



June 11, 2009

The Chief Executive Officer  
Fair Trading Commission  
Good Hope  
Green Hill  
St. Michael

Dear Madam,

**Summary Comments on the  
Consolidated Reference Interconnection Offer**

TeleBarbados is pleased to provide the attached summary comments on the Consolidated Reference Interconnection Offer in response to your letter of May 28, 2009.

Sincerely,  
**TELE (BARBADOS) INC.**

A handwritten signature in black ink, appearing to read 'Patrick Hinkson', is written over the typed name.

Patrick Hinkson  
**VICE PRESIDENT**

att:

# TeleBarbados: Summary of Issues

## I. INTRODUCTION

In its original comments on the proposed revisions for the creation of a Consolidated Reference Interconnection Agreement (“RIO”), TeleBarbados noted that the proposed RIO maintains rates that are now well over five (5) years old, does not incorporate significant changes in government policy, and provides no additional incentives for achieving a cost-based competitive rate structure. Specifically, TeleBarbados noted three critical deficiencies in the proposed RIO:

1. The RIO should contain specific language implementing Two-Stage Dialing and Indirect Access as services under the RIO for interconnecting service providers. It should clarify that calling card services and dial-up internet services are explicitly supported under the Two-Stage Dialing arrangement.
2. The RIO should recognize the substantial reductions in both telecommunication equipment costs and asset depreciation that have occurred since the RIO was originally implemented, and therefore interconnection rates should be significantly reduced. Contrary to decreasing costs and prices for telecommunication services across the globe, and without any showing of financial need (real or imagined), Cable & Wireless has attempted to incorporate an Access Deficit Charge (“ADC”) into the language of the revised interconnection agreement.
3. Cable & Wireless’ proposed language changes, relative to the termination of international calls is both confusing and unnecessary and should be rejected.

Below, TeleBarbados summarizes these concerns and responds to Cable & Wireless’ comments on each of these issues.

## II. INDIRECT ACCESS AND TWO-STAGE DIALING

In its comments, TeleBarbados along with Cable & Wireless and Blue, noted that the Government has already issued policies mandating the implementation of both Indirect Access and Two-Stage Dialing. The Minister responsible for Telecommunication under Section 4 (2) (a) and Section 110 of the Telecommunication Act, 2001-36 approved and issued the Indirect Access and Two-Stage Dialing Policies in November 2007. TeleBarbados and Blue noted that implementation of these existing policies requires that both Indirect Access and Two-Stage Dialing be incorporated into the Consolidated Reference Interconnection Agreement (“RIO”).

Cable & Wireless claims that Indirect Access and Two-Stage Dialing should not be incorporated into the Consolidated Reference Interconnection Agreement for three reasons. However, a brief review reveals that Cable & Wireless' claims are invalid.

First, Cable & Wireless contends that the Government's policy on Indirect Access and Two-Stage Dialing must first be "translated into a statutory instrument or regulation." However, Cable & Wireless appears to ignore the fact that the RIO itself is the instrument by which Government policy related to interconnection is set forth and that the Minister responsible for Telecommunications have the authority under the Telecommunication Act, 2001-36 Section 4 (2)(a) *to develop and review telecommunication policies for the promotion of the objects of this Act* and 4(2)(f) *specify the policy to be applied to each category of telecommunication services*.

In fact, the Government's policy explicitly contemplates the incorporation of Indirect Access and Two-Stage Dialing into the RIO when it states that:

Carriers with an Interconnection Agreement with a carrier may utilize circuits over the Physical Join for the conveyance of Two Stage Dialed services.<sup>1</sup>

Second, Cable & Wireless contends that, "it would be inappropriate for Cable & Wireless to prejudice a matter which is still under review by the Ministry." This argument is simply baseless. The Telecommunication Act, 2001-36 section 104 (3) states that *'the filing of an application for a review under subsection (1) does not operate as a stay of the decision unless the Minister so provides'*.

Despite Cable & Wireless' ongoing disagreement with the Government's Indirect Access and Two-Stage Dialing policies, which Cable & Wireless voiced both prior to and subsequent to their implementation, the Government's policy documents are a clear mandate to implement both Indirect Access and Two-Stage Dialing. While Cable & Wireless' disagreement with the Policies are a matter of public record, regulated carriers are not free to independently choose which policies they will abide by and which they will ignore.

Finally, Cable & Wireless argues that Indirect Access and Two-Stage Dialing have been offered "as a wholesale service for some time." TeleBarbados has reviewed Cable & Wireless "product" and has determined that it is neither commercially viable nor consistent with the Government's policy. Most notably:

- Cable & Wireless' product does not allow interconnecting carriers to use existing Joining Services as is explicitly required in paragraph 5.3 of the Two Stage Dialing Policy and paragraph 6.4 of the Equal and Indirect Access Policy.
- Cable & Wireless' two-stage dialing product requires that end users would access the platform of the customer "via a Cable & Wireless National 1 800 Toll Free Access Number," for which

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<sup>1</sup> "Barbados Two Stage Dialing Policy," at para. 5.3.

the customer would pay usage rates between BDS\$0.08 and BDS\$0.12 per minute. However, the Government policy allows the interconnecting party to use “NPA NXX numbers assigned to itself.” There is no requirement that Cable & Wireless’ numbers be used or that the interconnecting party pay compensation to Cable & Wireless for use of its numbers. Indeed, Cable & Wireless’ inflated rates would make services like competitive dial-up internet access cost-prohibitive.

