

**Current Cost and Long Run  
Incremental Cost Statements  
For the Year Ended 30<sup>th</sup> June 2009  
FINANCIAL STATEMENTS**



# *eircom Current Cost and Long Run Incremental Cost Statements*

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## **eircom Current Cost and Long Run Incremental Cost Statements**

### ***Introduction***

eircom is required under Condition 15 of its General Telecommunications Licence, granted by the Commission for Communication Regulation (“ComReg”), on 1 December 1998, to maintain accounting records in a form which enables the activities of any business unit specified in any direction given by the Director of Telecommunications Regulation (“the Director”) to be separately identifiable, and which the Director considers to be sufficient to show and explain the transactions of each of these business units. The requirements on electronic communications network providers are imposed under Regulation 24 of S.I. No. 307 of 2003 and Regulation 12 of S.I. No. 305 of 2003. The Current Cost and Long Run Incremental cost statements, for the year ended 30 June 2009, were prepared in accordance with this requirement and the detailed framework and financial statements requirements set out in the ComReg Decision Notices.

The detailed framework and financial statement disclosure has been set out in the ComReg Decision Notices (the ‘Decision Notices’):-

- D5/99 and D10/99 ‘Accounting Separation and Publication of Financial Information for Telecommunications Operators’, dated May 1999 and August 1999 respectively;
- D8/99 ‘Costing methodologies for use in Accounting Separation’, dated July 1999;
- D9/00 and D10/00 ‘Accounting Separation and Publication of Financial Information for Telecommunications Operators’, dated August 2000 and September 2000 respectively;
- D2/01 ‘Accounting Separation for Internet Service Provision and Report on Investigation into Indigo and eircom.net’ and D7/01 ‘eircom’s Reference Interconnection Offer & Accounting Separation and Publication of Financial Information for Telecommunications Operators’, dated February 2001 and April 2001 respectively;
- D12/01 ‘Revision of timetable for publication of separated accounts and financial information by eircom’, dated August 2001;
- D3/03 ‘Review of Price Cap on certain Communications Services’, dated February 2003.
- D1/08 ‘eircom’s cost of capital’, dated May 2008.

### ***Introduction (continued)***

The framework for the preparation of Long Run Incremental cost statements is set out in ComReg Decision Notice D6/99 'The Development of Long Run Incremental Costing for Interconnection' dated June 1999 (the 'Decision Notices').

These Current Cost and Long Run Incremental Cost Statements (the Financial Statements), have been prepared in accordance with the Decision Notices insofar as they apply to the Financial Statements for the year ended 30 June 2009.

### **Accounting documents**

The Financial Statements have been prepared according to the principles detailed in the Accounting Documents dated 31 December 2009 ("the Accounting Documents") which set out the framework under which the Financial Statements are prepared. These statements should be read in conjunction with the Accounting Documents.

The Accounting Documents consist of the following:-

1. Regulatory Accounting Principles – which lay out the general rules by which the Financial Statements should be prepared, for example that all balances should be attributed with reference to cost causality.
2. Attribution Methods – which explain how revenue, costs including transfer charges, assets and liabilities are attributed to the Businesses and Network Elements and Activities within those Businesses, following the Regulatory Accounting Principles, on a fully allocated basis.
3. Transfer Charges – which explain how charges are raised from the Core Network and Local Access Network Businesses to the Retail Business for the use of the respective networks.
4. Accounting Policies – which detail the accounting policies adopted in preparing the underlying financial information.
5. Current Cost Valuation Methodology – which sets out the principles followed in preparing the underlying current cost financial information.
6. Long Run Incremental Cost Methodology – which sets out the principles followed to derive the long run incremental costs.

## ***Introduction (continued)***

### **Applicable rate of return**

The applicable Rate of Return used in these Financial Statements is 10.21% (2008: 11.36%). The annual Rate of Return was mandated by ComReg in Decision 4.3.4 of Decision Notice D9/00, maintained in D7/01 and amended in D1/08. The annual rate of return was 11.5% from 1 July 2007 to 22 May 2008 and 10.21% from 22 May 2008 to 30 June 2008. The rate of return for the year ended 30 June 2008, reflects the applicable rates of return for the financial year on a time-apportioned basis.

### **Basis of preparation of the financial statements**

The structure of the Businesses required under the Decision Notices does not correspond to the way in which eircom is organised and hence the way in which the statutory accounting records are structured. These Financial Statements are therefore prepared by overlaying the requirements of the Decision Notices on the accounting records and management structure of eircom.

These Financial Statements are prepared by attributing the balances in eircom's general ledgers and other accounting records to the Businesses and disaggregated Activities. As required by the Decision Notices, wherever possible, revenue, costs, assets and liabilities are directly associated with a Business, Activity or Network Element using information recorded within eircom's accounting records and are directly attributed to that item. Where no such direct attribution is possible the revenue, costs, assets and liabilities are apportioned between two or more Activities, Network Elements or Businesses on a basis that reflects the causality of the revenue, cost, asset or liability. Residual costs for which no direct or indirect method of apportionment can be identified are allocated using an equal proportionate mark-up method. Details of this process are given in the Attribution Methods section within the Accounting Documents.

Typically, in a fully allocated accounting system, a number of attribution methods are available. In selecting financial attribution methods and appropriate non-financial data for use within the attribution models employed in the production of these statements, eircom has had to make certain estimates and exercise its judgement, having regard to the regulatory principles, including cost causality and objectivity, in order to comply with the requirements of the Accounting Documents.

## ***Introduction (continued)***

The Core Network Financial Statements include current cost adjustments prepared under the financial capital maintenance convention, including adjustments to certain historical cost depreciation and certain fixed assets to reflect current values. In addition, to reflect the appropriate allocation of the modern equivalent assets to Businesses, Activities and Network Elements, the apportionment of certain fixed assets and their related depreciation has been modified compared with the Historic Cost Financial Statements for businesses and activities published on 30 November 2009, which were on an historical cost basis. The basic inland services covering call origination, call termination and domestic transit carry a current cost valuation. All other core network services are included at their historic costs, as modified by the revaluation of assets shared with the basic inland services. The attribution of other operating costs and transfer charges between the Businesses remain unchanged. The valuation methods that underpin the current cost accounts (CCA) are set out in the Accounting Documents dated 31 December 2009.

### **Inland core conveyance network statements**

The Inland Core Conveyance Network Statements are prepared using a top down modelling approach whereby:-

- the costs and net assets measured according to current cost accounting conventions are analysed at a detailed level;
- the causal drivers associated with the cost are identified;
- the relationship between cost and cost driver is described identifying the fixed and variable components of costs and presented as a dimensional graph of volume and cost (cost volume relationship);
- cost driver volumes are identified with the increments to be measured;
- the change in cost associated with the removal or addition of an increment is measured by reference to its cost volume relationship;
- comparison of eircom's total costs and incremental cost of Access Network and Inland Core Conveyance Network allows the identification of fixed common costs; and
- statements are presented detailing the recovery of fixed common and joint costs.

## Statement of Responsibility for preparing the Financial Statements

eircom is required under Condition 15 of its General Telecommunications Licence, to maintain accounting records in a form which enables the activities of any business unit specified in any direction given by the Director of Telecommunications Regulation (“the Director”) to be separately identifiable, and which the Director considers to be sufficient to show and explain the transactions of each of these business units. The Current Cost and Long Run Incremental Cost financial statements for the year ended 30 June 2009 have been prepared in accordance with this requirement and the detailed framework and financial statements requirements set out in the ComReg Decision Notices. The requirements on electronic communications network providers are imposed under Regulation 24 of S.I. No. 307 2003 and Regulation 12 of S.I. No. 305 of 2003.

### The Current Cost and Long Run Incremental Cost Financial Statements

1. include:

- 1.1 a Core Network Business profit and loss statement including CCA adjustments;
- 1.2 a Core Network Business statement of mean capital employed including CCA adjustments;
- 1.3 a Core Network Business statement of costs including CCA adjustments;
- 1.4 a statement of costs for the Inland Core Conveyance Network
  - 1.4.1 on a long run incremental costs basis
  - 1.4.2 on a distributed long run incremental costs basis
  - 1.4.3 on a distributed long run incremental costs basis plus recovery of inter-increment fixed common and joint costs
- 1.5 a statement of costs of network services
  - 1.5.1 on a CCA fully allocated cost basis
  - 1.5.2 on a distributed long run incremental costs basis plus recovery of inter-increment fixed common and joint costs

2. are prepared in accordance with the Accounting Documents published with these Financial Statements. Insofar as there is any inconsistency between any or all of the Accounting Documents, the company ensures that the Financial Statements are prepared in accordance with the Accounting Documents in the following order of priority:

- 2.1 the regulatory accounting principles;
- 2.2 the attribution methods;
- 2.3 the transfer charges;
- 2.4 the accounting policies;
- 2.5 the current cost valuation methodology;
- 2.6 the long run incremental cost methodology.

3. and is reconciled with the Annual Report and that reconciliation is demonstrated and explained.

**Statement of Responsibility for preparing the Financial Statements (*continued*)**

eircom confirms that the Financial Statements for the year ended 30 June 2009 have been prepared in accordance with the requirements of the governing legislation.

Peter Cross  
Chief Financial Officer  
31 December 2009

## **Report of the Independent Auditors to eircom Limited**

Report of the Independent Auditors to eircom Limited, issued in accordance with Decision 4.1 of Decision Notice D8/99 and Decision 5.1 of Decision Notice D9/00 issued by the Commission for Communications Regulation (“ComReg”).

1. We have examined the financial statements on pages 12 to 39 which have been prepared under the current cost convention in accordance with Decision Notices D5/99, D6/99, D8/99, D10/99, D9/00, D10/00, D2/01, D7/01, D12/01, D3/03 and D1/08 (“the Decision Notices”) issued by ComReg and in accordance with eircom Limited’s (“the company”) costing methodologies (“the cost accounting system”) which are articulated in the Accounting Documents dated 31 December 2009, published with the financial statements (“the Accounting Documents”).
2. The Financial Statements comprise current cost financial statements for the year ended 30 June 2009 for the Core Network Business and incremental cost statements for the Inland Core Conveyance Network. The financial statements of the Core Network Business include the Core Network Business Statement of Costs and the Statement of Costs of Core Network Services. The incremental cost statements for the Inland Core Conveyance Network include the Statement of Costs on an Incremental Cost Basis (including incremental costs, distributed incremental costs and distributed incremental costs including recovery of inter increment fixed common and joint costs).

### **Respective responsibilities of the company and auditors**

3. As described on pages 6 and 7, the Company is responsible for preparing and approving the Financial Statements. Our responsibilities, as independent auditors, are established in Ireland by the Decision Notices, the Auditing Practices Board and our profession’s ethical guidance. Our responsibility is to audit the Financial Statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. This report, including the opinion, has been prepared for, and only for, the Company and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.
4. We report our opinion as to whether each of the financial statements is fairly presented in accordance with the Accounting Documents dated 31 December 2009, whether the financial statements comply with the Decision Notices and whether the information specified by the Decision Notices to be published in the financial statements has been published in the financial statements. We also report if, in our opinion, the “Introduction” by the company, setting out the basis upon which the

financial statements have been prepared, is not consistent with the financial statements, if the company has not kept proper accounting records and if we have not received all of the information and explanations we require for our examination.

5. We read the “Definitions of the Businesses” and consider the implications for our report if we became aware of any apparent misstatements or material inconsistencies with the financial statements.

### **Basis of audit opinion**

6. As explained in the “Basis of Preparation of the Financial Statements” on pages 4 and 5, in accordance with the Accounting Documents, the Financial Statements are prepared by disaggregating balances recorded in the general ledgers and other accounting records of the company and its subsidiaries (“the group”) maintained in accordance with the Companies Acts, 1963 to 2009, and used, in accordance with those Acts, for the preparation of the company’s statutory consolidated financial statements for the year ended 30 June 2009 (“the Statutory Financial Statements”).
7. Decision Notice D7/01 and directions by way of letter dated 18 April 2001, inter alia, require the company to:-
  - use 1997/98 asset lives for Core Network and Local Access Network assets except for local network overhead fibre cable, local network overhead copper cable and local network poles, where specific lives of 10 years, 10 years and 15 years respectively were directed; and
  - exclude exceptional costs from the Core Network.
8. In order for the company to comply with Decision Notice D7/01 it has had to amend certain balances obtained from the general ledgers and other accounting records of the company. This is a departure from the general principles for preparation of “top down” separated financial statements.
9. Paragraph 4 of Section 21 of Statutory Instrument No 71 of 1999 of the Interconnection Regulations states that “tariffs for facilities additional to the provision of connection to its fixed public telephone network and fixed public telephone services shall be sufficiently unbundled, so that the user is not required to pay for facilities which are not necessary for the service requested”.
10. In the context of the cost accounting system, eircom holds primary responsibility for ensuring that the number and definition of network charging elements is sufficient to meet the requirements of Paragraph 4 of Section 21 of Statutory Instrument No

71 of 1999 of the Interconnection Regulations. ComReg has approved eircom's proposals in this regard through the determinations contained within Decision 3.8 of D5/99 as amended by Decision 4.3.3 of D9/00.

11. We have audited the Statutory Financial Statements on which we expressed an unqualified audit opinion. In performing our audit of the Statutory Financial Statements, we carried out such tests of the transactions and balances recorded in the general ledgers and other accounting records of the group as we considered necessary to enable us to express that opinion. This included examination and evaluation of the company's principal accounting and control systems, analytical review of key balances, assessment of accuracy of the coding of transactions and balances, enquiries of directors and managers of the company and substantive tests of balances and transactions recorded in the group's general ledger. Our statutory audit work concluded upon signature of our opinion on the Statutory Financial Statements.
12. Our audit work on the Current Cost Financial Statements included examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also included an assessment of the significant estimates and judgements made by the company in the preparation of the financial statements. In conducting our audit of the Current Cost Financial Statements we have not performed any additional tests of the transactions and balances recorded in the general ledgers and other accounting records beyond those already performed for the purpose of our audit of the Statutory Financial Statements.
13. Having regard to the above:-
  - (i) We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. Our work included examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also included an assessment of the significant estimates and judgements made by the company in the preparation of the financial statements.
  - (ii) We planned and performed our examination so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that each of the financial statements is fairly presented, in accordance with the Accounting Documents, and that they comply with the Decision Notices and contain the information specified by the Decision Notices to be published in the financial statements. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.
14. Many of the group's revenues, costs, assets and liabilities are not directly identifiable with individual activities and the preparation of the financial statements requires a significant number of apportionments. As explained on pages 4 and 5 in

the “Basis of Preparation of the Financial Statements”, in selecting appropriate attribution methods and appropriate non-financial data for use within the attribution models employed in the production of financial statements, the company has had to make certain estimates and exercise its judgement, having regard to the regulatory principles specified in the Accounting Documents, including cost causality and objectivity, in order to comply with the requirements of the Decision Notices. The company has decided that attribution methods and non-financial data sources will continue to be reviewed and, where appropriate, improved.

