



Fair Trading Commission

PRICE CAP PLAN 2008

COMPLIANCE RULES AND PROCEDURES

PART 1 – INTERPRETATION

1. Interpretation

“Actual Price Index” has the meaning as set out in Rule 6.2;

“Base year” means the initial year from which the quantities and rates for regulated retail services provided by the Company are used for compliance purposes, namely the period set out in Rule 8.1;

“Bundle Offerings” may either include a combination of regulated services or a combination of regulated and unregulated services.

“Commission” means the Fair Trading Commission;

“Exogenous factor (Z-Factor)” is a correction factor included in the price cap formula to adjust the PCI in response to an unforeseen event outside the control of the Company that negatively affects its income;

“going in rates” means the rates for the services in each Basket of the Price Cap Plan 2008 as at October 22, 2007;

“period” means a period during the Price Cap Plan 2008 as set out in Rule 4.1;

“Price Cap Index” has the meaning set out in Rule 6.3;

“price cap period” means the period during which the Price Cap Plan 2008 shall apply as set out in Rule 8.4;

“rates” has the meaning assigned to it by Section 2 of the Utilities Regulation Act CAP 282;

“Company” means Cable & Wireless (Barbados) Limited.

“Inflation Factor” means the Retail Price Index (RPI) as given by the Barbados Statistical Service.

2. These Rules apply to the implementation and operation of the Price Cap Plan 2008 applicable to the Company.
3. Where these Rules are silent on any matter of procedure in relation to Price Cap proceedings before the Commission, the procedure to be applied shall be determined by the Commission. The Commission may consult with the Company on such procedures to ensure that there are no conflicts with these Rules or the Utilities Regulation (Procedural) Rules 2003.

PART II - THE PRICE CAP PLAN

4. General

4.1 There shall be established, a Price Cap Plan 2008 (PCP2008) which shall be applied by the Commission for a term of three (3) years and eight (8) months in the regulation of retail telecommunications services provided by the Company and which are deemed to be regulated services subject to the PCP2008. The periods of the PCP2008 are:

Period 1: August 1, 2008 through March 31, 2009 (bridge period)

Period 2: April 1, 2009 through March 31, 2010

Period 3: April 1, 2010 through March 31, 2011

Period 4: April 1, 2011 through March 31, 2012

4.2 Changes in the rates for a regulated telecommunications retail service subject to the PCP2008 will be deemed to be approved where the proposed change complies with the PCP2008.

4.3 It is not intended that the PCP2008 be amended. However, in exceptional circumstances where there is a need to amend the PCP2008 this shall be done pursuant to Rule 12 which sets out procedures for consultation between the Commission, the Company and other interested parties including the general public.

4.4 Going in rates for the PCP2008 shall be the rates existing on the start of the Review of Price Cap Mechanism 2005 (PCM2005) (i.e. October 22, 2007). The procedures for effecting and notifying price changes are set out in these Rules.

5. Services Subject to Price Regulation under the PCP2008

5.1 The services to be regulated under the PCP2008 will include only those retail services specified as being subject to regulation in the Statutory Instrument (S.I.) No. 5 - Telecommunications (Regulated Services) Order 2006¹ namely:

- (a) International telecommunications services;
- (b) Domestic voice telecommunications services; and
- (c) Leased circuits;

5..2 Subject to revision of the above referenced Telecommunications (Regulated Services) Order the following categories of services will be regulated under the PCP2008:

- (a) Residential fixed line access rental service ;
- (b) Non-residential fixed line access rental service;
- (c) Non-residential and residential fixed line installation;
- (d) Domestic payphone service;
- (e) Value Added Services;
- (f) Residential and Business International Telephone Service
- (g) International cards;
- (h) International toll-free;
- (i) Domestic private leased circuits;
- (j) Call centre international calls;
- (k) Operator assistance;
- (l) Voicemail;
- (m) Business voice network service e.g. Centrex; and
- (n) Emergency.

¹ Schedule 1 sets out the services to be regulated

- 5.3 The Minister responsible for telecommunications may conduct market reviews and determine that a particular service should no longer be regulated.
- 5.4 The list of categories of services set out at rule 5.2 shall be revised by the Commission on publication of a revised Telecommunications (Regulated Services) Order by the Minister. Where the Minister makes a determination that a telecommunications service included in the Price Cap Plan is an unregulated service, the Commission shall remove that telecommunications service from the PCP2008 and shall no longer require the service to be included in the Annual Compliance Filing for the next price cap period.
- 5.5 The following services shall not be subject to price-cap regulation:
- (a) wholesale telecommunications services (including):
 - (i) charges in respect of interconnection charges;
 - (ii) international simple resale.
 - (b) bundled services as noted in rule 8.14
 - (c) other retail services that are not identified as regulated in the *Telecommunications (Regulated Services) Order, 2006* or any revised Telecommunications Regulated Services Order that may be issued by the Minister responsible for telecommunications.

