price per second as per Gibtelecom's comments to Public Consultation 03/10.

Form 1C: Price Control Year 1– International Direct Dial (IDD) charges

FIXED TO FIXED IDD CALLS	I = STARTING PRICE (PENNY PER MINUTE)	II = 2009/10 AVERAGE PRICE (PENNY PER MINUTE)	III = % CHANGE	IV = TOTAL MINUTES (2008)	V = WEIGHT = IV/VALUE (a) (%)	VI = III x V = WEIGHTED CHANGE (%)
SPAIN - STANDARD						
SPAIN - CHEAP						
UK - STANDARD						
UK - CHEAP						
PORTUGAL - STANDARD						
PORTUGAL - CHEAP						
EUROPE/USA/CANADA/NEW ZEALAND/ISRAEL/ AUSTRALIA - STANDARD						
EUROPE/USA/CANADA/NEW ZEALAND/ISRAEL/ AUSTRALIA - CHEAP						
MOROCCO - STANDARD						
MOROCCO - CHEAP						
REST OF WORLD - STANDARD						
REST OF WORLD - CHEAP						
INMARSAT MINI-M – STANDARD						
INMARSAT MINI-M - CHEAP						
ISDN (WESTERN EUROPE) – STANDARD						
ISDN (WESTERN EUROPE) – CHEAP						
ISDN (EASTERN EUROPE) – STANDARD						
ISDN (EASTERN EUROPE) – CHEAP						
INMARSAT A - STANDARD						
INMARSAT A - CHEAP						
INMARSAT M - STANDARD						
INMARSAT M - CHEAP						
TOTAL			-----	VALUE (a)		VALUE (b)

* IDD countries have been listed in this manner as a result of IDD bands being different between 08/09 and 09/10 and therefore a like-for-like comparison could not be made. The format of Form 1C in price control years 2 and 3 may change.

4. Retail price control sub-cap compliance forms

Taking into account all the comments received during public consultation 03/10, the Authority has included below the compliance forms regarding the retail sub caps which must be filled in and submitted to the Authority in order for a compliance check to be carried out.

The price sub cap compliance forms are shown below. They consist of 4 Forms, two for residential line rental RSCY1 and SCRA and the same for business line rental BSCY1 and SCBA.

In Gibtelecom's case, the relevant compliance forms can be found in Annex A. The Authority has inserted all values for the first sub-cap price control year in all tables.

For the first price control year Gibtelecom will only need to check and verify the data and send a copy of the tables to the Authority. Gibtelecom will need to fill in the tables for the following two years except steps A to E on both the RSCY and BSCY tables. This data will be filled in by the Authority every year.

Form Residential RSCY1: Price Control Year 1 1 May 2009 to 30 April 2010

STEPS			VALUE	GRA CHECK	Gibtelecom CHECK
A	'IRP' (INFLATION): AVERAGE ANNUAL % INCREASE IN IRP THROUGH JULY 2007 – JULY 2008		%		
B	SUBCAP CEILING 'X'		%		
C	IRP + X	A + B	%		
D	CARRYOVER FROM 2008		£		
E	STARTING PRICE		£		
F	AVERAGE MONTHLY RESIDENTIAL RENTAL CHARGE 2009/10 (SEE TABLE SCRA)	TOTAL (a) FROM FORM SCRA	£		
G	MAXIMUM ALLOWABLE AVERAGE RENTAL CHARGE 2009/10	[C x E] + E	£		
H	COMPLIANCE TEST:	IS F < G?	Y/N		
I	CARRYOVER TO NEXT YEAR	G - F	£		
J	STARTING PRICE NEXT YEAR	F + I	£		

Form Residential SCRA: Price Control Year 1

MONTH	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	TOTAL
WEIGHT	1/12	1/12	1/12	1/12	1/12	1/12	1/12	1/12	1/12	1/12	1/12	1/12	1
PRICE (£)													
WEIGHT x PRICE													TOTAL (a)

Form Business BSCY1: Price Control Year 1 1 May 2009 to 30 April 2010

STEPS		VALUE	GRA CHECK	Gibtelecom CHECK
A	'IRP' (INFLATION): AVERAGE ANNUAL % INCREASE IN IRP THROUGH JULY 2007 – JULY 2008		%	
B	SUBCAP CEILING 'X'		%	
C	IRP + X	A + B	%	
D	CARRYOVER FROM 2008		£	
E	STARTING PRICE		£	
F	AVERAGE MONTHLY BUSINESS RENTAL CHARGE 2009/10 (SEE TABLE SCBA)	TOTAL (a) FROM FORM SCBA	£	
G	MAXIMUM ALLOWABLE AVERAGE RENTAL CHARGE 2009/10 (ROUNDED UP TO NEAREST 10P)	[C x E] + E	£	
H	COMPLIANCE TEST:	IS F < G?	Y/N	
I	CARRYOVER TO NEXT YEAR	G - F	£	
J	STARTING PRICE NEXT YEAR	F + I	£	

Form Business SCBA: Price Control Year 1

MONTH	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	TOTAL
WEIGHT	1/12	1/12	1/12	1/12	1/12	1/12	1/12	1/12	1/12	1/12	1/12	1/12	1
PRICE (£)													
WEIGHT x PRICE													TOTAL (a)

5. Compliance test for the retail fixed to mobile call cost orientation obligation

In Decision Notice 03/09 the following obligation was imposed on Gibtelecom.