## **Opinion**

15. In our opinion each of the financial statements for the year ended 30 June 2009:-
- fairly presents in accordance with the Accounting Documents dated 31 December 2009, the result and mean capital employed of, and costs incurred by each of the activities;
  - complies with the Decision Notices;
  - contains information specified by the Decision Notices to be published in the financial statements.
16. In respect of the requirement in paragraph 4 of Section 21 of Statutory Instrument No 71 of 1999 of the Interconnection Regulations, and in the context of the Basis of audit opinion above, we are not aware of any matters of non-compliance. In respect of all other requirements of the Interconnection Regulations, in our opinion, the cost accounting system complies with the requirements of the Interconnection Regulations.

## **PricewaterhouseCoopers**

Chartered Accountants and Registered Auditors

Dublin

31 December 2009

## Core Network Business

### PROFIT AND LOSS ACCOUNT INCLUDING CCA ADJUSTMENTS

for the year ended 30 June 2009

	12 months to 30-Jun-09	12 months to 30-Jun-08 Restated
	€'000	€'000
<b>Turnover</b>		
From Other Operators	149,191	181,511
Regulated Rate of Return Adjustment	(8,731)	(15,100)
Transfer Charges to Retail and Other	319,773	345,820
<b>Total Turnover</b>	<b>460,233</b>	<b>512,231</b>
Operating Costs	408,087	466,818
Exceptional Operating Costs	-	-
Holding Loss and Other Adjustments	34,550	16,111
Supplementary Depreciation	(3,637)	1,672
<b>Total Operating Costs</b>	<b>439,000</b>	<b>484,601</b>
<b>Return</b>	<b>21,233</b>	<b>27,630</b>
<b>RETURN ON MEAN CAPITAL EMPLOYED</b>		
	12 months to 30-Jun-09	12 months to 30-Jun-08 Restated
	€'000	€'000
<b>Return</b>	21,233	27,630
<b>Mean Capital Employed</b>	207,958	243,193
<b>Return on Mean Capital Employed</b>	<b>10.21%</b>	<b>11.36%</b>
<b>Return on Turnover</b>	<b>5%</b>	<b>5%</b>

The basic inland services covering call origination, call termination and domestic transit carry a current cost valuation. All other core network services are included at their historical costs, as modified by the revaluation of assets shared with the basic inland services.

## Core Network Business

STATEMENT OF MEAN CAPITAL EMPLOYED INCLUDING CCA ADJUSTMENTS  
as at 30 June 2009

	30-Jun-09	30-Jun-08 Restated
	€'000	€'000
<b>Fixed assets</b>		
Tangible Fixed Assets	285,442	348,432
Intangible Fixed Assets	5,094	2,498
<b>Total Fixed Assets</b>	<b>290,536</b>	<b>350,930</b>
<b>Current Assets</b>		
Stocks	3,005	2,079
Debtors	40,255	38,838
Cash at Bank and in Hand	63,202	68,773
<b>Total Current Assets</b>	<b>106,462</b>	<b>109,690</b>
<b>Creditors</b>	<b>(169,791)</b>	<b>(202,940)</b>
<b>Provisions for Liabilities and Charges</b>	<b>(19,249)</b>	<b>(14,487)</b>
<b>Mean Capital Employed</b>	<b>207,958</b>	<b>243,193</b>

The basic inland services covering call origination, call termination and domestic transit carry a current cost valuation. All other core network services are included at their historical costs, as modified by the revaluation of assets shared with the basic inland service.

## Core Network Business

### STATEMENT OF COSTS INCLUDING CCA ADJUSTMENTS

#### FULLY ALLOCATED COSTS

for the year ended 30 June 2009

	Operating costs €'000	Exceptional Operating costs €'000	Supplementary Depreciation €'000	Holding Loss €'000	Capital employed €'000	Rate of return %	Capital costs €'000	Total operating and capital costs €'000	Total Units (Note (b))	Average cost cents per unit
<i>Call Sensitive</i>										
Subscriber Unit	4,122	0	-666	1,445	10,356	10.21%	1,057	5,958	4,828,468	0.123
Primary Switch	4,037	0	230	775	5,319	10.21%	543	5,585	2,973,922	0.188
Secondary Switch	1,147	0	3	521	4,246	10.21%	434	2,105	2,544,528	0.083
Tertiary Switch	874	0	-518	718	2,980	10.21%	304	1,378	1,905,045	0.072
<i>Traffic Sensitive</i>										
Subscriber Unit	4,887	0	-794	1,466	11,154	10.21%	1,139	6,698	15,559,902	0.043
Primary Switch	2,740	0	-3	833	4,977	10.21%	508	4,078	9,353,242	0.044
Secondary Switch	1,403	0	-48	829	4,289	10.21%	438	2,622	7,230,268	0.036
Tertiary Switch	1,893	0	-933	1,973	6,248	10.21%	638	3,571	5,795,120	0.062
<i>Transmission - Non-Length Dependent</i>										
RSU to Primary/Secondary Link	16,310	0	-1,824	2,961	32,871	10.21%	3,356	20,803	11,334,076	0.184
Primary to Primary Link	332	0	-43	79	717	10.21%	73	441	338,369	0.130
Primary to Secondary Link	1,351	0	-160	273	2,797	10.21%	286	1,750	3,283,063	0.053
Primary to Tertiary Link	721	0	-86	149	1,500	10.21%	153	937	1,714,279	0.055
Secondary to Secondary Link	627	0	-73	123	1,289	10.21%	132	809	650,109	0.124
Secondary to Tertiary Link	920	0	-110	189	1,912	10.21%	195	1,194	2,341,793	0.051
Tertiary to Tertiary Link	135	0	-19	37	304	10.21%	31	184	218,663	0.084
<i>Transmission - Length dependent</i>										
RSU to Primary/Secondary Length	6,294	0	2,224	6,334	42,210	10.21%	4,310	19,162	2,700,153	0.710
Primary to Primary Length	47	0	8	26	234	10.21%	24	105	86,021	0.122
Primary to Secondary Length	198	0	54	161	1,177	10.21%	120	533	1,408,358	0.038
Primary to Tertiary Length	181	0	34	107	920	10.21%	94	416	1,452,384	0.029
Secondary to Secondary Length	84	0	22	65	488	10.21%	50	221	809,965	0.027
Secondary to Tertiary Length	185	0	40	123	994	10.21%	101	449	3,408,261	0.013
Tertiary to Tertiary Length	6	0	1	2	24	10.21%	2	11	16,720	0.066
Inland directory enquiries	16,098	0	15	1,496	5,541	10.21%	566	18,175	(a)	(a)
International directory enquiries	543	0	1	55	253	10.21%	26	625	(a)	(a)
National Operator Assistance	5,795	0	-5	805	1,823	10.21%	186	6,781	(a)	(a)
International Operator Assistance	13	0	1	1	47	10.21%	5	20	(a)	(a)
Carrier administration	4,818	0	-10	179	-1,541	10.21%	-157	4,830	(a)	(a)
Carrier billing	1,470	0	-62	405	1,856	10.21%	189	2,002	(a)	(a)
Intelligent network	2,244	0	-90	330	1,253	10.21%	128	2,612	(a)	(a)
Outpayments	281,773	0	0	0	-29,258	10.21%	-2,987	278,786	(a)	(a)
International transmission	5,143	0	-71	390	-23,144	10.21%	-2,363	3,099	(a)	(a)
Private circuits network	27,687	0	-588	7,396	71,117	10.21%	7,261	41,756	(a)	(a)
Interconnect connections and rentals	4,795	0	193	1,394	16,320	10.21%	1,666	8,048	(a)	(a)
Other costs	9,214	0	-360	2,910	26,683	10.21%	2,724	14,490	(a)	(a)
<b>Total</b>	<b>408,087</b>	<b>0</b>	<b>-3,637</b>	<b>34,550</b>	<b>207,956</b>		<b>21,232</b>	<b>460,234</b>		

(a) These components include a number of different elements which are used in different proportions for the delivery of services within this heading

(b) Unit of length is 100km.

## Core Network Business

### STATEMENT OF COSTS INCLUDING CCA ADJUSTMENTS

#### FULLY ALLOCATED COSTS

for the year ended 30 June 2008

	Operating costs Restated €'000	Exceptional Operating costs Restated €'000	Supplementary Depreciation Restated €'000	Holding Loss Restated €'000	Capital employed Restated €'000	Rate of return %	Capital costs Restated €'000	Total operating and capital costs Restated €'000	Total Units (Note (b))	Average cost cents per unit Restated
<i>Call Sensitive</i>										
Subscriber Unit	4,277	0	-232	786	12,349	11.36%	1,403	6,234	5,549,889	0.112
Primary Switch	3,171	0	-186	327	6,484	11.36%	737	4,049	3,497,223	0.116
Secondary Switch	1,855	0	-30	200	5,232	11.36%	594	2,619	2,885,349	0.091
Tertiary Switch	1,309	0	-154	556	3,969	11.36%	451	2,162	2,291,759	0.094
<i>Traffic Sensitive</i>										
Subscriber Unit	4,984	0	-271	878	13,475	11.36%	1,531	7,122	18,920,703	0.038
Primary Switch	2,448	0	-105	590	6,355	11.36%	722	3,655	11,313,637	0.032
Secondary Switch	1,920	0	-73	496	5,480	11.36%	623	2,966	8,405,908	0.035
Tertiary Switch	2,677	0	-549	1,579	8,473	11.36%	963	4,670	6,788,583	0.069
<i>Transmission - Non-Length Dependent</i>										
RSU to Primary/Secondary Link	17,248	0	-992	2,218	40,232	11.36%	4,570	23,044	13,397,672	0.172
Primary to Primary Link	358	0	-24	57	870	11.36%	99	490	378,917	0.129
Primary to Secondary Link	1,506	0	-89	208	3,561	11.36%	405	2,030	3,904,654	0.052
Primary to Tertiary Link	851	0	-52	120	2,019	11.36%	229	1,148	2,102,005	0.055
Secondary to Secondary Link	709	0	-42	96	1,670	11.36%	190	953	710,815	0.134
Secondary to Tertiary Link	1,072	0	-66	150	2,541	11.36%	289	1,445	2,646,756	0.055
Tertiary to Tertiary Link	134	0	-10	24	334	11.36%	38	186	260,318	0.071
<i>Transmission - Length dependent</i>										
RSU to Primary/Secondary Length	7,971	0	4,056	633	59,649	11.36%	6,776	19,436	3,199,859	0.607
Primary to Primary Length	42	0	12	2	254	11.36%	29	85	97,483	0.087
Primary to Secondary Length	212	0	90	14	1,475	11.36%	168	484	1,657,451	0.029
Primary to Tertiary Length	169	0	52	9	1,052	11.36%	120	350	1,731,408	0.020
Secondary to Secondary Length	73	0	30	5	501	11.36%	57	165	956,271	0.017
Secondary to Tertiary Length	179	0	61	10	1,151	11.36%	130	381	3,851,309	0.010
Tertiary to Tertiary Length	4	0	0	0	23	11.36%	3	7	19,285	0.036
Inland directory enquiries	20,608	0	-25	772	6,689	11.36%	760	22,115	(a)	(a)
International directory enquiries	1,039	0	-1	41	340	11.36%	39	1,118	(a)	(a)
National Operator Assistance	6,657	0	3	400	2,727	11.36%	310	7,370	(a)	(a)
International Operator Assistance	108	0	-1	6	47	11.36%	5	118	(a)	(a)
Carrier administration	5,859	0	-29	77	-1,431	11.36%	-163	5,744	(a)	(a)
Carrier billing	2,240	0	-324	265	-2,541	11.36%	-289	1,892	(a)	(a)
Intelligent network	1,879	0	-56	168	1,660	11.36%	189	2,180	(a)	(a)
Outpayments	324,332	0	0	0	-51,801	11.36%	-5,885	318,447	(a)	(a)
International transmission	6,163	0	-8	209	-22,811	11.36%	-2,591	3,773	(a)	(a)
Private circuits network	29,604	0	541	3,310	82,707	11.36%	9,396	42,851	(a)	(a)
Interconnect connections and rentals	4,811	0	55	485	17,578	11.36%	1,997	7,348	(a)	(a)
Other costs	10,349	0	91	1,419	32,880	11.36%	3,735	15,594	(a)	(a)
<b>Total</b>	<b>466,818</b>	<b>0</b>	<b>1,672</b>	<b>16,110</b>	<b>243,193</b>		<b>27,630</b>	<b>512,231</b>		

(a) These components include a number of different elements which are used in different proportions for the delivery of services within this heading

(b) Unit of length is 100km.

## Inland Core Conveyance Network

### STATEMENT OF COSTS INCLUDING CCA ADJUSTMENTS

#### LONG RUN INCREMENTAL COSTS

for the year ended 30 June 2009	Operating costs €'000	Mean capital employed €'000	Rate of return %	Capital costs €'000	Total operating & capital costs €'000	Total Units (Note (a)) 000's	Average unit cost cents
<i>Call Sensitive</i>							
Subscriber Unit	642	885	10.21%	90	732	4,828,468	0.015
Primary Switch	2,529	2,193	10.21%	224	2,753	2,973,922	0.093
Secondary Switch	1,039	2,548	10.21%	260	1,299	2,544,528	0.051
Tertiary Switch	836	2,394	10.21%	244	1,080	1,905,045	0.057
<i>Traffic Sensitive</i>							
Subscriber Unit	1,205	1,931	10.21%	197	1,402	15,559,902	0.009
Primary Switch	992	994	10.21%	102	1,094	9,353,242	0.012
Secondary Switch	1,030	1,912	10.21%	195	1,225	7,230,268	0.017
Tertiary Switch	624	821	10.21%	84	708	5,795,120	0.012
<i>Transmission - Non-Length Dependent</i>							
RSU to Primary/Secondary Link	12,044	22,385	10.21%	2,286	14,330	11,334,076	0.126
Primary to Primary Link	235	449	10.21%	46	281	338,369	0.083
Primary to Secondary Link	902	1,679	10.21%	171	1,073	3,283,063	0.033
Primary to Tertiary Link	485	905	10.21%	92	577	1,714,279	0.034
Secondary to Secondary Link	415	768	10.21%	78	493	650,109	0.076
Secondary to Tertiary Link	618	1,153	10.21%	118	736	2,341,793	0.031
Tertiary to Tertiary Link	101	198	10.21%	20	121	218,663	0.055
<i>Transmission - Length dependent</i>							
RSU to Primary/Secondary Length	4,095	10,387	10.21%	1,061	5,156	2,700,153	0.191
Primary to Primary Length	40	110	10.21%	11	51	86,021	0.059
Primary to Secondary Length	146	388	10.21%	40	186	1,408,358	0.013
Primary to Tertiary Length	151	411	10.21%	42	193	1,452,384	0.013
Secondary to Secondary Length	63	168	10.21%	17	80	809,965	0.010
Secondary to Tertiary Length	149	403	10.21%	41	190	3,408,261	0.006
Tertiary to Tertiary Length	5	14	10.21%	1	6	16,720	0.036

(a) Unit of length is 100km.

