Public Notice 2025-6

Fourth Review of Interconnection Rates Consultation Document

issued by the

Turks and Caicos Islands Telecommunications Commission

on

March 27, 2025

Contents

1 Introduction

The Telecommunications Commission (the "Commission") is hereby initiating a consultation process to review domestic voice-service interconnection rate levels in the Turks and Caicos Islands ("TCI"), including the mobile termination rate ("MTR"), fixed termination rate ("FTR") and transit rate ("TR"). This process constitutes the Commission's fourth review of interconnection rates in TCI. The licensed operators who are directly affected by and, therefore, considered parties to this consultation process are Cable & Wireless (TCI) Ltd ("Flow") and Digicel (TCI) Ltd ("Digicel").

The Commission initiated its first review of interconnection rates (the "First Review") 15 years ago when it issued its *Review of Mobile Termination Rate Consultation Document*, July 19, 2010. The First Review examined domestic MTRs only. After reviewing the advantages and disadvantages of the various methodologies to establish MTRs, the Commission selected a "forward-looking" benchmarking approach and implemented a three-step, phased reduction of the maximum allowable MTR, the details of which are set out in Decision 2011-2, *Decision on Mobile Termination Rates*, January 24, 2011 ("Decision 2011-2").

The Commission initiated a second review of interconnection rates (the "Second Review") three years later when it issued its *Review of Interconnection Rates Consultation Document*, February 10, 2014. This Second Review examined domestic MTRs, FTRs and TRs using the same general forward-looking benchmarking methodology. In this case, the Commission implemented a further three-step, phased reduction of the maximum allowable MTR, FTR and TR, the details of which are set out Decision 2014-4, *Decision on the Review of Interconnection Rates,* June 20, 2014 ("Decision 2014-4").

The Commission initiated a third review of interconnection rates (the "Third Review") six years later when it issued its *Review of Interconnection Rates Consultation Document*, February 24, 2020 (the "2020 ConDoc"). This Third Review examined domestic MTRs, FTRs and TRs using the same general forward-looking benchmarking methodology and the Commission implemented a further three-step, phased reduction of the maximum allowable MTR, FTR and TR, the details of which are set out Decision 2020-2, *Decision on the Review of Interconnection Rates,* October 13, 2020 ("Decision 2020-2").

Combined these three Decisions have resulted in cumulative reductions in the MTR, FTR and TR of $0.1370, $0.0270 and $0.0130 (91%, 90% and 87%), respectively, over the last fifteen years. These reductions have ensured that TCI has maintained domestic interconnection charges in line with its Caribbean neighbours, to the benefit of TCI residents.

The Commission considers that the benchmarking methodology adopted in these previous Decisions continues to be appropriate and proposes to use it in this "Fourth Review" of interconnection rates in TCI. Based on its review of recent international interconnection rate level and cost trends, and the significant reductions that have occurred to date, the Commission considers that any further reductions in interconnection rates in TCI will be modest in scale.

In terms of the structure of this Consultation Document, **Section 2** provides a description of the Consultation Process for this Fourth Review. **Section 3** provides a summary of the applicable legal framework for this interconnection rate review. **Section 4** updates the Benchmarking Sample and reviews interconnection rate trends since Decision 2020-2. **Section 5** sets out the Commission's proposed maximum allowable MTRs, FTRs and TRs over the coming years (the "Proposals"). **Section 6** addresses other related administrative issues. The **Annex** includes a listing of all Consultation Questions included in this Consultation Document.

The Commission notes that it has engaged the services of Consultants to assist it with this consultation process, the analysis and assessment of the current interconnection rates in TCI, and the design and formulation of the Proposals.

2 Consultation Process

Pursuant to the Telecommunications (*Interconnection and Access to Telecommunications Facilities) Regulations 2005* (the "Interconnection Regulations") and the *Telecommunications (Administrative Procedure) Regulations 2008* (the "Administrative Regulations"), the Commission is initiating this consultation process to seek comment on the Proposals and related issues set out in this Consultation Document. The Commission therefore invites interested parties ("Respondents") to provide their input and comments ("Responses") with respect to the issues raised in this Consultation Document. At the conclusion of this consultation process, the Commission shall issue a decision which will set maximum allowable rate levels for the interconnection rates under review. These maxima may be those included in the Proposals or, alternatively, may be modified or deemed unnecessary, in whole or part, based on the comments and data received through this consultation process.

This Consultation Document, along with all referenced Government and Commission documents, is available on the Commission's website at http://www.telecommission.tc/.[1] Respondents who wish to provide comment on this Consultation Document are invited to do so in written form. Responses should be submitted to the Commission in electronic form to facilitate further distribution and posting on the Commission's website.

