



National Telecommunications Regulatory Commission
St. Vincent and the Grenadines

Ref. No. COR/ECTEL

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Mr. Embert Charles
Managing Director
ECTEL
Vide Boutielle
P. O. Box 1886
St. Lucia

Dear Sir

Access Deficit Charge Consultation

The Commission having reviewed the consultation document and the submission made by Cable & Wireless (C&W) on September 17, 2008 wishes to comment as follows:

1. The Commission would first like to give a definition of access deficit charge taken from "Principles of Telecommunication Regulation" by Interconnect Communications: ***Charges levied upon interconnecting operators to help offset the excess cost of provisioning local access networks relative to the revenues they generate.***
2. This is now compared with the definition chosen by ECTEL for this consultation which is outlined on page 2 of the initial consultative document and is as follows: ***Access Deficit means the difference between the cost incurred by the incumbent fixed public network provider for providing domestic regulated telecom services and the maximum revenue that the operator can secure for providing those services.***

3. The Commission will also like to take this opportunity to outline that the issue of Access Deficit Charge is not within our normal area of expertise and would in normal circumstances depend on ECTEL for specific advice on this subject matter. Notwithstanding this we still believe that there are some issues within this consultation that we can comment on based on our understanding of the document.

4. The first issue that we have a concern with is the definition used by ECTEL on page 2 of the first document. As seen the main difference from ECTEL's definition and that of Interconnect is the use of the word "regulated services". All services that use the access network in the ECTEL states are not regulated services. In other words there are non regulated services that use the access network such as international calling (outgoing and incoming) which we believe still generates substantial revenue for C&W. This service provides revenue to the company and should be included in the revenue base of the access network. One cannot leave this revenue out of the calculation of whether the access network is capable of generating sufficient revenue to cover its cost then turn around and conclude that there is a deficit that has to be covered by the said International calls and other calls such as Mobile to Fixed. One should use the revenue generated (or part thereof) from all services of the incumbent that uses the access network as per the definition of Interconnect communications. If this is not done everything else that follows could be flawed. To but it simply one cannot make or receive an international call without an access network. One has to determine what percentage of international revenue (both outgoing and incoming) should be counted as access network revenue and include these revenues in the calculation of the access deficit. Maybe our understanding of the concept/definition is wrong. Maybe the concept/definition being used by Ectel is at the point where the market is now moving from a monopoly to competition or maybe both methods might give the same end result. It could be a situation where ECTEL is of the view that by leaving out non regulated services to start with then applying any deficit evenly to these services is a fair approach. This we believe could be wrong. It could definitely be the case that if you include the international revenue (or part thereof) there might not be a need to still have an ADC. As such there would then not be the need to add additional charges to the mobile to fixed rates which affects mobile consumers directly.

5. Notwithstanding the above we would have to comment on Cable & Wireless response based on the ECTEL approach on the issue.

6. Page 7 services: The Commission has no problem limiting the services that an ADC can be applied to if it actually exists. We would even go further and state that the costs could be weighted differently based on the service. For example greater weight can go to International to fixed calls since such additional charges will not be passed on to local consumers but foreign providers.

7. Page 7 claim: The claim by C&W that an access deficit existed before competition entered the market is being made without proper justification. One should clearly note that at least in SVG fixed calls were not based on a flat monthly plan as was/is the case in Barbados. Even in Barbados C&W to the best of our knowledge was not able to justify that they were losing money on the domestic network and needed to raise rates after competition came to the market. The Fair Trading Competition (FTC) ruled against the company on this issue and it was upheld on appeal in the High Court of Barbados. In SVG there were changes to the domestic rate structure (rebalancing in the late 1990's) prior to competition entering the market and the Price Cap Plan being implemented. As such C&W cannot be allowed to make this statement without a basis on fact. It should also be noted that India just removed their ADC regime in March of 2008.

In closing the Commission wants to ask the question of the implications of maintaining an ADC regime in a market that would now have fixed line competition. With an ADC C&W is able to collect revenue for its fixed services from retail charges and ADCs from other providers that are interconnected. A new entrant would not have ADCs to the best of our knowledge and as such has to obtain all revenue from retail charges. Would this not be anti-competitive? Would it not be better to have C&W recover any ADCs if it actually exists through increase in retail charges when competition is available as would be the case shortly? This we believe is best for a competitive fixed line market.

Sincerely yours

Apollo Knights
Secretary/Director
NTRC

Cc Mr. Jason Hamilton-Chairman/Board of ECTEL
Mr. Isaac Solomon- Director/Board of ECTEL