## Inland Core Conveyance Network

### STATEMENT OF COSTS INCLUDING CCA ADJUSTMENTS

#### LONG RUN INCREMENTAL COSTS

for the year ended 30 June 2008	Operating costs Restated €'000	Mean capital employed Restated €'000	Rate of return %	Capital costs Restated €'000	Total operating & capital costs Restated €'000	Total Units (Note (a)) 000's	Average unit cost Restated cents
<i>Call Sensitive</i>							
Subscriber Unit	656	1,046	11.36%	119	775	5,549,889	0.014
Primary Switch	1,619	2,846	11.36%	323	1,942	3,497,223	0.056
Secondary Switch	1,239	3,115	11.36%	354	1,593	2,885,349	0.055
Tertiary Switch	1,290	3,088	11.36%	351	1,641	2,291,759	0.072
<i>Traffic Sensitive</i>							
Subscriber Unit	1,232	2,349	11.36%	267	1,499	18,920,703	0.008
Primary Switch	935	1,577	11.36%	179	1,114	11,313,637	0.010
Secondary Switch	1,140	2,537	11.36%	288	1,428	8,405,908	0.017
Tertiary Switch	497	823	11.36%	93	590	6,788,583	0.009
<i>Transmission - Non-Length Dependent</i>							
RSU to Primary/Secondary Link	12,940	27,188	11.36%	3,089	16,029	13,397,672	0.120
Primary to Primary Link	238	520	11.36%	59	297	378,917	0.078
Primary to Secondary Link	945	1,992	11.36%	226	1,171	3,904,654	0.030
Primary to Tertiary Link	538	1,140	11.36%	130	668	2,102,005	0.032
Secondary to Secondary Link	442	927	11.36%	105	547	710,815	0.077
Secondary to Tertiary Link	677	1,432	11.36%	163	840	2,646,756	0.032
Tertiary to Tertiary Link	94	211	11.36%	24	118	260,318	0.045
<i>Transmission - Length dependent</i>							
RSU to Primary/Secondary Length	3,726	12,300	11.36%	1,397	5,123	3,199,859	0.160
Primary to Primary Length	25	91	11.36%	10	35	97,483	0.036
Primary to Secondary Length	109	374	11.36%	42	151	1,657,451	0.009
Primary to Tertiary Length	98	354	11.36%	40	138	1,731,408	0.008
Secondary to Secondary Length	38	131	11.36%	15	53	956,271	0.006
Secondary to Tertiary Length	100	357	11.36%	41	141	3,851,309	0.004
Tertiary to Tertiary Length	3	11	11.36%	1	4	19,285	0.021

(a) Unit of length is 100km.

## Inland Core Conveyance Network

### STATEMENT OF COSTS INCLUDING CCA ADJUSTMENTS

#### DISTRIBUTED LONG RUN INCREMENTAL COSTS

for the year ended 30 June 2009

	Operating costs €'000	Mean capital employed €'000	Rate of return %	Capital costs €'000	Total operating & capital costs €'000	Total Units (Note (a)) 000's	Average unit cost cents
<i>Call Sensitive</i>							
Subscriber Unit	3,674	7,775	10.21%	794	4,468	4,828,468	0.093
Primary Switch	5,521	5,551	10.21%	567	6,088	2,973,922	0.205
Secondary Switch	1,888	4,492	10.21%	459	2,347	2,544,528	0.092
Tertiary Switch	1,454	3,573	10.21%	365	1,819	1,905,045	0.095
<i>Traffic Sensitive</i>							
Subscriber Unit	4,466	8,361	10.21%	854	5,320	15,559,902	0.034
Primary Switch	3,140	4,313	10.21%	440	3,580	9,353,242	0.038
Secondary Switch	2,147	4,174	10.21%	426	2,573	7,230,268	0.036
Tertiary Switch	1,802	3,857	10.21%	394	2,196	5,795,120	0.038
<i>Transmission - Non-Length Dependent</i>							
RSU to Primary/Secondary Link	13,527	25,497	10.21%	2,603	16,130	11,334,076	0.142
Primary to Primary Link	264	511	10.21%	52	316	338,369	0.093
Primary to Secondary Link	1,012	1,911	10.21%	195	1,207	3,283,063	0.037
Primary to Tertiary Link	544	1,030	10.21%	105	649	1,714,279	0.038
Secondary to Secondary Link	465	874	10.21%	89	554	650,109	0.085
Secondary to Tertiary Link	693	1,313	10.21%	134	827	2,341,793	0.035
Tertiary to Tertiary Link	113	226	10.21%	23	136	218,663	0.062
<i>Transmission - Length dependent</i>							
RSU to Primary/Secondary Length	10,874	34,558	10.21%	3,528	14,402	2,700,153	0.533
Primary to Primary Length	67	213	10.21%	22	89	86,021	0.103
Primary to Secondary Length	315	1,005	10.21%	103	418	1,408,358	0.030
Primary to Tertiary Length	260	830	10.21%	85	345	1,452,384	0.024
Secondary to Secondary Length	132	420	10.21%	43	175	809,965	0.022
Secondary to Tertiary Length	276	880	10.21%	90	366	3,408,261	0.011
Tertiary to Tertiary Length	7	23	10.21%	2	9	16,720	0.054

(a) Unit of length is 100km.

## Inland Core Conveyance Network

### STATEMENT OF COSTS INCLUDING CCA ADJUSTMENTS

#### DISTRIBUTED LONG RUN INCREMENTAL COSTS

for the year ended 30 June 2008	Operating costs Restated €'000	Mean capital employed Restated €'000	Rate of return %	Capital costs Restated €'000	Total operating & capital costs Restated €'000	Total Units (Note (a)) 000's	Average unit cost Restated cents
<i>Call Sensitive</i>							
Subscriber Unit	3,767	9,290	11.36%	1,055	4,822	5,549,889	0.087
Primary Switch	3,793	6,995	11.36%	795	4,588	3,497,223	0.131
Secondary Switch	2,317	5,570	11.36%	633	2,950	2,885,349	0.102
Tertiary Switch	2,031	4,726	11.36%	537	2,568	2,291,759	0.112
<i>Traffic Sensitive</i>							
Subscriber Unit	4,396	10,295	11.36%	1,170	5,566	18,920,703	0.029
Primary Switch	2,778	5,873	11.36%	667	3,445	11,313,637	0.030
Secondary Switch	2,345	5,433	11.36%	617	2,962	8,405,908	0.035
Tertiary Switch	2,442	4,922	11.36%	559	3,001	6,788,583	0.044
<i>Transmission - Non-Length Dependent</i>							
RSU to Primary/Secondary Link	15,319	32,163	11.36%	3,654	18,973	13,397,672	0.142
Primary to Primary Link	282	617	11.36%	70	352	378,917	0.093
Primary to Secondary Link	1,116	2,354	11.36%	267	1,383	3,904,654	0.035
Primary to Tertiary Link	636	1,348	11.36%	153	789	2,102,005	0.038
Secondary to Secondary Link	521	1,095	11.36%	124	645	710,815	0.091
Secondary to Tertiary Link	800	1,693	11.36%	192	992	2,646,756	0.037
Tertiary to Tertiary Link	112	251	11.36%	29	141	260,318	0.054
<i>Transmission - Length dependent</i>							
RSU to Primary/Secondary Length	9,312	48,306	11.36%	5,488	14,800	3,199,859	0.463
Primary to Primary Length	46	225	11.36%	26	72	97,483	0.074
Primary to Secondary Length	243	1,232	11.36%	140	383	1,657,451	0.023
Primary to Tertiary Length	188	924	11.36%	105	293	1,731,408	0.017
Secondary to Secondary Length	83	421	11.36%	48	131	956,271	0.014
Secondary to Tertiary Length	201	996	11.36%	113	314	3,851,309	0.008
Tertiary to Tertiary Length	5	22	11.36%	2	7	19,285	0.036

(a) Unit of length is 100km.

## Inland Core Conveyance Network

### STATEMENT OF COSTS INCLUDING CCA ADJUSTMENTS

#### DISTRIBUTED LONG RUN INCREMENTAL COSTS PLUS RECOVERY OF INTER-INCREMENT FIXED COMMON AND JOINT COSTS

for the year ended 30 June 2009	Operating costs €'000	Mean capital employed €'000	Rate of return %	Capital costs €'000	Total operating & capital costs €'000	Total Units (Note (a)) 000's	Average unit cost cents
<i>Call Sensitive</i>							
Subscriber Unit	4,164	8,833	10.21%	902	5,066	4,828,468	0.105
Primary Switch	6,221	6,118	10.21%	625	6,846	2,973,922	0.230
Secondary Switch	2,121	4,781	10.21%	488	2,609	2,544,528	0.103
Tertiary Switch	1,674	3,965	10.21%	405	2,079	1,905,045	0.109
<i>Traffic Sensitive</i>							
Subscriber Unit	5,269	10,391	10.21%	1,061	6,330	15,559,902	0.041
Primary Switch	3,546	4,794	10.21%	489	4,035	9,353,242	0.043
Secondary Switch	2,404	4,559	10.21%	465	2,869	7,230,268	0.040
Tertiary Switch	2,067	4,417	10.21%	451	2,518	5,795,120	0.043
<i>Transmission - Non-Length Dependent</i>							
RSU to Primary/Secondary Link	15,913	31,312	10.21%	3,197	19,110	11,334,076	0.169
Primary to Primary Link	303	599	10.21%	61	364	338,369	0.108
Primary to Secondary Link	1,188	2,335	10.21%	238	1,426	3,283,063	0.043
Primary to Tertiary Link	637	1,252	10.21%	128	765	1,714,279	0.045
Secondary to Secondary Link	548	1,077	10.21%	110	658	650,109	0.101
Secondary to Tertiary Link	812	1,596	10.21%	163	975	2,341,793	0.042
Tertiary to Tertiary Link	128	254	10.21%	26	154	218,663	0.070
<i>Transmission - Length dependent</i>							
RSU to Primary/Secondary Length	15,743	47,326	10.21%	4,832	20,575	2,700,153	0.762
Primary to Primary Length	86	254	10.21%	26	112	86,021	0.130
Primary to Secondary Length	438	1,307	10.21%	133	571	1,408,358	0.041
Primary to Tertiary Length	340	1,003	10.21%	102	442	1,452,384	0.030
Secondary to Secondary Length	182	541	10.21%	55	237	809,965	0.029
Secondary to Tertiary Length	369	1,092	10.21%	111	480	3,408,261	0.014
Tertiary to Tertiary Length	9	25	10.21%	3	12	16,720	0.072

(a) Unit of length is 100km.

## Inland Core Conveyance Network

### STATEMENT OF COSTS INCLUDING CCA ADJUSTMENTS

#### DISTRIBUTED LONG RUN INCREMENTAL COSTS PLUS RECOVERY OF INTER-INCREMENT FIXED COMMON AND JOINT COSTS

for the year ended 30 June 2008	Operating costs Restated €'000	Mean capital employed Restated €'000	Rate of return %	Capital costs Restated €'000	Total operating & capital costs Restated €'000	Total Units (Note (a)) 000's	Average unit cost Restated cents
<i>Call Sensitive</i>							
Subscriber Unit	4,334	10,589	11.36%	1,203	5,537	5,549,889	0.100
Primary Switch	4,364	7,680	11.36%	872	5,236	3,497,223	0.150
Secondary Switch	2,685	5,969	11.36%	678	3,363	2,885,349	0.117
Tertiary Switch	2,314	5,301	11.36%	602	2,916	2,291,759	0.127
<i>Traffic Sensitive</i>							
Subscriber Unit	5,457	12,673	11.36%	1,440	6,897	18,920,703	0.036
Primary Switch	3,174	6,504	11.36%	739	3,913	11,313,637	0.035
Secondary Switch	2,690	5,973	11.36%	678	3,368	8,405,908	0.040
Tertiary Switch	2,719	5,711	11.36%	649	3,368	6,788,583	0.050
<i>Transmission - Non-Length Dependent</i>							
RSU to Primary/Secondary Link	17,841	39,657	11.36%	4,505	22,346	13,397,672	0.167
Primary to Primary Link	324	719	11.36%	82	406	378,917	0.107
Primary to Secondary Link	1,309	2,921	11.36%	332	1,641	3,904,654	0.042
Primary to Tertiary Link	744	1,658	11.36%	189	933	2,102,005	0.044
Secondary to Secondary Link	613	1,369	11.36%	156	769	710,815	0.108
Secondary to Tertiary Link	936	2,086	11.36%	237	1,173	2,646,756	0.044
Tertiary to Tertiary Link	126	279	11.36%	32	158	260,318	0.061
<i>Transmission - Length dependent</i>							
RSU to Primary/Secondary Length	12,449	66,558	11.36%	7,561	20,010	3,199,859	0.625
Primary to Primary Length	56	277	11.36%	31	87	97,483	0.089
Primary to Secondary Length	314	1,636	11.36%	186	500	1,657,451	0.030
Primary to Tertiary Length	231	1,151	11.36%	131	362	1,731,408	0.021
Secondary to Secondary Length	107	555	11.36%	63	170	956,271	0.018
Secondary to Tertiary Length	251	1,266	11.36%	144	395	3,851,309	0.010
Tertiary to Tertiary Length (Note (a))	5	24	11.36%	3	8	19,285	0.041

(a) Unit of length is 100km.

## ***Notes to the Current Cost and Long Run Incremental Cost Financial Statements***

### **1. Financial Statements**

These Current Cost and Long Run Incremental Cost Statements (the Financial Statements), which are not Statutory Financial Statements within the meaning of the Companies Acts, 1963 to 2009, have been prepared in accordance with the Accounting Documents dated 31 December 2009.