The Consultation Process is structured in two phases. In the first phase, Respondents may submit Initial Responses to the Consultation Document. In the second phase, Respondents may submit Reply Responses on the Initial Responses of other Respondents as necessary.

The filing deadlines for Initial Responses and Reply Responses are as follows:

- Initial Responses must be received by the Commission no later than 3:30 p.m. local time on **Monday, May 5, 2025**.
- Reply Responses must be received by the Commission no later than 3:30 p.m. local time on **Monday, May 26, 2025.**

[1] Note that exceptions in this regard include the C&W Agreement of January 26, 2006 and operator-specific license agreements and inter-carrier interconnection agreements which include confidential information.

Responses to this Consultation Document may be submitted to one or more of the following addresses:

a) E-mail to: consultations@tcitelecommission.tc

b) Delivery (paper and electronic copy) by hand or by courier to:
Mr. Kenva Williams
Director General
Turks and Caicos Islands Telecommunications Commission
872 Leeward Highway, Business Solutions Building
Providenciales,
Turks and Caicos Islands

The Commission welcomes all Responses on the Consultation Document. The Commission invites Respondents to provide responses to the specific numbered questions set out in this Consultation Document (the "Consultation Questions") and any other issues Respondents consider relevant. The Commission encourages Respondents to support all Responses with relevant data, analysis, benchmarking studies and information based on the national situation or on the experience of other countries to support their comments. The Commission may give greater weight to Responses supported by appropriate evidence. In providing their comments, Respondents are requested to indicate the number of the Consultation Question(s) to which each comment relates. Respondents are not required to comment on all Consultation Questions. The Commission is under no obligation to adopt positions advanced by any Respondent.

Copies of all Responses submitted by Respondents in relation to this Consultation Document will be published on the Commission's website. With a view to having as open a public consultation process as practical, the Commission encourages Respondents to structure their Responses not to include any confidential information. If necessary, Respondents may submit Responses that include claimed confidential information in the form of two Responses:

- **Redacted Response** – In this document any claimed confidential information would be excluded. All other comments and information, not claimed as confidential, would be included in this version. This public version document would be posted on the Commission's website.

- **Confidential Response** – This document would be identical to the Redacted Response except that this version would also include the claimed confidential information for the use of the Commission. This document would not be posted on the Commission's website and all confidential information in the document would be held in strict confidence by the Commission and its Consultants.

Claims of confidentiality will be determined by the Commission on a case-by-case basis, and in compliance with the requirements set out in section 19 of the Administrative Regulations.

Table 1 summarizes the timeline for this consultation process, including the estimated timing of the related Commission decision and interconnection rate implementation process.

Table 1: Timeline for Consultation Process	
Event	**Date**
Commission issues Consultation Document	March 27, 2025
Initial Responses from Respondents	May 5, 2025
Reply Responses from Respondents	May 26, 2025
Commission Decision	July 2025*
Effective date of the New Interconnection Rate Maxima	September 1, 2025*

*Note: * = or as soon as possible thereafter*

3 Legal and Regulatory Framework

This section provides a summary of the relevant legal and regulatory provisions in relation to interconnection rates in TCI.

3.1 Regulation of Interconnection Rates

The legal and regulatory provisions relating to the Commission's authority to review and establish on its own motion the maximum allowable level of MTRs FTRs and TRs are as follows:

i) The *Telecommunications Policy 2013* (the "Policy") empowers the Commission to regulate, among other things, the terms and conditions of interconnection.

ii) Sections of the *Telecommunications Ordinance 2021* (the "Ordinance"), including:

   a. Section 23 sets out in general terms the type of instructions that the Commission may issue to dominant licensees with respect to interconnection, including interconnection rates, non-discrimination, transparency and cost-orientation;

   b. Section 25 requires that interconnection rates be cost-oriented based upon costs of the Licensee providing interconnection services.

iii) Regulations within the Interconnection Regulations (as amended) including:

   a. Regulation 4(2)(d) allows the Commission to act on its own initiative to carry out the objectives of the Ordinance and ensure compliance with the Ordinance and Interconnection Regulations;

   b. Regulation 14 provides a framework for the establishment of interconnection rates for dominant operators, including the requirement that dominant operators' interconnection rates are "cost-oriented", where "cost-orientation" is defined as a rate that does not exceed the stand-alone cost ("SAC") of providing the service (i.e., the cost of providing a service independently of providing any other service or services) and is not lower than the long-run average incremental cost ("LRAIC") of providing the service (i.e., the incremental cost of providing the service in addition to other services already provided).