PART III - THE PRICE CAP FORMULA

6 The Price Cap Formula

6.1 The price cap formula shall remain applicable to the regulation of retail services provided by the Company which are deemed to be subject to regulation under the PCP2008. The price cap formula specifies that the actual price index (API), which represents change in prices charged by the Company for a specified basket of services (k), over a particular period (t), must be less than or equal to the Price Cap Index (PCI).

$$API_t^k \leq PCI_t^k$$

6.2 The Actual Price Index for each Basket is calculated as follows:

$$API_t^k = API_{t-1}^k \alpha$$

and alpha α is defined as follows:

$$\alpha = \left[\sum_{i=1}^n \left(\frac{p_t^i}{p_{t-1}^i} \right) \frac{r_{t-1}^i}{R_{t-1}^k} \right]$$

Note a subscript of "0" indicates base year quantities and prices.

In the above equations

API_{t-1}^k means the Actual Price Index for basket k at time t-1

$\left[\sum_{i=1}^n \right]$ means Sum of all (n) services in basket k

p_t^i means the current or proposed price for service i at time t

\underline{p}_{t-1}^i means Average price of service i during time t-1

R_{t-1}^i means revenue for service i (i.e. price of i times quantity of i) during time $t-1$

R_{t-1}^k means revenue for basket k (sum of prices times quantities for all (n) services in basket k) during time $t-1$

6.3 Price Cap Index for each Basket is calculated as follows:

$$PCI_{t-1}^k (1 + I_t - X_t^k) = PCI_t^k$$

Where "I" denotes Inflation factor as described in paragraph 7.2 below and "X" denotes the productivity factor described in paragraph 7.3

Where the Commission allows an exogenous factor within the PCP2008 the price cap formula would have to be rewritten as:

$$PCI_{t-1}^k (1 + I_t - X_t^k + Z_t^k) = PCI_t^k$$

Where "Z" denotes the exogenous factor described in paragraph 7.4.

7. Components of the Price Cap Formula

7.1 The price cap index (PCI) is composed of two basic components. These are the inflation (I) factor and productivity (X) factor.

7.2 **Inflation Factor:** The annualised inflation rate for Barbados published by the National Statistical Office shall be used as the Inflation I-Factor in calculating the price cap indices. This inflation rate is derived from the monthly Retail Price Index for Barbados. When filing updates to the PCIs, the Commission shall use the most recently published annualized inflation rate.

- 7.3 **X-Factor:** This was derived on the basis of an analysis of expected changes in the Company's productivity and other developments in the telecommunications market and will allow the Company an opportunity to earn a reasonable rate of return on its regulated services over the duration of the PCP2008.
- 7.4 **Exogenous Z - Factor:** The Company, in response to an unforeseen event which the Company considers may negatively affect its income, may apply to the Commission for an exogenous Z-factor to be included within the price cap formula. The Commission may allow this but only after conducting a public consultation on the issue.
- 7.5 The Commission will consider filings by the Company during the period only for wholly exogenous factors such as regulatory actions by the Commission or the government of Barbados, or other unforeseen circumstances which materially affect the Company's profitability.
- 7.6 Without limiting the generality of 7.4 and 7.5, the Commission has determined that a Z-factor adjustment shall be considered for inclusion in the PCI where any one of the following conditions are satisfied:
- a) The event is a legislative, judicial or administrative action which is beyond the control of the Company; or
 - b) The event relates specifically to the telecommunications industry; or
 - c) The event has a material impact on the regulated segment of the Company which is subject to the Price Cap Plan.
- 7.7 The Z-factor shall be set at zero for the calculation of the PCI until and unless a Z-factor adjustment is proposed to the Commission and accepted by the Commission in accordance with filing rules 9.7, 9.8 and 9.9 contained herein.

PART IV - BASKET STRUCTURE AND PRICING CONSTRAINTS

8.1 For the purposes of revenue determination in paragraph 6.2 the base year for the PCP2008 shall be the period from April 1, 2007 to March 31, 2008.

8.2 The PCP2008 shall be applied to three baskets of regulated services. A detailed list of services and basket assignments is provided in Schedule 1. An example of the assignment of some service categories is set out below:

Basket 1: Residential fixed line access rental service and residential installation service;

Basket 2: Domestic voice telecommunications services - business access, installation, domestic payphone calls, and value added services, domestic private leased circuits, voice mail;

Basket 3: Other retail telecommunications services - Fixed outgoing international service, international payphone service, and international private leased circuits, Centrex, domestic leased circuits, and other services for which there is already substantive competitive pressure, or where there is decreasing demand due to advances in technology or which there is currently no tariff applied.

8.3 The list of services in the PCP2008 are identified in Schedule 1.

8.4 The PCP2008 shall apply for three (3) years and eight (8) months commencing 1 August, 2008. The first period, the bridge period, of the PCP2008 shall correspond to the first eight (8) months from 1 August, 2008 to 31 March, 2009. The subsequent periods of the PCP2008 shall correspond with the Company's annual fiscal year periods, up to 31 March, 2012.