### **2. Comparative figures**

ComReg has directed eircom, in D9/00, that where methods of attribution are amended, comparative information presented should be appropriately re-stated.

#### **Restatement in respect of methodology amendments**

The Access Network cost allocation processes were reviewed and updated during the year in the context of the increasing use of fibre optic cable in the provision of services. A review of the nature of the weightings applied to the cost allocation process for services of diverse capacity was performed and the attribution method was updated.

The Transmission cost methodology for length (duct/cable) cost allocations has also been reviewed and updated during the year to reflect the fact that cost causation for such infrastructure is no longer directly driven by capacity but rather by system utility. This revision was required in the context of the changing mix of services and capacity provided over the network. The prior year comparatives have been restated to ensure consistency.

The methodology for the calculation of Equi Proportionate Mark Up (EPMU) charges has been further refined in the current year to address the risk of potentially inappropriate attributions as the overall level of cost in certain core increments diminishes. The existence of small negative costs in a cost category where other increments have positive costs can give rise to anomalous results. In these circumstances the attribution of the relevant costs has been amended to ensure the level of DLRIC mark ups were consistent with underlying FAC and LRIC costs for the relevant individual category. The results for certain switching elements in the 2008 year have been restated to reflect this refinement in methodology.

The table below sets out the Core Network Statement of Costs including CCA Adjustments as disclosed in 2008 and shows the impact of the change in the methodologies:

<b>Core Network Statement of Costs including CCA Adjustments – Fully Allocated Costs</b>	<b>Original Operating Costs as disclosed in 2008</b>	<b>Impact of change in methodologies</b>	<b>Restated Operating Costs for 2008</b>
	<b>€'000</b>	<b>€'000</b>	<b>€'000</b>
Call Sensitive	10,612	-	10,612
Traffic sensitive	12,029	-	12,029
Transmission: Non-length dependent	21,878	-	21,878
<i>Transmission: Length dependent</i>			
RSU to primary/secondary length	5,803	2,168	7,971
Primary to primary length	119	(77)	42
Primary to secondary length	844	(632)	212
Primary to tertiary length	851	(682)	169
Secondary to secondary length	627	(554)	73
Secondary to tertiary length	1,490	(1,311)	179
Tertiary to tertiary length	35	(31)	4
Inland directory enquiries	20,608	-	20,608
International directory enquiries	1,039	-	1,039
National Operator Assistance	6,657	-	6,657
International Operator Assistance	108	-	108
Carrier administration	5,859	-	5,859
Carrier billing	2,204	36	2,240
Intelligent network	1,913	(34)	1,879
Outpayments	324,332	-	324,332
International transmission	6,964	(801)	6,163
Private circuits network	30,782	(1,178)	29,604
Interconnect connections and rentals	5,695	(884)	4,811
Other costs	10,542	(193)	10,349
<b>Core Network Statement incl. CCA Adjustments</b>	<b>470,991</b>	<b>(4,173)</b>	<b>466,818</b>

The table below sets out the Inland Core Conveyance Network Statement of Costs including CCA Adjustments, as disclosed in 2008, and shows the impact of the change in the methodologies on the Long Run Incremental Costs:

<b>Inland Core Conveyance Network Statement of Costs including CCA Adjustments – Long Run Incremental Costs</b>	<b>Original Operating Costs as disclosed in 2008</b>	<b>Impact of change in methodologies</b>	<b>Restated Operating Costs for 2008</b>
	<b>€'000</b>	<b>€'000</b>	<b>€'000</b>
Call Sensitive	4,804	-	4,804
Traffic sensitive	3,804	-	3,804
Transmission: Non-length dependent	15,874	-	15,874
<i>Transmission: Length dependent</i>			
RSU to primary/secondary length	2,510	1,216	3,726
Primary to primary length	63	(38)	25
Primary to secondary length	383	(274)	109
Primary to tertiary length	430	(332)	98
Secondary to secondary length	289	(251)	38
Secondary to tertiary length	755	(655)	100
Tertiary to tertiary length	22	(19)	3

The table below sets out the Inland Core Conveyance Network Statement of Costs including CCA Adjustments as disclosed in 2008 and shows the impact of the change in the methodologies on the Distributed Long Run Incremental Costs:

<b>Inland Core Conveyance Network Statement of Costs including CCA Adjustments – Distributed Long Run Incremental Costs</b>	<b>Original Operating Costs as disclosed in 2008</b>	<b>Impact of change in methodologies</b>	<b>Restated Operating Costs for 2008</b>
	<b>€'000</b>	<b>€'000</b>	<b>€'000</b>
Call Sensitive	11,998	(90)	11,908
Traffic sensitive	11,862	(99)	11,961
Transmission: Non-length dependent	18,924	138	18,786
<i>Transmission: Length dependent</i>			
RSU to primary/secondary length	6,096	3,216	9,312
Primary to primary length	122	(76)	46
Primary to secondary length	862	(619)	243
Primary to tertiary length	867	(679)	188
Secondary to secondary length	636	(553)	83
Secondary to tertiary length	1,513	(1,312)	201
Tertiary to tertiary length	35	(30)	5

The table below sets out the Inland Core Conveyance Network Statement of Costs including CCA Adjustments as disclosed in 2008 and shows the impact of the change in the methodologies on the Distributed Long Run Incremental Costs Plus Recovery of Inter-Increment Fixed Common and Joint Costs:

<b>Inland Core Conveyance Network Statement of Costs including CCA Adjustments – Distributed Long Run Incremental Costs Plus Recovery</b>	<b>Original Operating Costs as disclosed in 2008</b>	<b>Impact of change in methodologies</b>	<b>Restated Operating Costs for 2008</b>
	<b>€'000</b>	<b>€'000</b>	<b>€'000</b>
Call Sensitive	13,800	(103)	13,697
Traffic sensitive	13,940	100	14,040
Transmission: Non-length dependent	22,049	(156)	21,893
<i>Transmission: Length dependent</i>			
RSU to primary/secondary length	8,516	3,933	12,449
Primary to primary length	154	(98)	56
Primary to secondary length	1,151	(837)	314
Primary to tertiary length	1,108	(876)	231
Secondary to secondary length	838	(731)	107
Secondary to tertiary length	1,925	(1,674)	251
Tertiary to tertiary length	39	(34)	5

The comparative figures in respect of the 2008 CCA Financial Statements for the Core Network Business have been restated to reflect the impact of the change in the methodologies, including the impact of these changes on the transfer charges to the Retail business.

<b>Business</b>	<b>Original Return</b>	<b>Restated Return</b>	<b>Original Mean Capital Employed (“MCE”)</b>	<b>Restated Mean Capital Employed (“MCE”)</b>
	<b>2008</b>	<b>2008</b>	<b>2008</b>	<b>2008</b>
	<b>€'000</b>	<b>€'000</b>	<b>€'000</b>	<b>€'000</b>
Core Network incl. CCA Adjustments	31,194	27,630	274,595	243,193

Details of the impact of the changes in attribution on the Historical Cost Separated Accounts are set out in the Historical Cost Separated Accounts for the year ended 30 June 2009, published on 30 November 2009.

### **3. Return on capital employed of the Core Network**

The turnover of the Core Network Business includes revenue received from eircom Retail Business and Other Authorised Operators. The Return on Capital Employed for this business is 10.21% (2008: 11.36%). As per Decision 4.3.4 of Decision Notice D9/00 and D7/01 and amended in D1/08, the directed rate of return is 10.21% from 22 May 2008. eircom have used the rate of 10.21% for the year ended 30 June 2009. eircom have used a weighted average rate of 11.36% for the year ended 30 June 2008.

Turnover attributable to the Core and Local Access network has been adjusted in order to maintain the return in these businesses at the determined rate of 10.21% (2008: 11.36%).

### **4. Switching attribution methodology**

Decision notice D7/01 relating to the attribution of switching costs introduced the concept of predominance with respect to attributions to Call sensitive components.

eircom superseded this concept with unmodified attribution data from eircom's exchange suppliers following discussion and agreement with ComReg that the Historical Cost Separated Accounts would be prepared on this basis. This basis was adopted in the Historical Cost Separated Accounts and the Current Cost and Long Run Incremental Cost Statements for the years ended 2004 and subsequently, and for the Reference Interconnect Offer (“RIO”) process.

### **5. Current cost accounting (“CCA”) adjustments**

The Current Cost Financial Statements are prepared under the Financial Capital Maintenance convention in accordance with the principles set out in the handbook “Accounting for the Effects of Changing Prices”, published in 1986 by the UK Accounting Standards Committee.

Set out below is a summary of the treatment of the CCA adjustments within the Statements:-

- The basic inland services covering call origination, call termination and domestic transit carry a current cost valuation. All other core network services are included at their historical costs, as modified by the revaluation of assets shared with the basic inland services.

- Changes in fixed asset values, referred to as holding gains or losses arising during the year, are attributed between all businesses, increments and elements on the same basis as the associated assets. The holding gains or losses include the cumulative impact of all changes to historical depreciation arising up to the start of the year.
  
- A supplementary depreciation adjustment on fixed assets arising from differences between Historical Cost Accounting and Current Cost Accounting valuations is also attributed between all businesses, increments and elements on this basis. Supplemental depreciation reflects the change to the depreciation charge for the current year in respect of gains or losses arising on the revaluation of assets in the year.



## 7. Reconciliation statement

Consolidated profit and loss account for the year ended 30 June 2009	Operating			Operating		
	Turnover	costs	Return	Turnover	costs	Return
	2009	2009	2009	2008	2008	2008
	€'000	€'000	€'000	Restated €'000	Restated €'000	Restated €'000
<b>As per Annual Report and Accounts</b>	<b>2,001,604</b>	<b>1,652,689</b>	<b>311,546</b>	<b>2,068,399</b>	<b>1,443,291</b>	<b>551,235</b>
<b>Adjustments:</b>						
Interest receivable and similar charges			5,623			8,490
Share of profit of associates		1,767	(1,767)		201	(201)
Tax on profit on ordinary activities			31,746			65,383
Inter-business turnover and costs	831,350	831,350	-	873,771	873,771	-
Non relevant Core Network operating costs		-	-		3	(3)
Non relevant Core Network exceptional operating costs		1,323	(1,323)		(436)	436
Impact of change to asset lives		13,245	(13,245)		15,340	(15,340)
IFRS Pension Adjustment		33,757	(33,757)		61,236	(61,236)
Amortisation of Intangible Assets		(6,725)	6,725		(5,922)	5,922
Non relevant eircom operating costs		6,900	(6,900)		(6,321)	6,321
<b>As per Historic Cost Separated Accounts</b>	<b>2,832,954</b>	<b>2,534,306</b>	<b>298,648</b>	<b>2,942,170</b>	<b>2,381,163</b>	<b>561,007</b>
Non relevant Core Network operating costs - CCA adjustment		-	-		-	-
Elimination of inter Business transfer charges:						
Local Access Network Business		(450,540)	-		(440,828)	-
Core Network Business		(300,356)	-		(329,840)	-
<b>Sub-total</b>		<b>1,783,410</b>	<b>298,648</b>		<b>1,610,495</b>	<b>561,007</b>
Holding losses		213,065			67,391	
Supplementary depreciation		38,062			59,957	
<b>Group including CCA revaluation adjustments</b>		<b>2,034,537</b>			<b>1,737,843</b>	
<b>Incremental cost statements</b>						
Access Network	See Note 6	633,479			506,848	
Inland Core Conveyance Network	See Note 6	88,598			87,067	
The Rest	See Note 6	1,231,401			1,073,155	
Inter increment fixed common and joint costs	See Note 6	81,059			70,773	
<b>As in Incremental Cost Statements</b>		<b>2,034,537</b>			<b>1,737,843</b>	

## 7. Reconciliation statement (continued)

Consolidated mean capital employed	2009	2008
as at 30 June 2009	€'000	Restated €'000
<b>Shareholders' funds as in the Annual Report</b>	<b>1,706,031</b>	<b>2,264,777</b>
<b>Reconciling items:</b>		
Investments in Associated Undertakings	(543)	(286)
Finance Income Receivable / (Payable) Net	2,739	8,400
Taxation	23,393	90,286
Deferred Taxation provision (net)	93,738	91,243
Pension Benefit Asset	(168,654)	(164,212)
Goodwill	(219,926)	(219,926)
Intangible Assets	(21,785)	(28,509)
Non relevant eircom operating costs	3,209	10,823
Closing capital employed at 30 June 2009 & 30 June 2008	1,418,202	2,052,596
Opening capital employed at 30 June 2008 & 30 June 2007	2,052,596	1,545,139
Total mean capital employed before determined adjustments	<b>1,735,399</b>	<b>1,798,867</b>
Impact of change to asset lives	143,602	159,027
Non relevant Core Network provisions	24,044	37,620
<b>Total Mean capital employed as per Historic Cost Separated Accounts</b>	<b>1,903,045</b>	<b>1,995,514</b>
Non relevant Core Network exceptional costs provision	0	0
Net revaluation of fixed assets	134,110	369,965
<b>Adjusted Group including CCA revaluation adjustments</b>	<b>2,037,155</b>	<b>2,365,479</b>
<b>Mean capital employed including current cost adjustments</b>	<b>2,037,155</b>	<b>2,365,479</b>
<b>Incremental cost statements</b>		
Access Network	See Note 6 1,030,528	1,146,289
Inland Core Conveyance Network	See Note 6 181,160	218,765
The Rest	See Note 6 681,421	825,643
Inter increment fixed common and joint costs	See Note 6 144,046	174,782
<b>As in Incremental Cost Statements</b>	<b>2,037,155</b>	<b>2,365,479</b>