A price control on retail fixed to mobile services in the form of a cost orientation obligation shall apply. Gibtelecom shall demonstrate compliance by reference to the three main cost components of the services:

- (i) Wholesale fixed call origination which is subject to a SMP price control obligation;
- (ii) Wholesale mobile termination which is also subject to a SMP price control obligation; and
- (iii) Other costs (such as a proportion of overheads).

In order to check compliance with the fixed to mobile price control, the Authority must add Gibtelecom’s wholesale call origination charge to its wholesale mobile termination rate in relation to Gibtelecom’s fixed to mobile calls. In addition, by allowing for a reasonable mark up, the total figure must not exceed the fixed to mobile retail charge. The compliance test is demonstrated using the forms below.

**Form 2: Price Control Year 1 – 1 May 2009 to 30 April 2010
Weighted average fixed to mobile calling charges⁶**

Call Type	Weighted Average Price (ppm)	Weighted Average Price (ppm)	Gibtelecom Check
	Standard	Cheap	
Fixed to mobile retail charge ⁷			

⁶ The weighted average prices are calculated by multiplying the monthly price by 1/12.

⁷ The weighted average prices in this category do not include the initial charge of 2.5p.

**Form 3 - wholesale mobile termination compliance test
Local Fixed Gibwireline to Prepaid/Postpaid Gibtel - on net**

	Standard	Cheap
Median call duration	2 minutes 30 seconds	2 minutes 30 seconds
Rounded call duration	3 minutes	3 minutes
Initial charge	ap	Bp
Total retail call charge for rounded call duration	$3 \times Xp + ap = Sp$	$3 \times Yp + bp = Cp$
RIO call origination cost plus 10% other fixed costs	$(3 \times RIOp) \times 1.1 = x.xxp$	$(3 \times RIOp) \times 1.1 = y.yyp$
Net RIO call origination cost	$Sp - x.xxp$	$Cp - y.yyp$
10% contribution to other mobile costs	$A = 0.1 \times [Sp - x.xxp]$	$B = 0.1 \times [Cp - y.yyp]$
Net of 10% contribution to other mobile costs	$AA = Sp - x.xxp - A$	$BB = Cp - y.yyp - B$
Implied mobile per minute call termination cost	AA/3	BB/3
% weight of minutes terminated	CC	DD
Weighted Average	$WAF2M = (AA/3 \times CC) + (BB/3 \times DD)$	
Compliance Test⁸	If $WAF2M \leq 9.12p$ Compliant If $WAF2M > 9.12p$ Non-compliant	

⁸ As the price control year is 1 May 2009 to 30 April 2010 a weighted average mobile termination rate is used i.e. $(9.5/12 \times 8) + (8.5/12 \times 4)$.

Form 4 – Fixed to mobile cost orientation compliance test

In order to assess compliance with the fixed to mobile cost orientation obligation, the wholesale cost of a fixed to mobile call must be compared to the fixed to mobile retail rate. It is the Authority's view that the cost orientation obligation requires the retail fixed to mobile rate to be no higher than the wholesale cost of the call, where wholesale costs include a mark-up covering common costs (e.g. overheads).

Wholesale	Standard	Cheap
Fixed Origination⁹ (ppm)	a	A
Mobile Termination¹⁰ (ppm)	b	B
Wholesale cost (ppm)	a + b	A + B
15.3% Mark up	$(a + b) \times 1.153 = c$	$(A + B) \times 1.153 = C$

⁹ Please insert Gibtelecom's current fixed origination interconnection rates here.

¹⁰ Please insert Gibtelecom's implied mobile per minute call termination cost as per Form 3 (AA/3 and BB/3).

Retail	Standard	Cheap
Initial charge (p)	d	D
Weighted average fixed to mobile retail charge (ppm)	e	E
Rounded call duration	3 mins	3 mins
Total fixed to mobile call charge (p)	$(3 \times e) + d$	$(3 \times E) + D$
Total fixed to mobile call charge (ppm)	$((3 \times e) + d)/3 = f$	$((3 \times E) + D)/3 = F$
Compliance test (wholesale cost vs. total fixed to mobile call charge)	$f \leq c$	$F \leq C$