- 8.5 The formulae set out in rules 6.1 and 6.2 shall apply to Basket 1 and Basket 2.
- 8.6 For Basket 2 the formula in rule 6.3 shall apply for periods t=2, t=3 and t=4. For the first period, t=1, the price cap index set out in Rule 6, will be modified as follows:

$$PCI_t^k = 1 + 2/3 (1 + I_t - X_t^k)$$

- 8.7 The X factors for Basket 1 and Basket 2 are as follows:
- (i) Basket 1
- (a) The “I - X” price cap index constraint shall apply to Basket 1. The inflation factor I shall be the inflation rate measured by the Retail Price Index (RPI) for Barbados and the X-factor was set based on a guiding principle of minimising price increases of basic telephone service.
- (b) The price control shall have two phases, namely Phases I and II.
- Phase I*
- (c) Phase I shall commence August 1, 2008 and continue to December 31, 2009.
- (d) The X-factor shall be set to equal the I-factor so there shall be a rate freeze from August 1, 2008 until December 31, 2009.
- Phase II*
- (e) Phase II shall commence January 1, 2010 and continue to March 31, 2012.
- (f) The Company shall be allowed to adjust rates in line with the Inflation rate up to a maximum of 4.5%.
- (g) For the avoidance of doubt:
- i) where the I-factor is less than 4.5%, the X-factor will equal 0% ; so PCI = I
- ii) but where the I-factor is greater or equal to 4.5%, the

X - factor will equal I - 4.5% so the PCI = I - (I - 4.5) = 4.5%:
so the PCI rate increases shall not exceed 4.5%.

(h) The Company will be permitted to increase the tariffs no more than once in any 12 month period.

(ii) Basket 2:

The X-factor for Basket 2 shall be 7.12%

8.8 *Basket 3* -The average price changes in Basket 3 will not be constrained by a price cap index. The Commission will require only the requisite notification for any adjustment in the prices of these services consistent with the provisions set out in the rules 10.1.

8.9 (a) The Company shall reduce Residential International Direct Dialed (IDD) rates as set out below:

(i) An initial 20% reduction on residential IDD to be implemented on or before August 1, 2008. Any residential IDD reductions made in excess of the requirement for API compliance in the final period of the initial PCM2005 shall count towards compliance of the requirement under this Rule. The Company shall verify this by submitting to the Commission the Annual Compliance filing for Basket 3 (under PCM2005) on or before the date of implementing the reduction.

(ii) An additional 5% reduction in residential IDD to be implemented on or before March 31, 2009.

(iii) An additional 5% reduction in residential IDD to be implemented on or before March 31, 2010

(iv) A final 5% reduction in residential IDD to be implemented on or before March 31, 2011.

- (b) In the event that reductions in residential IDD made by the Company before 1st August 2008 under this Rule 8.9 are greater than 20%, or greater than 5% in any subsequent period as set out in sub-rule (a), the excess shall count towards compliance with the requirements for reduction in residential IDD under sub-rule (a) (ii), (iii) and (iv).
- 8.10 The rate reduction shall be calculated using residential IDD average revenue per minute (ARPM). This shall be calculated based on historical volumes (the most recently-available 12 months of data). These same volumes shall be used for the entire price cap period. The prices shall be the currently available standard-listed prices that are generally available to the public without any applied discounts.
- 8.11 The Company shall not increase the prices of any of the other uncapped services in Basket 3 during the price cap period beyond their “going-in” levels.
- 8.12 **Services currently not charged** - In order to establish a price for a regulated service which is currently provided without any charge, the Company shall give justification for the proposed application of a tariff to this service. The notice of establishment of a charge must be submitted to the Commission 20 business days before the proposed effective date. The Commission shall review the information submitted and may require the Company to modify its proposal in the event that the Commission considers that the rate or associated terms are not fair or reasonable.
- 8.13 **New services** - Where a new retail service not previously supplied to the public by the Company, is introduced by the Company during the price cap term, that service shall not be included in the PCP2008 unless deemed by the Minister responsible for telecommunications to be a regulated service in

accordance with the Telecommunications (Regulated Services) Order.

- 8.14 Where the new service is deemed to be regulated, it shall be included in Basket 3. The price of the new service shall not be included in the calculation of the compliance filing at the start of the next period of the PCP2008, but may be included in a subsequent period. Nothing in this Rule shall prevent the Company from supplying a new regulated service to the public and charging a rate for this service prior to its inclusion in the calculation of the Annual Compliance Filing.
- 8.15 **Promotions** - Promotional rates including promotional discounts for services subject to the PCP2008 may be included in the calculation of the API, except where such discounts apply only to a specific category of consumers.
- 8.16 **Bundled Services** - When the Company introduces any new bundled offering after the start of the PCP2008, such offering shall not count towards compliance of the API. However, the individual rate elements and quantities (excluding new regulated services) of the bundled offering, as provided on a stand-alone basis, shall continue to count towards compliance of the API.