# Statement of Costs of Network Services

CCA FULLY ALLOCATED COSTS

	CALL SENSITIVE				TRAFFIC SENSITIVE				NON LENGTH DEPENDENT								LENGTH DEPENDENT					
	Subscriber Unit	Primary Switch	Secondary Switch	Tertiary Switch	Subscriber Unit	Primary Switch	Secondary Switch	Tertiary Switch	RSU to Primary/Secondary Link	Primary to Primary Link	Primary to Secondary Link	Primary to Tertiary Link	Secondary to Secondary Link	Secondary to Tertiary Link	Tertiary to Tertiary Link	RSU to Primary/Secondary Link	Primary to Primary Link	Primary to Secondary Link	Primary to Tertiary Link	Secondary to Secondary Link	Secondary to Tertiary Link	Tertiary to Tertiary Link
<b>Average Cost cent/min</b>	0.123	0.188	0.083	0.072	0.043	0.044	0.036	0.062	0.184	0.130	0.053	0.055	0.124	0.051	0.084	0.710	0.122	0.038	0.029	0.027	0.013	0.066
<b>Total Costs (€'000)</b>	5,958	5,585	2,105	1,378	6,698	4,078	2,622	3,571	20,803	441	1,750	937	809	1,194	184	19,162	105	533	416	221	449	11
<b>Routing Factors:-</b>																						
<b>Retail Services</b>																						
Local Calls	1.836	0.901	0.545	0.100	1.867	0.920	0.531	0.104	1.416	0.122	0.263	0.051	0.057	0.062	0.004	0.324	0.025	0.058	0.036	0.011	0.072	0.000
Trunk Calls	1.857	1.258	1.371	0.436	1.847	1.271	1.338	0.452	1.405	0.036	0.886	0.317	0.387	0.434	0.017	0.357	0.025	0.388	0.265	0.663	0.537	0.001
International Calls	0.496	0.329	0.233	1.000	0.492	0.332	0.238	1.000	0.368	0.000	0.078	0.254	0.000	0.238	0.037	0.086	0.000	0.039	0.178	0.000	0.399	0.003
Calls To Mobile	1.000	0.677	0.788	0.342	1.000	0.678	0.789	0.345	0.765	0.000	0.466	0.196	0.000	0.150	0.013	0.186	0.000	0.152	0.200	0.000	0.195	0.001
Calls to Internet	1.578	0.723	0.366	0.062	1.511	0.723	0.336	0.037	0.920	0.001	0.058	0.023	0.000	0.014	0.001	0.303	0.000	0.029	0.025	0.000	0.022	0.000
Premium Rate Services	1.015	0.682	0.820	0.943	1.027	0.690	0.853	0.950	0.754	0.000	0.518	0.168	0.012	0.794	0.035	0.164	0.000	0.172	0.147	0.022	0.887	0.003
Inland Directory Enquiries	1.000	0.668	0.809	1.000	1.000	0.672	0.810	1.000	0.753	0.000	0.482	0.190	0.000	0.810	0.037	0.189	0.000	0.182	0.178	0.000	1.084	0.003
International Directory Enquiries	1.000	0.681	0.492	1.000	1.000	0.681	0.494	1.000	0.762	0.000	0.175	0.506	0.000	0.494	0.037	0.186	0.000	0.094	0.375	0.000	0.894	0.003
National Operator Assistance	2.000	1.400	1.185	2.000	2.000	1.407	1.203	2.000	1.540	0.000	0.611	0.796	0.000	1.203	0.074	0.318	0.000	0.237	0.639	0.000	1.608	0.006
International Operator Assistance	2.000	1.400	1.185	2.000	2.000	1.407	1.203	2.000	1.540	0.000	0.611	0.796	0.000	1.203	0.074	0.318	0.000	0.237	0.639	0.000	1.608	0.006
Supplemental Services	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Remaining Activities	1.517	0.842	0.993	0.406	1.463	0.778	0.944	0.392	0.853	0.013	0.417	0.344	0.203	0.380	0.022	0.148	0.001	0.153	0.260	0.282	0.384	0.002
Internet Service Supply																						
Leased Lines																						
Retail Access																						
Other Retail Services																						
<b>RIO Services</b>																						
Call Termination	1.000	0.679	0.535	0.222	1.000	0.684	0.515	0.208	0.737	0.002	0.183	0.069	0.011	0.142	0.008	0.164	0.001	0.104	0.066	0.004	0.208	0.001
Call Origination	0.999	0.686	0.515	0.296	0.999	0.697	0.496	0.271	0.768	0.001	0.191	0.083	0.001	0.188	0.010	0.181	0.000	0.124	0.089	0.000	0.368	0.001
Transit	0.000	0.005	0.027	0.990	0.000	0.005	0.032	0.993	0.000	0.000	0.004	0.001	0.000	0.025	0.037	0.000	0.000	0.000	0.021	0.000	0.000	0.003
Access to PRS services	0.065	0.025	0.056	1.003	0.126	0.038	0.107	1.002	0.065	0.000	0.019	0.019	0.000	0.107	0.039	0.003	0.000	0.002	0.003	0.000	0.018	0.003
Access to Freephone services	1.000	0.652	0.832	0.863	0.999	0.628	0.837	0.837	0.699	0.002	0.463	0.134	0.000	0.703	0.031	0.157	0.000	0.177	0.124	0.000	0.882	0.002
Access to LoCall services	0.000	0.002	0.001	0.996	0.000	0.003	0.002	0.995	0.000	0.000	0.000	0.000	0.000	0.000	0.037	0.000	0.000	0.000	0.000	0.000	0.000	0.003
Access to Callsave services	0.000	0.001	0.005	0.994	0.000	0.002	0.010	0.987	0.000	0.000	0.000	0.000	0.000	0.000	0.037	0.000	0.000	0.000	0.000	0.000	0.000	0.003
Raging Service Access	0.000	0.000	0.000	1.000	0.000	0.000	0.000	1.000	0.000	0.000	0.000	0.000	0.000	0.000	0.037	0.000	0.000	0.000	0.000	0.000	0.000	0.003
National DQ	0.000	0.000	0.000	1.000	0.000	0.000	0.000	1.000	0.000	0.000	0.000	0.000	0.000	0.000	0.037	0.000	0.000	0.000	0.000	0.000	0.000	0.003
International DQ	0.000	0.000	0.000	1.000	0.000	0.000	0.000	1.000	0.000	0.000	0.000	0.000	0.000	0.000	0.037	0.000	0.000	0.000	0.000	0.000	0.000	0.003
Access to operator assistance	0.000	0.000	0.000	1.000	0.000	0.000	0.000	1.000	0.000	0.000	0.000	0.000	0.000	0.000	0.037	0.000	0.000	0.000	0.000	0.000	0.000	0.003
Access to Intl operator assistance	0.000	0.000	0.000	1.000	0.000	0.000	0.000	1.000	0.000	0.000	0.000	0.000	0.000	0.000	0.037	0.000	0.000	0.000	0.000	0.000	0.000	0.003
International access including NI	0.000	0.000	0.000	1.000	0.000	0.000	0.000	1.000	0.000	0.000	0.000	0.000	0.000	0.000	0.037	0.000	0.000	0.000	0.000	0.000	0.000	0.003
Customer Care Access	1.000	0.965	0.981	0.889	1.000	0.974	0.965	0.898	0.763	0.019	0.839	0.094	0.038	0.845	0.033	0.208	0.009	0.355	0.156	0.041	1.087	0.003
Access to emergency service	1.000	0.669	0.463	1.000	1.000	0.676	0.481	1.000	0.749	0.000	0.157	0.519	0.000	0.481	0.037	0.177	0.000	0.081	0.368	0.000	0.809	0.003
Partial Private Circuits																						
Flat Rate Internet Access Call Origination																						
Interconnect paths																						
Carrier Preselect - non conveyance charge																						
Serving operators - IN Dip																						
Packet services access																						
Non-geographical number portability																						
Universal number access																						
Personal number access																						
Geographic number portability																						
Other Wholesale Services																						
<b>Subset of Call Origination</b>																						
Primary	0.998	0.650	0.358	0.000	0.999	0.661	0.346	0.000	0.746	0.001	0.004	0.000	0.001	0.000	0.000	0.145	0.000	0.001	0.000	0.000	0.000	0.000
Tandem Long	1.000	0.995	0.901	1.000	1.000	0.995	0.895	1.000	0.855	0.000	0.890	0.105	0.000	0.895	0.037	0.321	0.000	0.545	0.261	0.000	1.704	0.003
Tandem Short	1.000	0.623	0.705	0.666	0.999	0.647	0.706	0.641	0.786	0.000	0.353	0.293	0.000	0.348	0.023	0.210	0.000	0.251	0.241	0.000	0.703	0.002
<b>Subset of Call Termination</b>																						
Primary	1.000	0.625	0.376	0.000	1.000	0.639	0.363	0.000	0.721	0.000	0.000	0.000	0.000	0.000	0.000	0.140	0.000	0.000	0.000	0.000	0.000	0.000
Tandem Long	1.000	0.965	0.981	0.889	1.000	0.974	0.965	0.898	0.763	0.019	0.839	0.094	0.038	0.845	0.033	0.208	0.009	0.355	0.156	0.041	1.087	0.003
Tandem Short	1.000	0.700	0.767	0.529	1.000	0.700	0.770	0.526	0.774	0.000	0.441	0.258	0.029	0.267	0.017	0.217	0.000	0.300	0.219	0.002	0.449	0.001

# Statement of Costs of Network Services

CCA FULLY ALLOCATED COSTS

	CALL SENSITIVE				TRAFFIC SENSITIVE				NON LENGTH DEPENDENT						LENGTH DEPENDENT							
	Subscriber Unit	Primary Switch	Secondary Switch	Tertiary Switch	Subscriber Unit	Primary Switch	Secondary Switch	Tertiary Switch	RSU to Primary/Secondary Link	Primary to Primary Link	Primary to Secondary Link	Primary to Tertiary Link	Secondary to Secondary Link	Secondary to Tertiary Link	Tertiary to Tertiary Link	RSU to Primary/Secondary Link	Primary to Primary Link	Primary to Secondary Link	Primary to Tertiary Link	Secondary to Secondary Link	Secondary to Tertiary Link	Tertiary to Tertiary Link
<b>Average Cost per Minute:-</b>																						
<b>Retail Services</b>																						
Local Calls	0.226	0.169	0.045	0.007	0.080	0.040	0.019	0.006	0.261	0.016	0.014	0.003	0.007	0.003	0.000	0.230	0.003	0.002	0.001	0.000	0.001	0.000
Trunk Calls	0.228	0.236	0.114	0.031	0.079	0.056	0.048	0.028	0.259	0.005	0.047	0.017	0.048	0.022	0.001	0.254	0.003	0.015	0.008	0.018	0.007	0.000
International Calls	0.061	0.062	0.019	0.072	0.021	0.015	0.009	0.062	0.068	0.000	0.004	0.014	0.000	0.012	0.003	0.061	0.000	0.001	0.005	0.000	0.005	0.000
Calls To Mobile	0.123	0.127	0.065	0.025	0.043	0.030	0.028	0.021	0.141	0.000	0.025	0.011	0.000	0.008	0.001	0.132	0.000	0.006	0.006	0.000	0.003	0.000
Calls to Internet	0.194	0.136	0.030	0.004	0.065	0.032	0.012	0.002	0.169	0.000	0.003	0.001	0.000	0.001	0.000	0.215	0.000	0.001	0.001	0.000	0.000	0.000
Premium Rate Services	0.125	0.128	0.068	0.068	0.044	0.030	0.031	0.059	0.139	0.000	0.027	0.009	0.002	0.040	0.003	0.117	0.000	0.007	0.004	0.001	0.012	0.000
Inland Directory Enquiries	0.123	0.126	0.067	0.072	0.043	0.030	0.029	0.062	0.139	0.000	0.026	0.010	0.000	0.041	0.003	0.135	0.000	0.007	0.005	0.000	0.014	0.000
International Directory Enquiries	0.123	0.128	0.041	0.072	0.043	0.030	0.018	0.062	0.140	0.000	0.009	0.028	0.000	0.025	0.003	0.132	0.000	0.004	0.011	0.000	0.012	0.000
National Operator Assistance	0.246	0.263	0.098	0.144	0.086	0.062	0.043	0.124	0.283	0.000	0.032	0.044	0.000	0.061	0.006	0.226	0.000	0.009	0.019	0.000	0.021	0.000
International Operator Assistance	0.246	0.263	0.098	0.144	0.086	0.062	0.043	0.124	0.283	0.000	0.032	0.044	0.000	0.061	0.006	0.226	0.000	0.009	0.019	0.000	0.021	0.000
Supplemental Services	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Remaining Activities	0.187	0.158	0.082	0.029	0.063	0.034	0.034	0.024	0.157	0.002	0.022	0.019	0.025	0.019	0.002	0.105	0.000	0.006	0.008	0.008	0.005	0.000
Internet Service Supply																						
Leased Lines																						
Retail Access																						
<b>RIO Services</b>																						
Call Termination	0.123	0.128	0.044	0.016	0.043	0.030	0.019	0.013	0.136	0.000	0.010	0.004	0.001	0.007	0.001	0.117	0.000	0.004	0.002	0.000	0.003	0.000
Call Origination	0.123	0.129	0.043	0.021	0.043	0.031	0.018	0.017	0.141	0.000	0.010	0.005	0.000	0.010	0.001	0.128	0.000	0.005	0.003	0.000	0.005	0.000
Transit	0.000	0.001	0.002	0.071	0.000	0.000	0.001	0.062	0.000	0.000	0.000	0.000	0.000	0.001	0.003	0.000	0.000	0.001	0.000	0.000	0.000	0.000
Access to PRS services	0.008	0.005	0.005	0.072	0.005	0.002	0.004	0.062	0.012	0.000	0.001	0.001	0.000	0.005	0.003	0.002	0.000	0.000	0.000	0.000	0.000	0.000
Access to Freefone services	0.123	0.123	0.069	0.062	0.043	0.028	0.030	0.052	0.129	0.000	0.025	0.007	0.000	0.036	0.003	0.111	0.000	0.007	0.004	0.000	0.011	0.000
Access to LoCall services	0.000	0.000	0.000	0.072	0.000	0.000	0.000	0.062	0.000	0.000	0.000	0.000	0.000	0.000	0.003	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Access to Callsave services	0.000	0.000	0.000	0.072	0.000	0.000	0.000	0.061	0.000	0.000	0.000	0.000	0.000	0.000	0.003	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Paging Service Access	0.000	0.000	0.000	0.072	0.000	0.000	0.000	0.062	0.000	0.000	0.000	0.000	0.000	0.000	0.003	0.000	0.000	0.000	0.000	0.000	0.000	0.000
National DQ	0.000	0.000	0.000	0.072	0.000	0.000	0.000	0.062	0.000	0.000	0.000	0.000	0.000	0.000	0.003	0.000	0.000	0.000	0.000	0.000	0.000	0.000
International DQ	0.000	0.000	0.000	0.072	0.000	0.000	0.000	0.062	0.000	0.000	0.000	0.000	0.000	0.000	0.003	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Access to operator assistance	0.000	0.000	0.000	0.072	0.000	0.000	0.000	0.062	0.000	0.000	0.000	0.000	0.000	0.000	0.003	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Access to Intl operator assistance	0.000	0.000	0.000	0.072	0.000	0.000	0.000	0.062	0.000	0.000	0.000	0.000	0.000	0.000	0.003	0.000	0.000	0.000	0.000	0.000	0.000	0.000
International access including NI	0.000	0.000	0.000	0.072	0.000	0.000	0.000	0.062	0.000	0.000	0.000	0.000	0.000	0.000	0.003	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Customer Care access	0.123	0.181	0.081	0.064	0.043	0.043	0.035	0.056	0.140	0.002	0.044	0.005	0.005	0.043	0.003	0.148	0.001	0.014	0.005	0.001	0.014	0.000
Access to emergency service	0.123	0.126	0.038	0.072	0.043	0.030	0.017	0.062	0.138	0.000	0.008	0.029	0.000	0.025	0.003	0.125	0.000	0.003	0.011	0.000	0.011	0.000
Partial Private Circuits	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Flat Rate Internet Access Call Origination	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Interconnect paths	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Carrier Preselect - non conveyance charge	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Serving operators - IN Dip	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Packet services access	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Non-geographical number portability	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Universal number access	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Personal number access	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Geographic number portability	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
<b>Subset of Call Origination</b>																						
Primary	0.123	0.122	0.030	0.000	0.043	0.029	0.012	0.000	0.137	0.000	0.000	0.000	0.000	0.000	0.000	0.103	0.000	0.000	0.000	0.000	0.000	0.000
Tandem Long	0.123	0.187	0.075	0.072	0.043	0.044	0.032	0.062	0.157	0.000	0.047	0.006	0.000	0.046	0.003	0.228	0.000	0.021	0.008	0.000	0.022	0.000
Tandem Short	0.123	0.117	0.058	0.048	0.043	0.028	0.025	0.040	0.145	0.000	0.019	0.016	0.000	0.018	0.002	0.149	0.000	0.010	0.007	0.000	0.009	0.000
<b>Subset of Call Termination</b>																						
Primary	0.123	0.118	0.031	0.000	0.043	0.028	0.013	0.000	0.133	0.000	0.000	0.000	0.000	0.000	0.000	0.099	0.000	0.000	0.000	0.000	0.000	0.000
Tandem Long	0.123	0.181	0.081	0.064	0.043	0.043	0.035	0.056	0.140	0.002	0.044	0.005	0.005	0.043	0.003	0.148	0.001	0.014	0.005	0.001	0.014	0.000
Tandem Short	0.123	0.132	0.064	0.038	0.043	0.031	0.028	0.033	0.142	0.000	0.023	0.014	0.004	0.014	0.001	0.154	0.000	0.011	0.006	0.000	0.006	0.000

