

**CABLE & WIRELESS (BARBADOS) LIMITED's**

**RESPONSE TO COMMENTS OF INTERESTED PARTIES ON  
CONSOLIDATED REFERENCE INTERCONNECTION OFFER  
(RIO)**

May 11, 2009

## 1. Introduction

1. Cable and Wireless (Barbados) Limited (hereinafter referred to as 'the Company' or 'Cable & Wireless' welcomes the opportunity to respond to comments of interested parties submitted to the Commission between March 10 and March 13 2009, in relation to the Company's Consolidated Reference Interconnection Offer (RIO)
2. Specifically, by letter dated March 26, 2009, the Commission has provided the Company with comments which it received from Digicel (Barbados) Limited ("Digicel"), Blue Communications Ltd. ("Blue"), CARITEL ("Caritel") and TeleBarbados Inc. ("TeleBarbados"), as interested parties.
3. The Company reviewed the comments and find that there are three primary issues addressed, namely the issues of:
  - i) Inclusion of Indirect Access as a service in the RIO;
  - ii) The rates ; and
  - iii) Inclusion of ADCs in the RIO.
4. Cable & Wireless' response will focus on the above three primary issues. However where no specific comment is made to any aspect of the comments of Digicel, Blue, Caritel and TeleBarbados, this should not be interpreted as the Company's agreement to any views or comments put forward by these interested parties, nor indeed should it be taken that our comments contained herein are a comprehensive response to these or all issues related to the RIO.

## 2. Indirect Access

5. The Government formed a committee to advise the then Minister responsible for telecommunications (the "Minister") on various policies including, inter alia, Indirect

Access and Two Stage dialling. Subsequently the Minister issued a Policy on both Indirect Access and Two Stage Dialling (the "Policy") on 16<sup>th</sup> November, 2007. In accordance with the Telecommunications Act, on 5<sup>th</sup> December, 2007 Cable & Wireless requested a review of the Policies, by the Minister. To the best of Cable & Wireless' knowledge the review is ongoing.

6. Comments by TeleBarbados, Caritel and Blue suggest that Cable & Wireless merely needs to incorporate Indirect Access and Two Stage Dialling (2SD) into the RIO Service Descriptions, based on the existence of a Policy. Firstly, apart from the fact that in order for the intent of the Policies to be effected they need to be translated into a statutory instrument or regulation, it would be inappropriate for Cable & Wireless to prejudice a matter which is still under review by the Minister.
7. Further, Cable & Wireless submits that it is unnecessary to include Indirect Access or 2SD services in the RIO since the service has been offered as a wholesale service for some time. Cable & Wireless reminds the Commission that of its own volition it offers a 2SD wholesale service to service providers, which is currently in use in the market. If market forces are sufficient to lead a carrier to offer 2SD services on a commercial basis, it is clearly unnecessary and likely counter-productive to regulate 2SD services by requiring their inclusion in the RIO.

### **3. The Rates**

8. Cable & Wireless submitted a letter to the Commission dated April 24<sup>th</sup> 2009 in which it commented on the existing Tariff Schedule. To summarise Cable & Wireless indicated that:
  - o The cost justification for the rates would have been included in submissions by Cable & Wireless at the time the existing RIOs were submitted, and therefore would have been cost-oriented as required by the Telecommunications Act.

- The rates included in the Tariff Schedule are based on the rates included in the existing RIOs submitted to the Fair Trading Commission in 2004/2005 RIO 1, 2 & 3 Mobile, Domestic and International, respectively. These RIOs were all subsequently approved by the Commission.
  - Licensed carriers in Barbados have invested heavily in networks and facilities within the country, and the margins from incoming international settlement rates are key elements of their business plans in support of that local investment.
  - If international call transit and termination rates in the RIO were to be reduced from their current and proposed levels, international settlement rates would fall as well. A reduction of these rates would not benefit consumers locally.
  - We therefore recommend that the interconnection rates proposed in the Consolidated RIO be accepted.
9. Cable & Wireless notes the Commission's 7 May 2009 letter requesting further information. For clarity we note that by letter dated 25<sup>th</sup> September 2008 the Commission sought a consolidated RIO which we presented. At the time we interpreted 'reflective of the current and evolving telecommunications industry' to refer to any regulations which may have been implemented. Without prejudice to Cable & Wireless' response to that letter, Cable & Wireless wishes to note that the proposed interconnection rates cover the costs of the services, are not unreasonable and maximize benefits to consumers in Barbados. However a response to your letter will be submitted as requested.