PART V - FILING AND REPORTING REQUIREMENTS

9. Compliance Filing

- 9.1 **Annual compliance filing:** On March 1st of each period of the PCP2008, that is, one month before the start of each new period, the Company shall file with the Commission, the API for the relevant service baskets. This filing shall be recorded as the Annual Compliance Filing (ACF).
- 9.2 Annual Compliance Filing allows the Commission to measure the degree of compliance by the Company in each year. The Commission will re-calculate the price cap index at the start of each full year (April 1st), and will use the annual filing to determine the extent to which the Company has accumulated head room. For the bridge period, the Commission shall calculate the price cap index on 1 August 2008.
- 9.3 The Annual Compliance Filing shall be in the format set out in Schedule 2.
- 9.4 **Rate Increase Compliance Filing (RICF)** Subject to price cap rules the Company may increase or decrease its rates for regulated services at any time during the PCP2008 based on the following procedure.
- 9.5 For any price increase, the Company must file a Rate Increase Compliance Filing (“RICF”) with the Commission. A RICF must contain the proposed rate changes, a recalculation of the relevant Basket’s API reflecting any proposed rate changes, and a demonstration that the new API is less than or equal to the corresponding PCI.
- 9.6 Supporting documentation for API calculations in an RICF shall include all service price elements by Basket, and the associated revenues established in the most recent Annual Compliance Filing. The Company must also provide

documentation for price changes involving special treatment, including, but not limited to, the introduction of volume or contract term discounts. The RICF shall be in the format set out in Schedule 2.

- 9.7 **Exogenous Factor Filing** - Should the Company consider that an exogenous event has occurred consistent with Rule 7.4, the Company shall file the proposed Z-factor adjustment to the PCI. Using actual data, the Company shall demonstrate the financial impact of the event, and provide evidence to prove that the event was outside of its control. At the time of filing the Company shall propose the value of the Z-factor necessary to mitigate the impact of the exogenous event.
- 9.8 The exogenous factor filing shall be submitted at least four months before the end of any period.
- 9.9 The Commission will consider the filing and if accepted, the proposed Z-factor will be included in the calculation of the PCI for the following period.

10. Notifications

- 10.1 **Rate Decreases** - The Company shall not be required to seek approval from the Commission for any proposed decrease in rates for any regulated service. The Company shall notify the Commission in writing of any proposed rate decreases for regulated services subject to the PCP2008, in writing, no later than three (3) business days before the rate decrease takes effect. The public shall be notified no later than one (1) business day before the rate decrease takes effect.

- 10.2 **Rate Increases** – With the exception of services referred to in the rule 8.12, the Company shall not be required to seek approval from the Commission for any proposed increase in rate for any regulated service subject to the PCP2008. The Company shall notify the Commission of any proposed increase in rate for any regulated service subject to the PCP2008 no later than 25 business days before such rate increase takes effect. With such a proposed increase, the Company must file a RICF with the Commission, consistent with the filing and reporting requirements set out at Rule 9.5 and 9.6.
- 10.3 The Commission requires that for every rate increase, the Company shall advise the public by way of advertisement published in at least two editions of both daily newspapers no later than 20 business days before the date of the expected price increase.

11. **Regulatory Reporting**

- 11.1 For the duration of the PCP2008 the Company will be required to provide:
- (a) Annual audited statutory financial statements
 - (b) Annual regulatory financial statements including reconciliation to the audited statutory financial statements; and
 - (c) Annual updated versions of the Enhanced Allocation Model or any other costing model used by the Company and which is approved by the Commission.
- 11.2. The regulatory statements and accompanying reconciliation shall be subject to a Regulatory Compliance Review which will ensure that:
- (i) the Company's rates for services regulated under the PCP2008 are set in accordance with these Rules;

- (ii) the regulatory financial statements reconcile to the audited statutory financial statements;
 - (iii) the regulatory financial statements were prepared in accordance with the guidelines and manual established in accordance with Rule 11.3; and
 - (iv) the Company is operating consistent with the Fair Trading Commission Act , Utilities Regulation Act and Telecommunications Act.
- 11.3 Within three months of the issuance of the PCP2008 Decision the Commission shall, in consultation with the Company and other interested parties, develop guidelines for regulatory accounting principles to be applied and the format and content of regulatory statements. Thereafter a manual will be developed in consultation with the Company which will set out in detail, among other things, the agreed methodology, drivers, allocators and exclusions to be applied to the regulatory financial statements.
- 11.4 The manual may be revised to reflect changes in filing on request by the Company. Such revision must be approved by the Commission in advance of any filing. Filings must be made in accordance with 11.5.
- 11.5 Filing of Statements - The Commission will require that the Company file statutory and regulatory statements as follows:
- i) Audited Statutory Financial Statements for period April 01 – March 31 by July 15 of each year.
 - ii) Reconciled Regulatory Statements for period April 01 – March 31 2008 by December 01 2008 and by September 01 of each subsequent year.
 - iii) The EAM should be submitted by December 01 2008 for the 2007-2008 EAM and by September 01 of each subsequent year.
- 11.6 These filings will be reviewed by the Commission.
- 11.7 With effect from 1 August, 2008, the date of implementation of the second PCP2008, the following reporting requirements are no longer required for services within the PCP2008:

- (a) Information pertaining to the international services which are regulated under Basket 3.