# Statement of Costs of Network Services

CCA FULLY ALLOCATED COSTS

	NON CONVEYANCE COSTS																	
	Gradient - PEAK	Gradient - OFF PEAK	Gradient - WEEKEND	Call Conveyance Cost Per Minute - Peak	Call Conveyance Cost Per Minute - OFF PEAK	Call Conveyance Cost Per Minute - WEEKEND	Inland Directory Enquiries	International Directory Enquiries	National Operator Assistance	International Operator Assistance	Carrier administration	Carrier Billing	Intelligent Network	Outpayments	International Transmission	Private Circuits Network	Interconnect Connections and Renta	Other Costs
<b>Average Cost cent/min</b>							n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
<b>Total Costs (£'000)</b>							18,175	625	6,781	20	4,830	2,002	2,612	278,786	3,099	41,756	8,048	14,490
<b>Routing Factors:-</b>	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
<b>Retail Services</b>																		
Local Calls	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	4.3%	12.1%	14.9%	1.9%	0.1%	0.0%	0.3%	0.3%
Trunk Calls	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	1.6%	3.9%	4.7%	1.5%	0.2%	0.0%	0.1%	0.1%
International Calls	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	3.6%	7.5%	8.8%	25.6%	95.9%	0.0%	0.0%	0.1%
Calls To Mobile	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	1.6%	7.4%	9.7%	32.2%	0.0%	0.0%	4.8%	0.7%
Calls to Internet	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	1.3%	1.0%	0.7%	0.1%	0.0%	0.0%	1.0%	2.6%
Premium Rate Services	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.1%	2.1%	0.0%	0.0%	0.0%	0.0%
Inland Directory Enquiries	37.0%	0.0%	0.0%	0.0%	0.0%	0.0%	37.0%	0.0%	0.0%	0.0%	0.0%	0.3%	0.3%	1.5%	0.0%	0.0%	0.0%	0.5%
International Directory Enquiries	0.0%	56.0%	0.0%	0.0%	0.0%	0.0%	0.0%	56.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
National Operator Assistance	0.1%	0.0%	42.3%	0.0%	0.0%	0.0%	0.0%	0.0%	42.3%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.4%	0.4%
International Operator Assistance	0.0%	0.0%	0.0%	100.0%	0.0%	0.0%	0.0%	0.0%	0.0%	100.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Supplemental Services	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	9.4%	0.2%	0.0%	0.0%	0.2%	0.5%	0.0%	72.7%
Remaining Activities	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	1.2%	5.6%	5.9%	6.7%	0.1%	0.0%	0.9%	0.5%
Internet Service Supply	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.6%	0.2%	0.1%	0.0%	0.0%	0.0%	1.6%	0.3%
Leased Lines	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	14.3%	-2.0%	0.0%	0.0%	-16.2%	81.4%	0.0%	0.7%
Retail Access	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Other Retail Services	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	8.7%	1.2%	0.0%	0.0%	-0.1%	0.0%	0.0%	0.9%
<b>RIO Services</b>																		
Call Termination	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	5.1%	26.5%	23.9%	0.0%	0.0%	0.0%	0.0%	0.3%
Call Origination	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	4.1%	16.7%	14.7%	0.0%	0.0%	0.0%	0.0%	0.2%
Transit	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	-0.5%	8.1%	5.1%	16.0%	0.0%	0.0%	2.1%	0.3%
Access to PRS services	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.9%	0.0%	0.0%	0.0%	0.0%
Access to Freephone services	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.2%	3.6%	3.3%	0.0%	0.0%	0.0%	0.0%	0.0%
Access to LoCall services	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.2%	0.2%	0.0%	0.0%	0.0%	0.0%	0.0%
Access to Callsave services	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.2%	0.2%	0.0%	0.0%	0.0%	0.0%	0.0%
Paging Service Access	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
National DQ	63.0%	0.0%	0.0%	0.0%	0.0%	0.0%	63.0%	0.0%	0.0%	0.0%	0.0%	0.4%	0.4%	0.1%	0.0%	0.0%	0.0%	0.9%
International DQ	0.0%	44.0%	0.0%	0.0%	0.0%	0.0%	0.0%	44.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Access to operator assistance	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Access to Intl operator assistance	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
International access including NI	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	1.0%	4.1%	3.6%	11.5%	19.8%	0.0%	0.0%	0.0%
Customer Care Access	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Access to emergency service	0.0%	0.0%	57.7%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.3%	0.0%	0.0%	0.0%	0.0%	0.0%	0.2%
Partial Private Circuits	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	3.3%	-2.1%	0.0%	0.0%	0.0%	16.8%	0.0%	9.1%
Flat Rate Internet Access Call Origination	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	-0.5%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.2%
Interconnect paths	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	15.8%	2.2%	0.0%	0.0%	0.0%	1.3%	88.7%	8.7%
Carrier Preselect - non conveyance charge	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	6.1%	0.4%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Serving operators - IN Dip	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Packet services access	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Non-geographical number portability	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	6.3%	0.4%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Universal number access	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%
Personal number access	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Geographic number portability	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Other Wholesale Services	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	12.2%	1.3%	3.1%	0.0%	0.0%	0.0%	0.0%	0.0%
<b>Subset of Call Origination</b>																		
Primary																		
Tandem Long																		
Tandem Short																		
<b>Subset of Call Termination</b>																		
Primary																		
Tandem Long																		
Tandem Short																		

## Statement of Costs of Network Services

CCA FULLY ALLOCATED COSTS

	Gradient - PEAK	Gradient - OFF PEAK	Gradient - WEEKEND	Call Conveyance Cost Per Minute - Peak	Call Conveyance Cost Per Minute - OFF PEAK	Call Conveyance Cost Per Minute - WEEKEND	NON CONVEYANCE COSTS
							Inland Directory Enquiries
							International Directory Enquiries
							National Operator Assistance
							International Operator Assistance
							Carrier administration
							Carrier Billing
							Intelligent Network
							Outpayments
							International Transmission
							Private Circuits Network
							Interconnect Connections and Renta
							Other Costs
<b>Average Cost per Minute:-</b>							
<b>Retail Services</b>							
Local Calls	1.302	0.693	0.617	1.478	0.787	0.701	
Trunk Calls	1.302	0.693	0.617	1.985	1.057	0.941	
International Calls	1.302	0.693	0.617	0.644	0.343	0.305	
Calls To Mobile	1.302	0.693	0.617	1.034	0.550	0.490	
Calls to Internet	1.302	0.693	0.617	1.130	0.602	0.536	
Premium Rate Services	1.302	0.693	0.617	1.189	0.633	0.564	
Inland Directory Enquiries	1.302	0.693	0.617	1.212	0.645	0.575	
International Directory Enquiries	1.302	0.693	0.617	1.147	0.610	0.544	
National Operator Assistance	1.302	0.693	0.617	2.303	1.226	1.092	
International Operator Assistance	1.302	0.693	0.617	2.303	1.226	1.092	
Supplemental Services	1.302	0.693	0.617	0.000	0.000	0.000	
Remaining Activities	1.302	0.693	0.617	1.288	0.686	0.611	
Internet Service Supply	1.302	0.693	0.617	0.000	0.000	0.000	
Leased Lines	1.302	0.693	0.617	0.000	0.000	0.000	
Retail Access	1.302	0.693	0.617	0.000	0.000	0.000	
<b>RIO Services</b>							
Call Termination	1.302	0.693	0.617	0.911	0.485	0.432	
Call Origination	1.302	0.693	0.617	0.952	0.507	0.452	
Transit	1.302	0.693	0.617	0.186	0.099	0.088	
Access to PRS services	1.302	0.693	0.617	0.245	0.130	0.116	
Access to Freefone services	1.302	0.693	0.617	1.122	0.597	0.532	
Access to LoCall services	1.302	0.693	0.617	0.179	0.095	0.085	
Access to Callsave services	1.302	0.693	0.617	0.179	0.095	0.085	
Paging Service Access	1.302	0.693	0.617	0.179	0.095	0.085	
National DQ	1.302	0.693	0.617	0.179	0.095	0.085	
International DQ	1.302	0.693	0.617	0.179	0.095	0.085	
Access to operator assistance	1.302	0.693	0.617	0.179	0.095	0.085	
Access to Intl operator assistance	1.302	0.693	0.617	0.179	0.095	0.085	
International access including NI	1.302	0.693	0.617	0.179	0.095	0.085	
Customer Care access	1.302	0.693	0.617	1.369	0.729	0.649	
Access to emergency service	1.302	0.693	0.617	1.124	0.598	0.533	
Partial Private Circuits	1.302	0.693	0.617	0.000	0.000	0.000	
Flat Rate Internet Access Call Origination	1.302	0.693	0.617	0.000	0.000	0.000	
Interconnect paths	1.302	0.693	0.617	0.000	0.000	0.000	
Carrier Preselect - non conveyance charge	1.302	0.693	0.617	0.000	0.000	0.000	
Serving operators - IN Dip	1.302	0.693	0.617	0.000	0.000	0.000	
Packet services access	1.302	0.693	0.617	0.000	0.000	0.000	
Non-geographical number portability	1.302	0.693	0.617	0.000	0.000	0.000	
Universal number access	1.302	0.693	0.617	0.000	0.000	0.000	
Personal number access	1.302	0.693	0.617	0.000	0.000	0.000	
Geographic number portability	1.302	0.693	0.617	0.000	0.000	0.000	
<b>Subset of Call Origination</b>							
Primary	1.302	0.693	0.617	0.781	0.416	0.370	
Tandem Long	1.302	0.693	0.617	1.530	0.814	0.725	
Tandem Short	1.302	0.693	0.617	1.115	0.594	0.529	
<b>Subset of Call Termination</b>							
Primary	1.302	0.693	0.617	0.765	0.407	0.363	
Tandem Long	1.302	0.693	0.617	1.369	0.729	0.649	
Tandem Short	1.302	0.693	0.617	1.129	0.601	0.535	

