Consolidated Reference Interconnection Offer (January 11th, 2009) :
No: 4/15/23/13/1 dated 2009-05-28

Second submission

CARITEL asks that the interchangeable use of LIME and Cable & Wireless (Barbados) Ltd in its first submission be understood to mean the latter since this is the name used for this consultation.

At Section 15 of its first submission Cable & Wireless (Barbados) stated "Caritel alleges that Cable & Wireless' customers have not benefitted from lower long distance rates in the face of lower 'incoming termination rates' to carriers overseas".

The Commission would be aware that CARITEL invested enormous time and resources in three submissions and met with the consultants to argue for lower rates during thre consultation period prior to the decision on the current Price Cap plan. We are aware of reduced rates as a result of the Price Cap. We are aware that competition through Blue Communications has led to some reductions in rates for Calling Cards for a comparatively small number of citizens and of the statement by TeleBarbados that in areas where it has been allowed to compete that it has contributed to lower rates. We are also aware of some reductions from the cellular duopoly and competition.

What CARITEL is arguing is that as long as Cable & Wireless (Barbados) benefits from unjustifiable and extremely high termination rates that in a fixed line market where is has the dominant power and controls the vast majority of fixed line customers that it will continue to earn unreasonable profits associated with (a) Termination rates that are out of sinc with reality and (b) the inability of new entrants to offer services under policies approved by government but for which the regulator has not set rates.

Why is my wife charged 86 cents (Barbados) or 43 cents U.S daytime for a one-minute call to the United States when new entrants could be allowed to offer Calling Cards and residential rates that are more in line with current interconnection rates of about US$0.0007 per minute which the monopoly landline service provider can benefit from.

Guyana's Cabinet Secretary Dr Roger Luncheon has stated that the monopoly held by Guyana Telephone and Telegraph Company (GT&T) has hindered
Information Technology from making the kind of contributions to Guyana's economy that have been made in other economies.
Dr Luncheon said that there has been rapid improvement in countries where de-monopolisation has taken place, and a more competitive environment exists. (Source: http://www.kaieteurnews.com, June 11th, 2009).

Cable & Wireless (Barbados) Ltd. continues to hold a monopoly on the fixed telephone network (Public Switched Telephone Network) and has far more customers with a landline service than any of its competitors in this segment of the market. When it comes to negotiation of termination rates it can therefore adopt an attitude which says " take our rates or else, we determine what rate you may connect at and if you don't like it because it is not cost-based then go somewhere else".

But of course other than a complete bypass of Cable & Wireless which is difficult to achieve because the landline service provides a value to citizens and businesses a new entrant may have no choice but to accept the terms of Cable & Wireless or wait for some drawn out process while its investment goes down the toilet.

An argument of leaving the market to determine rates, in such circumstances, therefore has no merit.

Unless the regulator determines lower termination rates that allow new entrants to compete, provide new services and consequently grow their businesses, then the point made by Dr. Luncheon about a monopoly holding back a state's economy will continue to hold true.

My personal view from following this industry for some 17 years is that smaller economies such as St. Lucia and Grenada are being positioned through competition and investments such as FLOW (Columbus Communications) in cable networks to have the potential to deliver bandwidth at far superiors speeds than residential customers can access in Barbados.

Barbados needs to keep pace in a very competitive environment where competition means new jobs and business opportunity, and through regulation of rates for new services, for which government has approved policies.

Reducing termination rates

In March this year the Eastern Caribbean Telecommunications Authority (ECTEL) announced a series of reductions and caps on termination rates designed to enhance competition and bring greater benefits to consumers (see attached pdf file from the Eastern Caribbean Telecommunications Authority).

As a result, for example, wholesale mobile termination rates will be reduced by up to 40 per cent in the first year and 60 per cent over the next three years.

While these goals coincide with those of the Barbados government there is also a two-fold underlying strategic benefit. New entrants are encouraged to grow their businesses but foreign investors also see the opportunities to invest because of the signal sent that there is an independent regulator who has not been captured by the incumbent and the regulatory process works.

It has often been articulated that investors will bypass Barbados if its regulations and telecommunication rates are outdated. Providing rates that are realistic and which serve to encourage competition therefore also serves to support government policy to attract investment, This is particularly important in a competitive world where investment may lead to increased employment and the introduction of enhanced telecommunications services at lower rates for consumers and business as noted in recent years with Digicel, TeleBarbados Inc. and Blue Communications assuming licences.

Access Deficit Charge

CARITEL is asking the Fair Trading Commission to reject the proposal by Cable & Wireless (Barbados) to include an Access Deficit Charge in the matter to hand.

Our objections are based on the following points :

1. Barbados does not have a policy on Access Deficit Charges. We consider it inappropriate for the Fair Trading Commission to provide rates for a policy which the Government and Cabinet of Barbados may not wish to implement.

2. The Fair Trading Commission has no responsibility to design and implement policy. This is the responsibility of the Minster responsible for Telecommunications who would instruct his/her Permanent Secretary to have a policy drafted, possibly with the assistance of a committee. This draft is open for public comment and the proposed draft is then considered and eventually approved by Cabinet. CARITEL is unaware that such a process has begun. Once a policy is approved for which the Fair Trading Commission has responsibility for setting rates then the Commission would launch a consultation into the matter.

3. A policy which would result in a determination of an Access Deficit Charge is one of a suit of options which governments and those regulators mandated to do so may consider to cater to Universal Service funding. It has increasingly become one of the most unpopular options. Other options as cited by the ICT Regulation Toolkit (www.ictregulationtoolkit.org) are : (a) Cross-subsidies between international and national services (b) A Universal Service Obligation mark-up to interconnection charges and (c) Receipts from a fund. Some governments are also looking at other alternatives.