12. Proceedings conducted during the Price Cap Plan

- 12.1 Where any matter in these Rules is required to be determined by the Commission it shall be determined by consultation on the basis of the written documentation filed by the parties, and in accordance with the procedures set out in this Rule 12.
- 12.2 Except as set out in Rule 9, the conduct of any review under these Rules, whether on application from the Company or upon initiation by the Commission, shall be by consultation. The Commission shall notify the public of receipt of an application or initiation of a review. It shall issue a public notice inviting the public to collect the application or consultation paper from the offices of the Commission if they wish to comment. Information submitted by the Company or any other interested party with a claim for confidentiality and which the Commission rules to be confidential information will not be made available to the public or to other parties.
- 12.3 Persons participating in the consultation in accordance with Rule 12.2 shall submit comments in respect of the consultation in writing to the Commission.
- 12.4 The Company may be provided with copies of the comments submitted by interested persons under Rule 12.3 and the Company may be permitted to reply to the comments subject to claims for confidentiality as set out at Rule 12.2.

- 12.5 The Commission shall consider the application, responses to the consultation paper and replies to such responses. The Commission may convene a conference of the parties to clarify the application or any comments submitted by the parties.
- 12.6 The Commission may convene a conference in the absence of the public or other interested parties with the Company to hear the Company on any commercially sensitive matter related to the application or consultation. Where the Company requests that any information submitted in the application or consultation should be treated as confidential, the Commission shall not disclose it. Claims for confidentiality should be made in accordance with the Utilities Regulation (Procedural) Rules 2003.
- 12.7 The Commission shall publish its Decision in writing giving reasons for the decision.

PART VI - END OF TERM PRICE CAP REVIEW

- 13.1 At least nine months prior to the expiry of the PCP2008 the Commission shall conduct a consultation to review the PCP2008. This review will include:
- (a) an assessment of the Company's regulatory and financial performance; and
 - (b) a public consultation.
- 13.2 The Commission in its review will take into consideration the perceived level of competition and the liberalisation of the industry and will determine whether there is a need to:
- a) modify the principles, indices or rules of the price cap regime; or
 - b) consider alternative forms of incentive regulation.
- 13.3 The Commission will be guided by any revision of policy issued by the Ministry responsible for Telecommunications with respect to the services to be regulated.

Assessment of the Company's regulatory and financial performance

- 13.4 Nine months prior to the scheduled end of a PCP2008 the Company shall file the following information:
- (a) A report outlining the extent to which specific competition related, general economic and social developments in the industry have had an impact on its performance during the price cap period, and are likely to continue to do so. The report shall, include quantifiable data, disaggregated into separate services, and where applicable compare measures of the above factors under price cap regulation to those

existing before price cap regulation and/or the previous price cap period.

- (b) Audited Financial results in summary form, showing revenues, expenses, net investment rate base, capital structure, and rate of return on mean capital employed (MCE) for the periods ending March 31, 2009 and March 31, 2010.
- (c) Unaudited Financial results in summary form, showing revenues, expenses, net investment rate base, capital structure, and rate of return on mean capital employed (MCE) for the period of this PCP2008 ending March 31, 2011.

Public Consultation

13.5 Where the Fair Trading Commission is of the view that the Price Cap regime should continue as the appropriate form of incentive based rate setting mechanism, following the end of this PCP2008 term, the Commission will issue a public consultation document inviting persons to submit comments on any proposed revisions to the structure and operation of the PCP2008 regime in accordance with Section 4 of the Fair Trading Commission Act, CAP. 326B.

13.6 The Commission shall publish its final determination at least two (2) months before the end of the PCP2008.

13.7 Where the Commission is of the view that price cap regulation is not the appropriate form of regulation the Commission shall consult with the Company and other interested parties regarding the appropriate form of regulation that should be used for subsequent price adjustments. The Commission shall thereafter determine the type of incentive based rate setting

mechanism that should be applied and give notice of such. The current PCP2008 shall continue until a new form of incentive regulation is established and implemented.

- 13.8 The Commission shall conduct a further consultation with the Company and interested persons on structure and operation of the chosen form of incentive regulation.

14. Filing of Documents

- 14.1 All documents should wherever possible also be submitted to the Commission in electronic format on diskette or compact disc.

SCHEDULE 1

LIST OF SERVICES

<u>Basket</u>	<u>Price Cap Service Name</u>	<u>Detailed Description</u>	<u>Rate Element</u>
1	Residential fixed-line access	Residence Exchange Line	MRC
1	Residential fixed line installation	Installation	NRC