- The Two-Stage Dialing Policy does not contemplate Cable & Wireless adding any “surcharges” or other fees, other than the price for Joining Services. The Policy states:

For the elimination of any doubt, as Two Stage Dialing is exactly the same as a regular phone call on the PSTN, no System Costs are envisioned.<sup>3</sup>

- The Equal Indirect Access Policy also explicitly contemplates interconnection pursuant to the RIO as the basis for Indirect Access.<sup>4</sup>

In summary, Cable & Wireless’ arguments should be rejected as they are contrary to the Government’s policies and are at odds with promoting a competitive and efficient market for telecommunications services in Barbados.

### **III. RATE REDUCTIONS**

In its Comments, TeleBarbados indicated that rates for interconnection should be based on forward-looking incremental costs. The cost of telecommunications equipment and services have been steadily decreasing around the globe, and that Cable & Wireless’ rates were now 5-6 years old and based on outdated fully distributed cost information. TeleBarbados proposed significant rate reductions which are consistent with the cost reductions it has observed in the equipment and services markets.

On March 13, 2009 the ECTEL Council of Ministers approved new interconnection rates for Dominica, Grenada, St. Kitts/Nevis and St. Lucia based on a review of Cable & Wireless long-run incremental costs (“LRIC”). Despite the fact that these countries are smaller than Barbados, and Cable & Wireless’ operations are significantly smaller in scale, rates for interconnection are in some cases lower than those in Barbados. For example, PSTN Terminating Access Service in the Cable & Wireless (Barbados) RIO costs BDS\$0.0843 for a 3-minute call. In comparison, the maximum rate approved by ECTEL for St. Lucia is equivalent to BDS\$0.0769 for a 3-minute call.

In its Comments, Cable & Wireless argues that it should incorporate an Access Deficit Charge (“ADC”) into the RIO to ensure “recovery of loss on dedicated services.” This proposal is a complete inversion of logic. Cable & Wireless’ enterprise in Barbados has been significantly profitable and there is no evidence demonstrating that its regulated services are not being sold profitably. At this point Cable & Wireless should be tasked with demonstrating that its current rates are not excessive.

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<sup>3</sup> “Barbados Two Stage Dialing Policy,” at para. 8.4.

<sup>4</sup> “Barbados Equal and Indirect Access Policy,” Section 6.

It appears that Cable & Wireless hopes to avert a direct discussion of its failure to reduce rates over a 5-year period (and its apparent proposal to make these rates “permanent” for the foreseeable future) by offering the distraction of an ADC. TeleBarbados welcomes an open discussion of Cable & Wireless’ cost structure, but until there is an empirical demonstration of Cable & Wireless’ losses at current or prospective rates, any discussion of an Access Deficit Charge is premature.

#### **IV. CABLE & WIRELESS’ PROPOSED CHANGES REGARDING INTERNATIONAL TERMINATION**

TeleBarbados noted in its Comments that Cable & Wireless proposed to change the Service Description language for Incoming International Call Termination to PSTN Service. The current language reads:

3.2.2. The Service Taker shall be under no obligation to convey Calls pursuant to this Service Description from a Third Party International Telecom Provider with whom the Service Taker does not have a correspondent relationship in place for termination to PSTN Subscribers. For the avoidance of doubt this does not preclude calls being conveyed through another correspondent relationship which may specifically allow the conveyance of calls from that Third Party International Telecom Provider.

Cable & Wireless’ proposed language reads as follows:

3.2.2. The Service Taker will not convey Incoming International PSTN Termination Calls pursuant to this Service Description addressed from number ranges within countries with whom the Service Taker does not have a correspondent relationship.

TeleBarbados noted several problems with the Cable & Wireless proposal:

1. Cable & Wireless provides no rationale regarding why the language needs to be changed.
2. The language appears to require that the Service Taker have a correspondent with a country. Correspondent relationships exist between telecommunications providers.
3. There is no reason to prohibit termination of any international calls over this arrangement regardless of the relationship of the Service Taker with other telecom carriers. As long as calls originate outside of Barbados and the Service Taker is willing to pay the tariff rates for PSTN termination, then the Service Taker’s traffic should be terminated by the Service Provider.

In its Comments, Cable & Wireless offers no explanation or rationale for its proposed language change, nor any defense of its defects. Therefore, Cable & Wireless’ proposed change should be rejected.