

Appendix 1: Avoidable cost formula for telephone or data communication access service in uneconomic areas

The avoidable costs for telephone or data communication access service in uneconomic areas include the annual avoidable capital cost and avoidable operation cost of using the direct access of the Type One Telecommunication Business Network at the exchange center or mobile broadband transmission station in the remote area.

A. Avoidable capital cost: The avoidable fixed assets and avoidable operation capital of the capital cost for the operations in the service area at the exchange center or mobile broadband transmission station.

1. Avoidable fixed assets

(1).Telecommunications machinery and line facilities (net replacement cost, except provisions otherwise regulated in the procedure manual).

(2)The land, building, and other equipment related to telecommunication equipment mentioned above.

2. Avoidable operation capital

Operation capital = cash expenses + spare material expenses

Amount of cash expenses = [operating cost and expenses + non-operating expenses – (depreciation + loss of foreign exchange rate changes + other non-cash expenses)] / 365 * (days of working capital turnover).

The days of operation capital turnover = accounts receivable + service schedule – the days of accounts payable.

Spare material expenses = (annual material expenses/12) × the period to store averaged material (months).

3. Avoidable capital cost = [(Initial net amount of fixed asset + final net amount of fixed asset)/2 + operation capital] × the rate of capital cost

B. Avoidable operation cost

The necessary expenses to keep the normal operation of telecommunication equipment mentioned above include the following items:

1. Direct cost of service area at the exchange center or mobile broadband transmission station

(1) The depreciation expenses for the fixed assets during operation (not including the land).

(2) The expenses to maintain the telecommunication and circuit equipment at the exchange center or mobile broadband transmission station.

(3) The expenses for equipment installation and transportation, circuit test,

maintenance of subscriber equipment, and trouble-shooting service.

2. Network Support Cost

(1) The expenses for communication or information quality, material purchase, and storage control.

(2) The expenses to plan and design the service staff and related equipment.

3. Expenses of business and account handling

(1) The business expenses for application, installment, movement, and change.

(2) The expenses for account handling and collection.