<u>Basket</u>	<u>Price Cap Service Name</u>	<u>Detailed Description</u>	<u>Rate Element</u>
2	Non-residential fixed-line access	Business Exch. Line	MRC
			NRC
2	Non-residential fixed-line access	Business Exch. Only	MRC
			NRC
2	Non-residential fixed-line access	Business Exch. Stepping	MRC
			NRC
2	Non-residential fixed-line access	DEL Line (Direct Exchange Line)	MRC
			NRC
2	Non-residential fixed-line access	DEL Line (Direct Exchange Line) (Business)	MRC
			NRC
2	Non-residential fixed-line access	Business Automatic Universal Line	MRC
			NRC
2	Non-residential fixed-line access	112 Emergency Lines	MRC
			NRC
2	Non-residential fixed-line access	Smart Ring Line Only-Business	MRC
			NRC
2	Non-residential fixed-line access	Smart Ring Line Only-Residence	MRC
			NRC
2	Non-residential fixed-line access	800 Service Line	MRC
			NRC
2	Non-residential fixed-line access	800 Service Pilot	MRC
			NRC
2	Non-residential fixed-line access	800 Service Stepping	MRC
			NRC
2	Non-residential fixed-line access	Charity Exchange Line	MRC
			NRC
2	Non-residential fixed-line access	Directory Number Hunt Exchange Line	MRC
			NRC
2	Non-residential fixed-line access	Direct Inward Dialing Channel via T1	MRC
			NRC
2	Non-residential fixed-line access	Voice Channel Stepping via T1	MRC
			NRC
2	Non-residential fixed-line access	Voice Channel via T1	MRC
			NRC
2	Non-residential fixed-line access	Line Residence Exchange (Installation)	NRC
2	Non-residential fixed-line access	Line Residence Stepping (Installation)	NRC
2	Non-residential fixed-line access	Public Pay Station (Sub-owned)	MRC
2	Non-residential fixed-line access	Business Extension	MRC
2			NRC
2	Non-residential fixed-line access	Direct Exchange Line Company	MRC
	Non-residential fixed-line access	Facsimile Line	MRC
2			NRC

<u>Basket</u>	<u>Price Cap Service Name</u>	<u>Detailed Description</u>	<u>Rate Element</u>
2	Non-residential fixed-line access	Facsimile Line Stepping	MRC
2			NRC
	Non-residential fixed-line access	Change Number Advisory (Business)	MRC
2		Change Number Advisory (Business)	NRC
	Non-residential fixed-line access	Change Number Advisory (Residence)	MRC
2		Change Number Advisory (Residence)	NRC
	Non-residential fixed-line access	Additional Directory Listing	MRC
2	Non-residential fixed-line access	Change of Address	MRC
			NRC
2	Non-residential fixed-line access	Unlisted Number	MRC
2	Non-residential fixed-line access	Fixed Call forwarding (Business)	MRC
2			NRC
	Non-residential fixed-line access	Fixed Call forwarding (Residence)	MRC
2			NRC
2	Non-residential fixed-line access	Change Unlisted to Listed	NRC
2	Non-residential fixed-line access	Callback Service Overseas per Line	MRC
			NRC
2	Non-residential fixed-line access	Debar Overseas Calls per Line	MRC
2	Value Added Service	Cancel Call Waiting	NRC
2	Non-residential fixed-line access	Tracing Nuisance Calls	NRC
2	Non-residential fixed line installation	Other Telecoms -Reconnection	NRC
2	Non-residential fixed line installation	Temporary Disconnection	MRC
2	Domestic payphone	Coin Phone Calls	Per minute
2			
2	Domestic payphone	Pay and Card Phones Calls	Per minute
2	Value Added Services	Micro Telemax (Business)	MRC
			NRC
2	Value Added Services	Micro Telemax (Residence)	MRC
			NRC
	Value Added Services	Call Name, Number (Business)	MRC
2			NRC
2	Value Added Services	Call Name, Number (Residence)	MRC
			NRC
	Value Added Services	Magic Touch Silver Max (Business/Residence)	MRC
			NRC
2	Value Added Services	Magic Touch Platinum Max (Business/Residence)	MRC
2			NRC
2	Value Added Services	Magic Touch Gold Max (Business/ Residence)	MRC
2			NRC
2	Value Added Services	Anonymous Call Rejection (Business)	MRC
2			NRC
2	Value Added Services	Anonymous Call Rejection (Residence)	MRC
2			NRC
2	Value Added Services	Distinctive Ring Call Waiting (Business)	MRC
2			NRC
2	Value Added Services	Distinctive Ring Call Waiting (Residential)	MRC

<u>Basket</u>	<u>Price Cap Service Name</u>	<u>Detailed Description</u>	<u>Rate Element</u>
2			NRC
2	Value Added Services	Selective Call Acceptance (Business)	MRC
2	Value added services		NRC
2	Value Added Services	Selective Call Acceptance (Residence)	MRC
			NRC
2	Value Added Services	Selective Call Rejection (Business)	MRC
			NRC
2	Value Added Services	Selective Call Rejection (Residence)	MRC
			NRC
2	Value Added Services	Auto Busy Call Back (Business)	MRC
2	Value Added Services	Auto Busy Call Back (Residence)	MRC
			NRC
2	Value Added Services	Auto Recall (Business)	MRC
			NRC
2	Value Added Services	Auto Recall (Residence)	MRC
			NRC
2	Value Added Services	Selective Call Forwarding (Business)	MRC
			NRC
2	Value Added Services	Selective Call Forwarding (Residential)	MRC
			NRC
2	Value Added Services	Vanity Name (Business)	MRC
			NRC
2	Value Added Services	Vanity Name (Residential)	MRC
			NRC
2	Value Added Services	Call Wait,Forward,3way,Speed,3Smart Ring	MRC
			NRC
2	Value Added Services	Call Wait,Forward,3way,Speed,2Smart Ring	MRC
			NRC
2	Value Added Services	Call Wait,Forward,3way,Speed,1Smart Ring	MRC
			NRC
2	Value Added Services	Call Wait, Forward, 3-Way, 3 Smart Ring	MRC
			NRC
2	Value Added Services	Call Wait, Forward, 3-Way, 2 smart Ring	MRC
			NRC
2	Value Added Services	Call Wait, Speed Call, 1 Smart Ring	MRC
			NRC
2	Value Added Services	Call Wait, Forward, 3 Smart Ring	MRC
			NRC
2	Value Added Services	Call Wait, Forward, 2 Smart Ring	MRC
2			NRC
2	Value Added Services	Call Wait, Forward 1 smart Ring	MRC
2			NRC
	Value Added Services	Call Wait, 3-Way, 3 Smart Ring	MRC
2			NRC
	Value Added Services	Call Wait, 3-Way, 2 Smart Ring	MRC