#### **4. Inclusion of ADCs in the RIO**

A number of parties argued against the inclusion of Access Deficit Contributions ("ADCs") in the RIO. It should be noted that the Consolidated RIO did not include any ADCs since the RIO was intended to reflect a consolidation of the RIOs already submitted to the

Commission. Cable & Wireless acknowledges that such charges must be determined first by the Commission but also note that section 35 of the Telecommunications Act provides that 'the Commission shall prescribe a charge to be known as an access deficit charge.' The issue of recovery of loss on regulated services, and consequent subsidization of other carriers and service providers, continues to be a key issue which must be addressed in the RIO through an ADC. Where an access deficit exists, a commercial enterprise cannot allow it to remain indefinitely, otherwise it will no longer be a viable business. It should be noted that the situation is exacerbated by the retail rate regulation.

10. Cable & Wireless refutes Digicel's assertion that an Access Deficit Contribution (ADC) scheme is not practical or workable in Barbados. There are 134,261<sup>1</sup> customers on the fixed network, this is 34% of all voice customers in Barbados, including customers on mobile networks.
11. Digicel has also recommended increased retail rates. At this time the Price Cap regime in Barbados prohibits any increase in line rental for residential customers until after the end of 2009 as a result of the seventeen month moratorium implemented. The last increase in residential fixed line access rates was in August 2007. Cable & Wireless agrees with Digicel that rebalancing is the ultimate solution. However, this cannot be achieved in the short term, due to the Price Cap Plan imposed upon Cable & Wireless. As a result, an ADC may well be necessary and, must be applied to all carriers and service providers, since not only retail customers but all service providers connected to Cable & Wireless' fixed network must pay the economic cost of using the network. The provision for levying an ADC must also be provided for in the Consolidated RIO.
12. Cable & Wireless continues to advocate for ADCs that will be applied to all minutes terminating on and originating from the PSTN. Such an approach is economically the most efficient and competitively neutral because all those carriers / service

---

<sup>1</sup> <http://telecoms.gov.bb/ICTStatisticsforBarbados/tabid/102/Default.aspx>  
Cable & Wireless (Barbados) Limited  
Response to Comments on Consolidated RIO  
May 11, 2009

providers which benefit from terminating and originating minutes on Cable & Wireless' network would contribute to reducing the access deficit.

13. Further, spreading the ADC over all the minutes that terminate on the PSTN would reduce the per-minute ADC payable to a negligible amount and reduce incentives for bypass.
14. We therefore reiterate that an ADC must be referenced in the Consolidated RIO because:
  - While it is in the public interest that fixed line telephone service continue to be offered at affordable rates, Cable & Wireless must also be allowed to recover its costs and continue its investment in the fixed network
  - ADCs are a transitional mechanism to prevent inefficient entry, while protecting customers from the rate shock that would occur if Cable & Wireless were allowed to immediately rebalance its line rental and domestic call charges for the use of its fixed network.
  - The most competitively neutral form of an ADC is a charge on all minutes originating or terminating on the PSTN, and the most logical place to provide for such a charge is in the RIO.
  - ADCs are only for a time and will become unnecessary with the achievement of rebalancing.
  - Whilst the FTC in Decision 3 of 2003 dated 28<sup>th</sup> October 2003 concluded at paragraph 26 that 'a prerequisite for the establishment of an ADC is that the Minister responsible for telecommunications designates in writing a Universal Service Carrier,' it should be pointed out that Cable & Wireless has indeed been

designated the Universal service provider in the domestic licence issued on 3<sup>rd</sup> November 2003.

Therefore until such time as Cable & Wireless is allowed to rebalance its prices for access services, an ADC could be necessary and must be provided for in the RIO.

**5. Other Matters**

15. Caritel alleges that Cable & Wireless' customers have not benefited from lower long distance rates in the face of lower "incoming termination rates" to carriers overseas. As the Commission is aware this is not the case since several reductions have taken place and more recently through the price cap. Indeed, Cable & Wireless' fixed line customers have enjoyed lower longer distance rates reduced by in excess of 70% since 2004 to present. Under the 2008 Price Cap, customers will continue to benefit from a minimum average of 5% annual decreases. Caritel's submission in this regard is therefore incorrect.

16. Cable & Wireless notes TeleBarbados' comment that proposed changes to the RIO should be in redline format. It should be noted that Cable & Wireless' mandate was to produce a Consolidated RIO. We have therefore produced a document which consolidates the RIOs already submitted to the Commission. In our view there were not any new regulations to be included. In that context we are of the view that there was no "baseline" version to mark-up.

17. We would like to thank the Commission for giving us the opportunity to provide some preliminary responses to the comments provided by the interested parties. We reserve the right to submit further information as the need arises.

**END DOCUMENT**