# Statement of Costs of Network Services

DISTRIBUTED LONG RUN INCREMENTAL COSTS PLUS RECOVERY OF FIXED COMMON AND JOINT COSTS

	CALL SENSITIVE				TRAFFIC SENSITIVE				NON LENGTH DEPENDENT							LENGTH DEPENDENT						
	Subscriber Unit	Primary Switch	Secondary Switch	Tertiary Switch	Subscriber Unit	Primary Switch	Secondary Switch	Tertiary Switch	RSU to Primary/Secondary Link	Primary to Primary Link	Primary to Secondary Link	Primary to Tertiary Link	Secondary to Secondary Link	Secondary to Tertiary Link	Tertiary to Tertiary Link	RSU to Primary/Secondary Link	Primary to Primary Link	Primary to Secondary Link	Primary to Tertiary Link	Secondary to Secondary Link	Secondary to Tertiary Link	Tertiary to Tertiary Link
<b>Average Cost cent/min</b>	0.105	0.230	0.103	0.109	0.041	0.043	0.040	0.043	0.169	0.108	0.043	0.045	0.101	0.042	0.070	0.762	0.130	0.041	0.030	0.029	0.014	0.072
<b>Total Costs</b>	5,066	6,846	2,609	2,079	6,330	4,035	2,869	2,518	19,110	364	1,426	765	658	975	154	20,575	112	571	442	237	480	12
<b>Routing Factors:-</b>																						
<b>Retail Services</b>																						
Local Calls	1.836	0.901	0.545	0.100	1.867	0.920	0.531	0.104	1.416	0.122	0.263	0.051	0.057	0.062	0.004	0.324	0.025	0.058	0.036	0.011	0.072	0.000
Trunk Calls	1.857	1.258	1.371	0.436	1.847	1.271	1.338	0.452	1.405	0.036	0.886	0.317	0.387	0.434	0.017	0.357	0.025	0.388	0.265	0.663	0.537	0.001
International Calls	0.496	0.329	0.233	1.000	0.492	0.332	0.238	1.000	0.368	0.000	0.078	0.254	0.000	0.238	0.037	0.086	0.000	0.039	0.178	0.000	0.399	0.003
Calls To Mobile	1.000	0.677	0.788	0.342	1.000	0.678	0.789	0.345	0.765	0.000	0.466	0.196	0.000	0.150	0.013	0.186	0.000	0.152	0.200	0.000	0.195	0.001
Calls to Internet	1.578	0.723	0.366	0.062	1.511	0.723	0.336	0.037	0.920	0.001	0.058	0.023	0.000	0.014	0.001	0.303	0.000	0.029	0.025	0.000	0.022	0.000
Premium Rate Services	1.015	0.682	0.820	0.943	1.027	0.690	0.853	0.950	0.754	0.000	0.518	0.168	0.012	0.794	0.035	0.164	0.000	0.172	0.147	0.022	0.887	0.003
Inland Directory Enquiries	1.000	0.668	0.809	1.000	1.000	0.672	0.810	1.000	0.753	0.000	0.482	0.190	0.000	0.810	0.037	0.189	0.000	0.182	0.178	0.000	1.084	0.003
International Directory Enquiries	1.000	0.681	0.492	1.000	1.000	0.681	0.494	1.000	0.762	0.000	0.175	0.506	0.000	0.494	0.037	0.186	0.000	0.094	0.375	0.000	0.894	0.003
National Operator Assistance	2.000	1.400	1.185	2.000	2.000	1.407	1.203	2.000	1.540	0.000	0.611	0.796	0.000	1.203	0.074	0.318	0.000	0.237	0.639	0.000	1.608	0.006
International Operator Assistance	2.000	1.400	1.185	2.000	2.000	1.407	1.203	2.000	1.540	0.000	0.611	0.796	0.000	1.203	0.074	0.318	0.000	0.237	0.639	0.000	1.608	0.006
Supplemental Services	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Remaining Activities	1.517	0.842	0.993	0.406	1.463	0.778	0.944	0.392	0.853	0.013	0.417	0.344	0.203	0.380	0.022	0.148	0.001	0.153	0.260	0.282	0.384	0.002
Internet Service Supply																						
Leased Lines																						
Retail Access																						
Other Retail Services																						
<b>RIO Services</b>																						
Call Termination	1.000	0.679	0.535	0.222	1.000	0.684	0.515	0.208	0.737	0.002	0.183	0.069	0.011	0.142	0.008	0.164	0.001	0.104	0.066	0.004	0.208	0.001
Call Origination	0.999	0.686	0.515	0.296	0.999	0.697	0.496	0.271	0.768	0.001	0.191	0.083	0.001	0.188	0.010	0.181	0.000	0.124	0.089	0.000	0.368	0.001
Transit	0.000	0.005	0.027	0.990	0.000	0.005	0.032	0.993	0.000	0.000	0.004	0.001	0.000	0.025	0.037	0.000	0.000	0.000	0.021	0.000	0.000	0.003
Access to PRS services	0.065	0.025	0.056	1.003	0.126	0.038	0.107	1.002	0.065	0.000	0.019	0.019	0.000	0.107	0.039	0.003	0.000	0.002	0.003	0.000	0.018	0.003
Access to Freephone services	1.000	0.652	0.832	0.863	0.999	0.628	0.837	0.837	0.699	0.002	0.463	0.134	0.000	0.703	0.031	0.157	0.000	0.177	0.124	0.000	0.882	0.002
Access to LoCall services	0.000	0.002	0.001	0.996	0.000	0.003	0.002	0.995	0.000	0.000	0.000	0.000	0.000	0.000	0.037	0.000	0.000	0.000	0.000	0.000	0.000	0.003
Access to Callsave services	0.000	0.001	0.005	0.994	0.000	0.002	0.010	0.987	0.000	0.000	0.000	0.000	0.000	0.000	0.037	0.000	0.000	0.000	0.000	0.000	0.000	0.003
Paging Service Access	0.000	0.000	0.000	1.000	0.000	0.000	0.000	1.000	0.000	0.000	0.000	0.000	0.000	0.000	0.037	0.000	0.000	0.000	0.000	0.000	0.000	0.003
National DQ	0.000	0.000	0.000	1.000	0.000	0.000	0.000	1.000	0.000	0.000	0.000	0.000	0.000	0.000	0.037	0.000	0.000	0.000	0.000	0.000	0.000	0.003
International DQ	0.000	0.000	0.000	1.000	0.000	0.000	0.000	1.000	0.000	0.000	0.000	0.000	0.000	0.000	0.037	0.000	0.000	0.000	0.000	0.000	0.000	0.003
Access to operator assistance	0.000	0.000	0.000	1.000	0.000	0.000	0.000	1.000	0.000	0.000	0.000	0.000	0.000	0.000	0.037	0.000	0.000	0.000	0.000	0.000	0.000	0.003
Access to Inlt operator assistance	0.000	0.000	0.000	1.000	0.000	0.000	0.000	1.000	0.000	0.000	0.000	0.000	0.000	0.000	0.037	0.000	0.000	0.000	0.000	0.000	0.000	0.003
International access including NI	0.000	0.000	0.000	1.000	0.000	0.000	0.000	1.000	0.000	0.000	0.000	0.000	0.000	0.000	0.037	0.000	0.000	0.000	0.000	0.000	0.000	0.003
Customer Care Access	1.000	0.965	0.981	0.889	1.000	0.974	0.965	0.898	0.763	0.019	0.839	0.094	0.038	0.845	0.033	0.208	0.009	0.355	0.156	0.041	1.087	0.003
Access to emergency service	1.000	0.669	0.463	1.000	1.000	0.676	0.481	1.000	0.749	0.000	0.157	0.519	0.000	0.481	0.037	0.177	0.000	0.081	0.368	0.000	0.809	0.003
Partial Private Circuits																						
Flat Rate Internet Access Call Origination																						
Interconnect paths																						
Carrier Preselect - non conveyance charge																						
Serving operators - IN Dip																						
Packet services access																						
Non-geographical number portability																						
Universal number access																						
Personal number access																						
Geographic number portability																						
<b>Subset of Call Origination</b>																						
Primary	0.998	0.650	0.358	0.000	0.999	0.661	0.346	0.000	0.746	0.001	0.004	0.000	0.001	0.000	0.000	0.145	0.000	0.001	0.000	0.000	0.000	0.000
Tandem Long	1.000	0.995	0.901	1.000	1.000	0.995	0.895	1.000	0.855	0.000	0.890	0.105	0.000	0.895	0.037	0.321	0.000	0.545	0.261	0.000	1.704	0.003
Tandem Short	1.000	0.623	0.705	0.666	0.999	0.647	0.706	0.641	0.786	0.000	0.353	0.293	0.000	0.348	0.023	0.210	0.000	0.251	0.241	0.000	0.703	0.002
<b>Subset of Call Termination</b>																						
Primary	1.000	0.625	0.376	0.000	1.000	0.638	0.363	0.000	0.721	0.000	0.000	0.000	0.000	0.000	0.140	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Tandem Long	1.000	0.965	0.981	0.889	1.000	0.974	0.965	0.898	0.763	0.019	0.839	0.094	0.038	0.845	0.033	0.208	0.009	0.355	0.156	0.041	1.087	0.003
Tandem Short	1.000	0.700	0.767	0.529	1.000	0.700	0.770	0.526	0.774	0.000	0.441	0.258	0.029	0.267	0.017	0.217	0.000	0.300	0.219	0.002	0.449	0.001

# Statement of Costs of Network Services

DISTRIBUTED LONG RUN INCREMENTAL COSTS PLUS RECOVERY OF FIXED COMMON AND JOINT COSTS

	CALL SENSITIVE				TRAFFIC SENSITIVE				NON LENGTH DEPENDENT							LENGTH DEPENDENT						
	Subscriber Unit	Primary Switch	Secondary Switch	Tertiary Switch	Subscriber Unit	Primary Switch	Secondary Switch	Tertiary Switch	RSU to Primary/Secondary Link	Primary to Primary Link	Primary to Secondary Link	Primary to Tertiary Link	Secondary to Secondary Link	Secondary to Tertiary Link	Tertiary to Tertiary Link	RSU to Primary/Secondary Link	Primary to Primary Link	Primary to Secondary Link	Primary to Tertiary Link	Secondary to Secondary Link	Secondary to Tertiary Link	Tertiary to Tertiary Link
<b>Average Cost per Minute:-</b>																						
<b>Retail Services</b>																						
Local Calls	0.193	0.207	0.056	0.011	0.077	0.040	0.021	0.004	0.239	0.013	0.011	0.002	0.006	0.003	0.000	0.247	0.003	0.002	0.001	0.000	0.001	0.000
Trunk Calls	0.195	0.289	0.141	0.047	0.076	0.055	0.054	0.019	0.237	0.004	0.038	0.014	0.039	0.018	0.001	0.272	0.003	0.015	0.008	0.019	0.008	0.000
International Calls	0.052	0.076	0.024	0.109	0.020	0.014	0.010	0.043	0.062	0.000	0.003	0.011	0.000	0.010	0.003	0.065	0.000	0.002	0.005	0.000	0.006	0.000
Calls To Mobile	0.105	0.156	0.081	0.037	0.041	0.029	0.032	0.015	0.129	0.000	0.020	0.009	0.000	0.006	0.001	0.142	0.000	0.006	0.006	0.000	0.003	0.000
Calls to Internet	0.166	0.166	0.038	0.007	0.062	0.031	0.013	0.002	0.156	0.000	0.002	0.001	0.000	0.001	0.000	0.231	0.000	0.001	0.001	0.000	0.000	0.000
Premium Rate Services	0.107	0.157	0.084	0.103	0.042	0.030	0.034	0.041	0.127	0.000	0.022	0.008	0.001	0.033	0.002	0.125	0.000	0.007	0.004	0.001	0.012	0.000
Inland Directory Enquiries	0.105	0.154	0.083	0.109	0.041	0.029	0.032	0.043	0.127	0.000	0.021	0.009	0.000	0.034	0.003	0.144	0.000	0.007	0.005	0.000	0.015	0.000
International Directory Enquiries	0.105	0.157	0.051	0.109	0.041	0.029	0.020	0.043	0.129	0.000	0.008	0.023	0.000	0.021	0.003	0.142	0.000	0.004	0.011	0.000	0.013	0.000
National Operator Assistance	0.210	0.322	0.122	0.218	0.082	0.061	0.048	0.086	0.260	0.000	0.026	0.036	0.000	0.051	0.005	0.243	0.000	0.010	0.019	0.000	0.023	0.000
International Operator Assistance	0.210	0.322	0.122	0.218	0.082	0.061	0.048	0.086	0.260	0.000	0.026	0.036	0.000	0.051	0.005	0.243	0.000	0.010	0.019	0.000	0.023	0.000
Supplemental Services	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Remaining Activities	0.159	0.194	0.102	0.044	0.060	0.033	0.038	0.017	0.144	0.001	0.018	0.015	0.021	0.016	0.002	0.113	0.000	0.006	0.008	0.008	0.005	0.000
Internet Service Supply																						
Leased Lines																						
Retail Access																						
Other Retail Services																						
<b>RIO Services</b>																						
Call Termination	0.105	0.156	0.055	0.024	0.041	0.029	0.021	0.009	0.125	0.000	0.008	0.003	0.001	0.006	0.001	0.125	0.000	0.004	0.002	0.000	0.003	0.000
Call Origination	0.105	0.158	0.053	0.022	0.041	0.030	0.020	0.012	0.130	0.000	0.008	0.004	0.000	0.008	0.001	0.138	0.000	0.005	0.003	0.000	0.005	0.000
Transit	0.000	0.001	0.003	0.108	0.000	0.000	0.001	0.043	0.000	0.000	0.000	0.000	0.000	0.001	0.003	0.000	0.000	0.001	0.000	0.000	0.000	0.000
Access to PRS services	0.007	0.006	0.006	0.109	0.005	0.002	0.004	0.043	0.011	0.000	0.001	0.001	0.000	0.004	0.003	0.002	0.000	0.000	0.000	0.000	0.000	0.000
Access to Freephone services	0.105	0.150	0.086	0.094	0.041	0.027	0.033	0.036	0.118	0.000	0.020	0.006	0.000	0.030	0.002	0.119	0.000	0.007	0.004	0.000	0.012	0.000
Access to LoCall services	0.000	0.001	0.000	0.109	0.000	0.000	0.000	0.043	0.000	0.000	0.000	0.000	0.000	0.000	0.003	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Access to Callsave services	0.000	0.000	0.001	0.108	0.000	0.000	0.000	0.042	0.000	0.000	0.000	0.000	0.000	0.000	0.003	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Paging Service Access	0.000	0.000	0.000	0.109	0.000	0.000	0.000	0.043	0.000	0.000	0.000	0.000	0.000	0.000	0.003	0.000	0.000	0.000	0.000	0.000	0.000	0.000
National DQ	0.000	0.000	0.000	0.109	0.000	0.000	0.000	0.043	0.000	0.000	0.000	0.000	0.000	0.000	0.003	0.000	0.000	0.000	0.000	0.000	0.000	0.000
International DQ	0.000	0.000	0.000	0.109	0.000	0.000	0.000	0.043	0.000	0.000	0.000	0.000	0.000	0.000	0.003	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Access to operator assistance	0.000	0.000	0.000	0.109	0.000	0.000	0.000	0.043	0.000	0.000	0.000	0.000	0.000	0.000	0.003	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Access to Intl operator assistance	0.000	0.000	0.000	0.109	0.000	0.000	0.000	0.043	0.000	0.000	0.000	0.000	0.000	0.000	0.003	0.000	0.000	0.000	0.000	0.000	0.000	0.000
International access including NI	0.000	0.000	0.000	0.109	0.000	0.000	0.000	0.043	0.000	0.000	0.000	0.000	0.000	0.000	0.003	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Customer Care access	0.105	0.222	0.101	0.097	0.041	0.042	0.039	0.039	0.129	0.002	0.036	0.004	0.004	0.035	0.002	0.158	0.001	0.015	0.005	0.001	0.015	0.000
Access to emergency service	0.105	0.154	0.048	0.109	0.041	0.029	0.019	0.043	0.127	0.000	0.007	0.023	0.000	0.020	0.003	0.135	0.000	0.003	0.011	0.000	0.011	0.000
Partial Private Circuits	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Flat Rate Internet Access Call Origination	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Interconnect paths	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Carrier Preselect - non conveyance charge	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Serving operators - IN Dip	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Packet services access	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Non-geographical number portability	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Universal number access	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Personal number access	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Geographic number portability	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
<b>Subset of Call Origination</b>																						
Primary	0.105	0.150	0.037	0.000	0.041	0.028	0.014	0.000	0.126	0.000	0.000	0.000	0.000	0.000	0.000	0.110	0.000	0.000	0.000	0.000	0.000	0.000
Tandem Long	0.105	0.229	0.093	0.109	0.041	0.043	0.036	0.043	0.145	0.000	0.038	0.005	0.000	0.038	0.003	0.244	0.000	0.022	0.008	0.000	0.024	0.000
Tandem Short	0.105	0.143	0.073	0.073	0.041	0.028	0.028	0.028	0.133	0.000	0.015	0.013	0.000	0.015	0.002	0.160	0.000	0.010	0.007	0.000	0.010	0.000
<b>Subset of Call Termination</b>																						
Primary	0.105	0.144	0.039	0.000	0.041	0.027	0.015	0.000	0.122	0.000	0.000	0.000	0.000	0.000	0.000	0.106	0.000	0.000	0.000	0.000	0.000	0.000
Tandem Long	0.105	0.222	0.101	0.097	0.041	0.042	0.039	0.039	0.129	0.002	0.036	0.004	0.004	0.035	0.002	0.158	0.001	0.015	0.005	0.001	0.015	0.000
Tandem Short	0.105	0.161	0.079	0.058	0.041	0.030	0.031	0.023	0.131	0.000	0.019	0.012	0.003	0.011	0.001	0.166	0.000	0.012	0.007	0.000	0.006	0.000