<u>Basket</u>	<u>Price Cap Service Name</u>	<u>Detailed Description</u>	<u>Rate Element</u>
2			NRC
2	Value Added Services	Call Wait, 3-Way, 1 Smart Ring	MRC
2			NRC
2	Value Added Services	Call Forward, 1 Smart Ring	MRC
2			NRC
2	Value Added Services	3-Way Calling, 1 Smart Ring	MRC
2			NRC
2	Value Added Services	Call Wait, 3 Smart Ring	MRC
2			NRC
2	Value Added Services	Call Wait, 2 Smart Ring	MRC
2			NRC
2	Value Added Services	Call Wait, 1 Smart Ring	MRC
2			NRC
2	Value Added Services	Smart Ring 3	MRC
2			NRC
2	Value Added Services	Smart Ring 2	MRC
2			NRC
2	Value Added Services	Smart Ring	MRC
2			NRC
2	Value Added Services	Call Wait, Forward, 3-Way, Speed Call	MRC
2			NRC
2	Value Added Services	Call Wait, Call Forwarding	MRC
2			NRC
2	Value Added Services	Call Wait, Speed Calling	MRC
2			NRC
2	Value Added Services	Speed Call, 2 Smart Ring	MRC
2			NRC
2	Value Added Services	Speed Call	MRC
2			NRC
2	Value Added Services	3-Way Calling	MRC
2			NRC
2	Value Added Services	Call Forward	MRC
2			NRC
2	Value Added Services	Call Waiting	MRC
2			NRC
2	Value Added Services	Speed Call, 2 Smart Ring	MRC
2			NRC
2	Value Added Services	Call Wait, 3-Way Calling	MRC
2			NRC
2	Value Added Services	SmartChoice Plan A	MRC
2			NRC
2	Value Added Services	SmartChoice Plan B	MRC
2			NRC
2	Value Added Services	SmartChoice Plan C	MRC

<u>Basket</u>	<u>Price Cap Service Name</u>	<u>Detailed Description</u>	<u>Rate Element</u>
2			
2	Voicemail	Customer Mail Box	
2	Voicemail	Voice Mail, Call Forward Don't Answer (CFDA), With Number	
2	Voicemail	Voicemail Express Message (Residence)	
2	Voicemail	Voicemail Access Directory Number	
2	Voicemail	Voice Call Forward Busy	
2	Voicemail	Voice Menu	
2	Voicemail	Voice Announcement	
2	Voicemail	Voice Call Forwarding Don't Answer	
2	Domestic private leased circuits	National Leased Circuit	
2	Domestic private leased circuits	All Private Wire	
2	Non-residential and residential fixed line installation	PBX/Key Systems Line Installation	

Uncapped - Basket 3 :

<u>Basket</u>	<u>Price Cap Service Name</u>	<u>Detailed Description</u>	<u>Rate Element</u>
3	Fixed outgoing international	Residential and Business Fixed Line International Direct Dial (IDD) Call Revenue	Day Evening Weekend
3	Fixed outgoing international	Inmarsat	Day Evening Weekend
3	Fixed outgoing international	IDD 1010335	Day Evening Weekend
3	Fixed outgoing international	International Direct Dial (IDD) Credit Card	Set-up 3 Minute Min. Add. Min.,Day Add. Min.,Evening Add. Min., Weekend
3	Fixed outgoing international	International Prepaid Card	
3		Payphone International-Standard Rates	
3		IDD Smart Choice Residence Discount	
3		IDD Talkaway discounts	
3		Call Centre IDD	
3		International 1-800	
3		Corporate Choice	
3		PSTN International Station to Station & Person to Person	