4. As noted in the ICT Regulation Toolkit Access Deficit Charges are at the lower rung of options used and several countries are in fact phasing them out. In discussing Access Deficit Charges at Section 3.1.4, it is noted: "ADCs are generally regarded as a poor idea because of the wrong incentives that they create. They are being phased out in most countries where they were previously adopted." Our research concurs with that of Digicel Barbados which in its submission noted that Britain has abandoned Access Deficit Charges. The ICT Regulation Toolkit also notes that India is another example of a country where ADCs are being phased out.

5. The ICT Regulation Toolkit notes that, "The term access deficit is defined as the loss made by a telephone company on providing access lines if this is regarded as a stand-alone business. It is the difference between the fully-allocated costs of providing access lines and the revenue attributed to providing access lines. Typically, this is calculated as regular line rentals plus installation charges."

(a) As a tool or finance mechanism to fund universal service or a Universal Service Obligation it is necessary to determine a definition for Universal Service and also determine whether Universal Service is needed. Traditionally, Universal Service has been determined as access to basic telephone service or access to a working telephone. We are unaware that a new definition has been approved by the Government of Barbados. Universal Service may be determined as a country considers its state of development. The Telecommunications Unit of Barbados notes the following statistics at its website www.telecoms.gov.bb under the section "ICT Statistics for Barbados" :

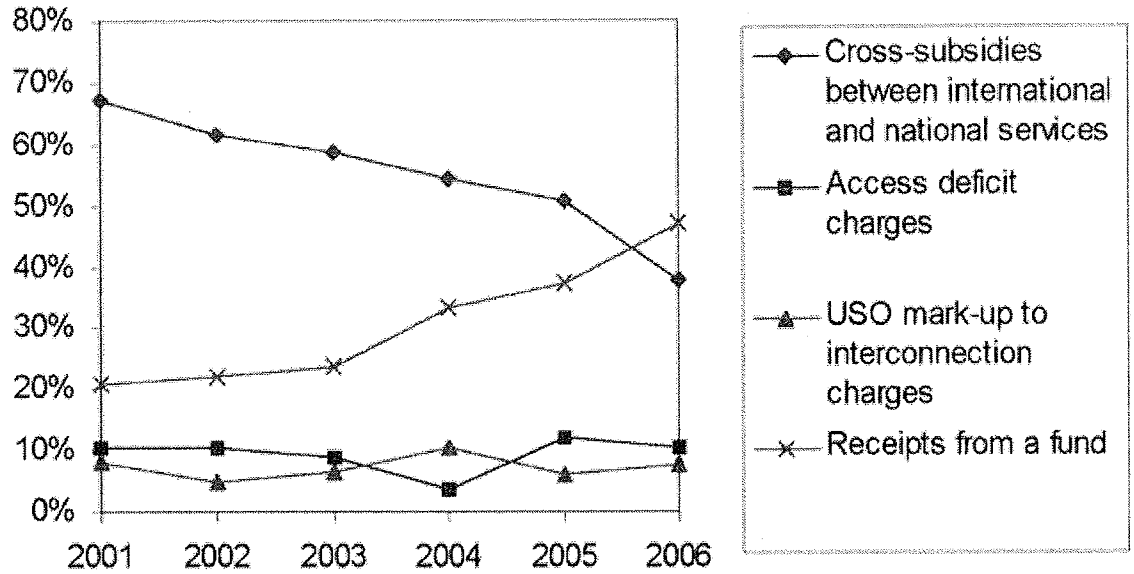
Total fixed lines (residential and business) of 134, 261 and total Cell Phones of 257, 596 (pre-paid and post-paid). The above data relates to April 27th, 2007. It is very likely that these numbers may have increased during the past two years.
It is argued, consequently, that Barbados' Universal Service is already being met, based on a traditional definition of Universal Service.

6. The submission by Cable & Wireless (Barbados) on the need for an Access Deficit Charge and the submission in general is devoid of data and data-based or empirical analysis. The submission overall provides notions, claims and anecdotal comment rather than evidence. We believe it is for Cable & Wireless (Barbados) to provide evidence to support its case. The Fair Trading Commission has in the past questioned the veracity of Cable & Wireless' Cost Allocation Models.

7. In the context of new services utilizing the Public Switched Telephone Network and the copper pairs which entire the offices and residential homes of Barbados it is very likely that basic telephone service is providing net revenue to Cable & Wireless (Barbados), hence there is no justification to the unsubstantiated claim that cost rebalancing is a necessity.

8. Access Deficit Charges, as suggested by the submission of Digicel (Barbados) can be flawed. The design of such charges require considerable, complex data from the incumbent carrier which is often difficult to verify. Consequently, Access Deficit Charges can prove to be uncompetitive because they may place an undue and unjustified burden on new entrants. In such a scenario new entrants are hamstrung to pass on the benefits of competition to consumers. We note here the mandate of the Fair Trading Commission to protect consumers from anti-competitive practices.

Universal service funding



ICT Telecommunications Toolkit. Access Deficit Charge. Section 3.4.1 (see sources for the above information). The ICT Telecommunications Toolkit is a website project of INFODEV, the Telecommunications arm of the World Bank and the International Telecommunications Union (ITU).

References :

1. http://www.kaieteurnews.com, June 11th, 2009).

2. http://www.ictregulationtoolkit.org

3. http://www.telecoms.gov.bb

4. Submissions by Cable & Wireless (Barbados) Ltd; TeleBarbados Inc.; Blue Communications; Digicel (Barbados).

5. ECTEL (Eastern Caribbean Telecommunications Authority) Interconnection rates decision of March 13th, 2009.