LLU CHARGES AND PRICE SQUEEZE: THE FAILURE OF REGULATION

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LOCAL ACCESS AND PRICE SQUEEZE

- According to the ONP Committee methodology, a margin squeeze occurs where the incumbent's access price combined with its downstream costs are higher than its corresponding retail price

$$Pa + Cr > Pr$$

Pa = *Access Price*

Cr = *Retail Costs*

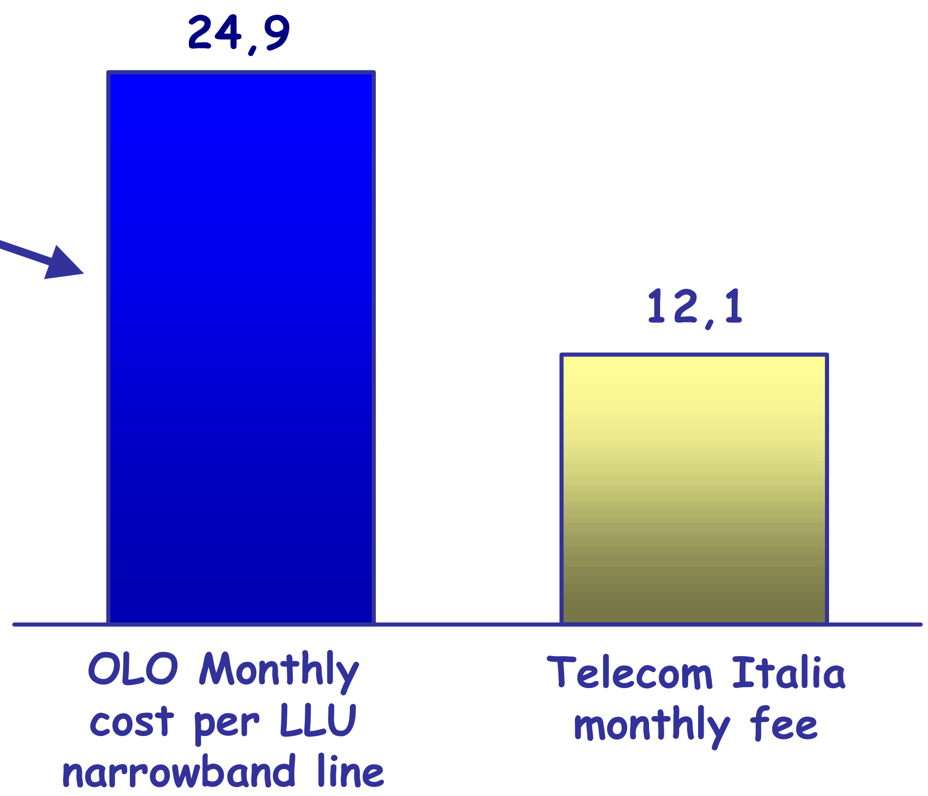
Pr = *Retail Price*

- The application of this test in the case of LLU can be rather difficult due to the uncertainty of the access price components and of the value of the retail costs.

PRICE SQUEEZE: THE ITALIAN CASE

Included:
- LLU colocation costs;
- LLU activation fee;
- other telecoms costs;

Excluded:
- retail costs



The specific cost elements which the incumbent would not incur in internal transfer prices to its downstream activities but which it does incur in providing access to its local loop should be taken into account when price squeeze tests are made.