<u>Basket</u>	<u>Price Cap Service Name</u>	<u>Detailed Description</u>
	International Private Leased Lines	International Private Leased Circuits
3	Operator Assistance-Domestic Voice Calling	Operator Service
3	Emergency-Domestic Voice Calling	Emergency Service
3	Business internal voice network service	Comnet Band 1
3	Business internal voice network service	Comnet Band 2
3	Business internal voice network service	Comnet Band 3
3	Business internal voice network service	Comnet Band 4
3	Business internal voice network service	Line - Comnet Band 1 Stepping
3	Business internal voice network service	Line - Comnet Band 2 Stepping
3	Business internal voice network service	Line - Comnet Band 3 Stepping
3	Business internal voice network service	Line - Comnet Band 4 Stepping
3	Business internal voice network service	Centrex
3	Business internal voice network service	Pabx Trunk Line via T1
3	Business internal voice network service	Pabx Ext - Via T1
3	Business internal voice network service	DID PABX Ext
3	Business internal voice network service	Line - Key System Stepping via T1
3	Business internal voice network service	Sub-Owned Trunk Lines
3	Business internal voice network service	Pabx Trunk Line
3	Business internal voice network service	Direct Inward Dialling Trunk (PBX)
3	Business internal voice network service	Business Exchange Line Conn to Pabx
3	Non-residential fixed-line access	Install Authorisation Code
3	Fixed outgoing international	International Operator Assistance

Schedule 2

EXPLANATION OF THE PRICE CAP FORMULAE

Current price cap index (PCI) is last period's PCI adjusted for the retail price index of inflation (RPI) and the X-factor.

The RPI can vary from year to year, but the X-factor is constant over the period.

$$PCI_1 = 1$$

$$PCI_t = PCI_{t-1}(1 + RPI_t - X) \text{ for } t > 1$$

Current actual price index (API) is last period's API evaluated at last period's *average* prices (denoted as \underline{API}_{t-1}) multiplied by the ratio described below.

The numerator of the ratio is the summation (for each service) of the relative price multiplied by last period's revenue (evaluated at last period's *average* prices).

The denominator is last period's revenue (evaluated at last period's *average* prices)

$$API_1 = 1$$

$$API_t = \underline{API}_{t-1} \left(\frac{\sum (p^i_t / \underline{p}^i_{t-1}) q^i_{t-1} \underline{p}^i_{t-1}}{\sum q^i_{t-1} \underline{p}^i_{t-1}} \right) \text{ for } t > 1 \quad \text{Where } \underline{API}_t = API_{t-1} \text{ evaluated at } \underline{p}^i_{t-1}$$

The underscore signifies an average – so for example, \underline{p}^i_{t-1} is the *average* price for Service i in period t -1.

The API equation ensures that any unused headroom is preserved from one period to the next, but headroom is not *created* if quantity declines (examples below).

EXAMPLE OF THE API FORMULA

EQUATIONS

$$PCI_1 = 1$$

$$PCI_t = PCI_{t-1}(1 + RPI_t - X) \text{ for } t > 1$$

EQUATIONS

$$PCI_1 = 1$$

$$API_t = \underline{API}_{t-1} \left(\frac{\sum (p^i_t / \underline{p}^i_{t-1}) q^i_{t-1} \underline{p}^i_{t-1}}{\sum q^i_{t-1} \underline{p}^i_{t-1}} \right) \text{ for } t > 1$$

BASKET 2 - For illustrated purposes only

SERVICES	Base Period 0			Period 1			PCI - API			
							0.0000			
	I-Factor	X-Factor	PCI=API	I - Factor	X-Factor	PCI	API Calculation			
	n.a	n.a	1.0000	0.56%	1.40%	0.9916	A	B	(Numerator) Sum (A x B)	(Denominator) Sum Prod. (B)
	Q _{i0}	Average P _{i0}	P _{i0}	Q _{i1}	Average P _{i1}	P _{i1}	P _{i1} /P _{i0}	P _{i0} × Q _{i0}	16,788,772	16,930,423
Business Exch. Line [MRC]	11,474	981	981	11,474		969.27	0.988042	11,255,994	11121393.8	11255994
Business Exch. Line [NRC]	849	98	98	849		98	1.000000	83,202	83202	83202
Business Automatic Universal Line [MRC]	12	981	981	12		98	0.099898	11,772	1176	11772
Business Automatic Universal Line [NRC]	11	98	98	11		90	0.918367	1,078	990	1078
112 Emergency Lines [MRC]	7	981	981	7		1500	1.529052	6,867	10500	6867
Business Lease Circuits [NRC]	4	33600	33600	4		33600	1.000000	134,400	134400	134400
Residential Call Waiting [MRC]	51,782	105	105	51782		105	1.000000	5,437,110	5437110	5437110

- Notes
- 1 The "Average P_{i0}" in the base period allows for cases where more than one price change was introduced in a single period
 - 2 The prices and quantities included are for demonstration only.
 - 3 New prices can be input at P_{i1} , and compliance will be demonstrated automatically.

15. Issuance of Rules

15.1 These Compliance Rules and Procedures are issued under the provisions of section 39(1) of the Utilities Regulation Act, Cap. 282 and are supplemental to the Price Cap Plan issued on 23rd day of June 2008.

Dated this 23rd day of June 2008.

Original signed by

Neville V. Nicholls
Chairman

Original signed by

Andrew Downes
Deputy Chairman

Original signed by

Trevor T. Welch
Commissioner

Original signed by

Floyd Phillips
Commissioner

Original signed by

Gregory Hazzard
Commissioner

**Fair Trading Commission
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Green Hill
St. Michael**

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