# Statement of Costs of Network Services

DISTRIBUTED LONG RUN INCREMENTAL COSTS PLUS RECOVERY OF FIXED COMMON AND JOINT COSTS

Gradient - PEAK	Gradient - OFF PEAK	Gradient - WEEKEND	Call Conveyance Cost Per Minute - Peak	Call Conveyance Cost Per Minute - OFF PEAK	Call Conveyance Cost Per Minute - WEEKEND
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**Average Cost cent/min**

**Total Costs**

**Routing Factors:-**

**Retail Services**

- Local Calls
- Trunk Calls
- International Calls
- Calls To Mobile
- Calls to Internet
- Premium Rate Services
- Inland Directory Enquiries
- International Directory Enquiries
- National Operator Assistance
- International Operator Assistance
- Supplemental Services
- Remaining Activities
- Internet Service Supply
- Leased Lines
- Retail Access
- Other Retail Services

**RIO Services**

- Call Termination
- Call Origination
- Transit
- Access to PRS services
- Access to Freefone services
- Access to LoCall services
- Access to Callsave services
- Paging Service Access
- National DQ
- International DQ
- Access to operator assistance
- Access to Intl operator assistance
- International access including NI
- Customer Care Access
- Access to emergency service
- Partial Private Circuits
- Flat Rate Internet Access Call Origination
- Interconnect paths
- Carrier Preselect - non conveyance charge
- Serving operators - IN Dip
- Packet services access
- Non-geographical number portability
- Universal number access
- Personal number access
- Geographic number portability

**Subset of Call Origination**

- Primary
- Tandem Long
- Tandem Short

**Subset of Call Termination**

- Primary
- Tandem Long
- Tandem Short

# Statement of Costs of Network Services

DISTRIBUTED LONG RUN INCREMENTAL COSTS PLUS RECOVERY OF FIXED COMMON AND JOINT COSTS

	Gradient - PEAK	Gradient - OFF PEAK	Gradient - WEEKEND	Call Conveyance Cost Per Minute - Peak	Call Conveyance Cost Per Minute - OFF PEAK	Call Conveyance Cost Per Minute - WEEKEND
<b>Average Cost per Minute:-</b>						
<b>Retail Services</b>						
Local Calls	1.302	0.693	0.617	1.482	0.789	0.703
Trunk Calls	1.302	0.693	0.617	2.024	1.078	0.960
International Calls	1.302	0.693	0.617	0.671	0.357	0.318
Calls To Mobile	1.302	0.693	0.617	1.065	0.567	0.505
Calls to Internet	1.302	0.693	0.617	1.143	0.608	0.542
Premium Rate Services	1.302	0.693	0.617	1.226	0.653	0.581
Inland Directory Enquiries	1.302	0.693	0.617	1.252	0.667	0.594
International Directory Enquiries	1.302	0.693	0.617	1.180	0.628	0.560
National Operator Assistance	1.302	0.693	0.617	2.371	1.262	1.124
International Operator Assistance	1.302	0.693	0.617	2.371	1.262	1.124
Supplemental Services	1.302	0.693	0.617	0.000	0.000	0.000
Remaining Activities	1.302	0.693	0.617	1.309	0.697	0.621
Internet Service Supply	1.302	0.693	0.617	0.000	0.000	0.000
Leased Lines	1.302	0.693	0.617	0.000	0.000	0.000
Retail Access	1.302	0.693	0.617	0.000	0.000	0.000
Other Retail Services						
<b>RIO Services</b>						
Call Termination	1.302	0.693	0.617	0.935	0.498	0.443
Call Origination	1.302	0.693	0.617	0.979	0.521	0.464
Transit	1.302	0.693	0.617	0.209	0.111	0.099
Access to PRS services	1.302	0.693	0.617	0.266	0.142	0.126
Access to Freephone services	1.302	0.693	0.617	1.160	0.618	0.550
Access to LoCall services	1.302	0.693	0.617	0.202	0.107	0.096
Access to Callsave services	1.302	0.693	0.617	0.202	0.107	0.096
Paging Service Access	1.302	0.693	0.617	0.202	0.107	0.096
National DQ	1.302	0.693	0.617	0.202	0.107	0.096
International DQ	1.302	0.693	0.617	0.202	0.107	0.096
Access to operator assistance	1.302	0.693	0.617	0.202	0.107	0.096
Access to Intl operator assistance	1.302	0.693	0.617	0.202	0.107	0.096
International access including NI	1.302	0.693	0.617	0.202	0.107	0.096
Customer Care access	1.302	0.693	0.617	1.424	0.758	0.675
Access to emergency service	1.302	0.693	0.617	1.156	0.615	0.548
Partial Private Circuits	1.302	0.693	0.617	0.000	0.000	0.000
Flat Rate Internet Access Call Origination	1.302	0.693	0.617	0.000	0.000	0.000
Interconnect paths	1.302	0.693	0.617	0.000	0.000	0.000
Carrier Preselect - non conveyance charge	1.302	0.693	0.617	0.000	0.000	0.000
Serving operators - IN Dip	1.302	0.693	0.617	0.000	0.000	0.000
Packet services access	1.302	0.693	0.617	0.000	0.000	0.000
Non-geographical number portability	1.302	0.693	0.617	0.000	0.000	0.000
Universal number access	1.302	0.693	0.617	0.000	0.000	0.000
Personal number access	1.302	0.693	0.617	0.000	0.000	0.000
Geographic number portability	1.302	0.693	0.617	0.000	0.000	0.000
<b>Subset of Call Origination</b>						
Primary	1.302	0.693	0.617	0.796	0.424	0.378
Tandem Long	1.302	0.693	0.617	1.594	0.849	0.756
Tandem Short	1.302	0.693	0.617	1.149	0.612	0.545
<b>Subset of Call Termination</b>						
Primary	1.302	0.693	0.617	0.780	0.415	0.370
Tandem Long	1.302	0.693	0.617	1.424	0.758	0.675
Tandem Short	1.302	0.693	0.617	1.165	0.620	0.552

## ***Definitions of the Businesses***

The full definition of the Businesses and their Activities are set out on pages 5 to 8 of the Introduction to the Accounting Documents. They are summarised as follows:

### **Local Access Network**

The Local Access Network provides connections to the Core Network both internally and externally. The accounts for the Local Access Network Business include the costs and capital employed associated with providing and maintaining these connections. For Accounting Separation, the Local Access Network Business includes all the customer-dedicated components of the network including, for example, the line cards and ports located at concentrators and/or exchanges. In respect of DSL, the Local Access Network Business includes all relevant equipment between the Main Distribution Frame (MDF) and the ISP point of presence. The Core Network Business includes all other network components. Customer line rental is a service provided by the Retail Business. The revenue from line rental and connections provided to end users is therefore recorded in the Retail Business. The revenue from providing services on a wholesale basis to Other Authorised Operators is included in the Local Access Network. The cost of providing customer lines is recorded against the Local Access Network Business and a transfer charge of costs to the Retail Business is levied in order to match revenues with their associated costs. Costs charged to the Retail Business are based on the fully allocated historic costs of Local Access Network Elements including a cost of capital, set at 10.21% (2008: 11.36%), as directed by ComReg.

### **Core Network**

The Core Network Business provides a range of interconnection services internally and externally in order to allow the customer of one operator to communicate with customers of the same or another operator, or to access services provided by another operator. These services include the switching and conveyance of calls. The revenues of the Core Network Business will derive from the sale of interconnection services to the Retail Business of eircom and to other operators.

The Core Network also includes payments to other operators, dedicated transmission and capacity for leased lines and the provision of directory enquiry services. Costs charged to the Retail Business are based on the fully allocated historic costs of the Core Network including a cost of capital, as directed by ComReg. Costs charged to the Retail Business are based on the fully historic allocated costs of Local Access Network Elements including a cost of capital, as directed by ComReg.

## ***Definitions of Increments***

Three increments are defined for the calculation of long run incremental costs. These are:

- Access Network
- Inland Core Conveyance Network
- The Rest

The Access Network increment has the same definition as the Local Access Network business as provided above. The remaining increments are defined below.

### **Inland Core Conveyance Network**

The Inland Core Conveyance Network is defined as the PSTN and ISDN switched network comprising all conveyance circuit switches (primary, secondary and tertiary) and remote or co-located subscriber units. It includes all transmission routes connecting these switch nodes including capacity provided for leased lines and other data services. The data transmission network has been defined to include the inter exchange transmission links associated with traditional data services such as leased lines and the emerging data services such as BIP, DSL and ATM. Any specific equipment for the provision of leased lines and data services remains within the Rest increment. The Inland Core Conveyance Network also includes the specific costs of carrier services.

The boundary between the Inland Core Conveyance Network and Access Network has been defined, by ComReg, as lying at the Inland Core Conveyance Network side of the line card in the remote or co-located subscriber units.

The Inland Core Conveyance Network is further sub-divided into the following network components:

#### **Switching components**

- Subscriber unit (Call sensitive);
- Subscriber unit (Traffic sensitive);
- Primary switch (Call sensitive);

- Primary switch (Traffic sensitive);
- Secondary switch (Call sensitive);
- Secondary switch (Traffic sensitive);
- Tertiary switch (Call sensitive);
- Tertiary switch (Traffic sensitive);

**Transmission components**

- Remote subscriber unit to Primary/Secondary switch transmission link – non length related;
- Primary to Primary switch transmission link – non length related;
- Primary to Secondary switch transmission link – non length related;
- Primary to Tertiary switch transmission link – non length related;
- Secondary to Secondary switch transmission link – non length related;
- Secondary to Tertiary switch transmission link – non length related;
- Tertiary to Tertiary switch transmission link – non length related;
- Remote subscriber unit to Primary/Secondary switch transmission link – length related;
- Primary to Primary switch transmission link – length related;
- Primary to Secondary switch transmission link – length related;
- Primary to Tertiary switch transmission link – length related;
- Secondary to Secondary switch transmission link – length related;
- Secondary to Tertiary switch transmission link – length related;

- Tertiary to Tertiary switch transmission link – length related;

### **Non conveyance components**

- Inland directory enquiries;
- International directory enquiries;
- National operator assistance;
- International operator assistance;
- Carrier administration;
- Carrier billing;
- Intelligent network;
- Outpayments;
- International transmissions;
- Private circuits network;
- Interconnect connections and rentals; and
- Other costs.

### **The Rest**

The Rest comprises the costs and net investments of eircom that are not included in the Access Network or Inland Core Conveyance Network. It includes all retail activities and those parts of the network not included in Access or Inland Core Conveyance Networks.

## **Other Definitions**

### **Long run incremental cost**

Long run incremental cost (LRIC) is the additional cost that would be caused in the long run by the addition of the defined increment given that all other output is already produced. In the long run, this definition can be reversed so that long run incremental costs can be defined as those costs that are avoided by not producing that increment of output given that all other outputs are produced.

### **Distributed long run incremental cost**

Distributed long run incremental cost (DLRIC) is equal to the sum of the long run incremental cost of network components (e.g. subscriber unit, primary switch, etc.) and a pro-rated mark up of fixed common and joint costs which lie entirely within the Inland Core Conveyance Network on the long run incremental cost of network components. The mark up is performed at a detailed cost category level such that fixed common and joint costs are recovered only on the incremental costs of network components to which they are common. After recovery, the sum of long run distributed incremental costs of Inland Core Conveyance Network components is equal to the long run incremental cost of the Inland Core Conveyance Network as a whole.

The company implemented two part charging in 2004. In order to ensure that the change from one part charging to two part charging does not result in a change in overall costs attributed to switching, an initial step has been initiated in the DLRIC process to attribute the costs associated solely with switching not already attributed to individual two part charging switching components. This initial attribution is performed on the following basis:

1. Direct Switching Equipment Cost Categories: Attributed based upon the results of manufacturers' studies of the utilisation of the relevant switching equipment.
2. Indirect costs are attributed between switching components on an equi-proportional mark up basis based on the distribution of the fully allocated costs.

In the year ended 31 March 2004, the company introduced an initial step in respect of transmission costs to capture any costs solely associated with PSTN transmission not already attributed to individual PSTN transmission components. These fixed and common costs are then distributed over the individual PSTN transmission components based on an equi-proportional mark-up based on LRIC results.

The residual costs wholly attributable to the inland core conveyance network which have not already been attributed as part of the initial steps above are distributed on an equi-proportional basis using the incremental costs, including the costs distributed in the steps above.

### **Distributed long run incremental costs plus recovery of inter-increment fixed common and joint cost**

Distributed long run incremental cost plus recovery of inter-increment fixed common and joint costs (i.e. common to Access Network, Inland Core Conveyance Network and The Rest) is the sum of the long run incremental cost of increments (and within the Inland Core Conveyance Network, on the distributed long run incremental cost of its components) and a pro-rated mark up of inter-increment fixed common and joint costs. The mark up is performed at a detailed cost category level such that fixed common and joint costs are recovered only on the long run incremental costs of Access Network, Inland Core Conveyance Network, and within that on the distributed incremental costs of Inland Core Conveyance Network components, to which they are common. After recovery, the sum of long run incremental costs plus recovery of inter-increment fixed common and joint costs of Access Network, Inland Core Conveyance Network and The Rest is equal to the total incremental cost of the Group as a whole.