Digicel

Digicel's Response to the Review of Interconnection Rates Consultation Document

10th March 2014

The comments as provided herein are not exhaustive and Digicel's decision not to respond to any particular issue(s) raised in the consultation or any particular issue(s) raised by any party relating to the subject matter generally does not necessarily represent agreement, in whole or in part with the Authority or any party on those issues; nor does any position taken by Digicel in this document represent a waiver or concession of any sort of Digicel's rights in any way. Digicel expressly reserves all its rights in this matter generally.

We thank you for inviting Digicel to provide its comments on this consultation and of course are available for any questions you may have.

Please do not hesitate to refer any questions or remarks that may arise as a result of these comments by Digicel to: -

E Jay Saunders
CEO
Digicel

Introduction

As the Commission has pointed out it is using the methodology employed during the review of mobile termination rates a few years ago as the general basis for this wider review.

Digicel has therefore responded to what we feel are the major areas of debate this time around, namely: international termination rates; the transit rate; and permissible benchmarks. We agree that the fixed termination and transit rates should be regulated at this time in step with mobile termination rates.

Response

Legal Basis (Question 1)

As the Commission states, section 15 (2)(d) of the Interconnection Regulations require that:

> *"rates shall permit the recovery of a reasonable rate of return for that carrier or service provider on the capital employed, all attributable operating expenditures, depreciation and a proportionate contribution toward such carrier's or service provider's fixed and common costs"*

The benchmarks that can be used when assessing rates in the Turks and Caicos are from relevant jurisdictions which have the same approach. The large majority of countries in the Caribbean do indeed also take this approach. Jamaica and the French West Indies are exceptions as they have adopted a system that does not allow fixed and common costs to be recovered. It would therefore not be legally correct in our view for rates from those countries to be included in the benchmarks.

International Termination Rates (Question 11)

We believe that countries like the Turks and Caicos should take in to account the price gouging that overseas operators employ at the retail level when calling the Turks and Caicos. Money should not simply be transferred from Turks and Caicos operators and the Turks and Caicos economy to overseas corporations by reducing permitted international termination rates. The regulatory model that suggests that domestic and international termination rates should be equal is broken in our view based on the figures we provide below. This is because the end to end implications of international termination rate reductions cannot be regulated properly given that the retail rates of overseas corporations cannot be controlled.

Standard dialing rates from countries like the USA and the UK are disconnected from and unaffected by termination rates in the Turks in Caicos. The standard AT&T fixed line call rate to the Turks and Caicos is for example US$4.08 (four dollars and eight cents) per minute. BT in the

UK's standard dialing rate is approximately US$1.50 per minute. Calls from mobile operators in the USA to the Turks and Caicos vary from about US$1.50 to US$2 per minute. In comparison standard outbound dialing rates from the Turks and Caicos are as little as 1/13th of those of overseas operators' charges to call the Turks and Caicos.

In response to any attempted defence by those overseas corporations that there are calling plans available we must respond by saying that the fact that there are standard rates means that they are still being charged to customers, and in fact are probably being used to subsidise those very plans. Further, the use of those plans means that a person who calls for only a few minutes also pays an exorbitant amount. Since standard overseas rates to call the Turks and Caicos are also exorbitant, persons who wish to call for only a few minutes have no way out and are forced to pay through the nose.

Consequently, we strongly disagree with any attempt to regulate international fixed or mobile termination rates. Any intervention in this respect should be made contingent on something somewhat akin to the FCC's benchmarking order but aimed at retail rates. Consideration would only be given to regulating international termination rates in the Turks and Caicos in respect of those countries where available standard dialing rates were comparable to the international retail rates offered in the Turks and Caicos.

T-Mobile USA charges USS1.99 per minute for calls to the Turks and Caicos

http://www.t-mobile.com/optional-services/international-calling.html

Verizon Charges US$1.69 per minute for calls to mobile, and US$1.49 per minute for calls to fixed lines

http://www.verizonwireless.com/wcms/global/international-long-distance-and-messaging.html?country=turksandcaicosislands

Sprint charges US$2 per minute for calls to mobile, US$1.85 for calls to fixed

http://shop.sprint.com/mysprint/services_solutions/details.jsp?detId=international_dialing&catId=service_international&catName=International%20Services&detName=International%20Dialing%20from%20the%20U.S.

AT&T Mobile

U$1.60 calls to mobile, US$1.49 calls to fixed line

http://www.att.com/att/global/long-distance/?calling

BT

UK fixed line converted to US$ roughly $US1.50 per minute

http://www.productsandservices.bt.com/consumer/assets/downloads/BT_PhoneTariff_Residential.pdf

AT&T Fixed US$4.08 per minute

http://www.att.com/public_affairs/long_distance_news/product_reference_and_pricing_guide/VoiceSection8.4.2.pdf

Transit Rates (Question 10)

LIME receives inbound traffic from Digicel's mobile network at LIME's fixed switch at Leeward Highway, Providenciales, Turks & Caicos Islands. LIME then moves that traffic to its mobile switch. We understand that the mobile switch is either in the same building or in a building on the same complex. In either case it can be seen that the distance is minimal and measured in metres. The cost involved must therefore be tiny. LIME has given the name transit service to this function it carries out. That name is highly misleading as transit services carry traffic tens or hundreds of kilometres and not metres. The costs of real transit services are based on the cost of the long network lengths and the cost of the associated infrastructure and ducting and maintenance. What LIME does is more accurately described simply as providing a fixed to mobile switch link. Essentially it is a short piece of wire or fibre. LIME earns super, super, super returns on this piece of wire and has been doing so for years. The Crown Jewels must pale in comparison.

The transit/link charge is unrelated to costs and will remain unrelated to costs based on the Commission's proposals. It is effectively a top up to LIME's mobile termination rate (but which has been disguised under the name of another service). In effect there is an asymmetric mobile termination rate in LIME's favour.

The closest analogue to LIME's transit/link service that we have available to obtain is the price of intra building charges for 2 MB/s circuits from BT in the UK which from 1st April 2014 will be £100.96. So the cost for three of these circuits divided by the traffic volumes flowing from Digicel to LIME mobile would result in a cost of less than 0.02 cents per minute.

https://www.btwholesale.com/pages/static/Library/Pricing_and_Contractual_Information/carrier_price_list/cpl_sectionb2interconnectlinks.htm

Further, in the event that LIME has implemented a Next Generation Network, it will be possible to the best of our knowledge to implement a configuration whereby traffic reaching LIME via the Point of Interconnect (POI) is then treated exactly the same in terms of how it is directed onwards for ultimate delivery to its destination. That would apply whether the traffic went from Digicel to the PoI to LIME's customers using fixed phones, or from Digicel to the PoI to LIME customers using mobile phones. There is no such thing as transit in this context. The only reason that we believe some kind of switched transit element would remain in this scenario (which would not make network sense and would not be retained normally) would be to attempt to justify a top up charge.