c. Regulations 15(2) (d) and (e) indicate that the Commission shall determine the methodology to be used in determining "cost-orientation," including setting out general principles with relation to cost causation and the recovery of non-recurring and usage costs, including a proportionate contribution to fixed and common costs; and

d. Regulation 19(1) sets out that certain carriers are presumed to be dominant in specified interconnection markets and Regulation 19(2) establishes the maximum interconnection rates for the specified interconnection services provided in markets in which dominance is presumed or found to exist.

e. Regulation 4 of the Telecommunications (Interconnection and Access to Telecommunications Facilities) (Amendment) Regulations 2021 states that "[F]or the avoidance of doubt, the interconnection rate maxima set out in the Commission's Decision 2020-2, issued on 13 October 2020, apply until such time that the Commission issues a new decision(s) on interconnection rates."

iv) Section 16 of operators' Network Licences states that "[T]he Commission may establish by Commission Decision obligations relating to the regulation of wholesale prices applicable to dominant telecommunications services and/or networks, pursuant to the Telecommunications Ordinance and the Interconnection Regulations." The Commission notes that both Flow and Digicel are designated or have been found to be dominant with respect to the provision of interconnection services.[2]

The Commission's use of a benchmarking methodology to establish cost-oriented interconnection rates in the context of regulations 14, 15 and 19 of the Interconnection Regulations is further discussed below.

3.2 Benchmarking and Cost Orientation

In the First, Second and Third Reviews the Commission considered a number of methodologies for setting cost-oriented interconnection rates, but concluded each time that a benchmarking approach for setting cost-oriented interconnection rates is most appropriate for TCI. The Commission proposes to once again use the same benchmarking approach for this Fourth Review.

As discussed in Decisions 2011-2, 2014-4, 2020-2, the Commission's benchmarking approach is designed to meet the "cost-orientation" criterion prescribed under the Interconnection Regulations. None of the jurisdictions included in the benchmarking sample establish their interconnection rates based on SAC and, therefore, benchmarking sample average interconnection rates should, in principle and practice, be below the statutory upper bound SAC cost ceiling. With respect to the lower bound cost floor, the Commission notes that, as summarized in Section 4, a significant majority of the benchmarking jurisdictions use some form

[2] Under regulation 19(1) of the Interconnection Regulations, Decision 2014-4 and Annexes A and B of their Network Licences.

of costing methodology (many of which include a contribution to fixed and common costs) to set interconnection rates. This provides the Commission with confidence that benchmarking sample average cost-based interconnection rates constitute a reasonable statutory lower bound LRAIC cost floor. Further, as in past reviews, the Commission continues its practice of proposing interconnection rates that include an adequate margin to take into account the statutory requirement to include a proportionate contribution to fixed and common costs.

3.3 Interconnection Rate Maxima

This Fourth Review once again applies to the MTR[3] and FTR[4] as well as the local transit rate ("LTR"). The LTR is charged by Flow when transit over its fixed network is required to terminate calls to Flow's mobile subscribers.[5] As well, a transit service rate ("TSR") also exists, which is charged to transit call traffic over a fixed network to a domestic third-party service provider.[6] Note that the LTR and TSR are very similar in nature and are set at equivalent rate levels and, therefore, they are jointly referred to herein as the TR. The Commission recognizes that Flow or Digicel may not provide now or in the future all of these interconnection services.[7]

***Question 1**: Respondents are invited to provide any comments they may have on matters related to legal and regulatory provisions relating to the establishment of interconnection rate maxima in TCI. Any alternative proposals or suggestions offered by Respondents should include, as necessary, supporting rationale and evidence.*

4 Benchmarking Sample and Trends

This section updates the Commission's interconnection rate benchmarking sample and data, and also reviews interconnection trends since Decision 2020-2 was issued.

[3] Referred to as the PLMN Terminating Access Services "Mobile Termination Part" under Part 2 of the Tariff Schedule associated with the parties' Interconnection Agreements.

[4] Referred to as PSTN Terminating Access Services "Usage Charges" under Part 2 of the Tariff Schedule associated with the parties' Interconnection Agreements.

[5] Referred to as the PLMN Terminating Access Services "Transit Part" under Part 2 of the Tariff Schedule associated with the parties' Interconnection Agreements. The Tariff notes that this transit charge is only applied when the Service Supplier (i.e., LIME) transits the call over its fixed network for termination on a mobile network.

[6] Referred to as PSTN Transit Services "Usage Charges" under Part 4 of the Tariff Schedule associated with the parties' Interconnection Agreements.

[7] As far as the Commission is aware, no other licensed operator employs separate switches to service its fixed and mobile customers in TCI and, therefore, no other licensed operator would have a basis for charging the LTR, which the Commission understands is currently unique to Flow's network. Similarly, as far as the Commission is aware, Flow is the only operator currently providing transit service, the TSR. Consequently, the Commission is of the preliminary view that any changes to the TSR resulting from this regulatory proceeding would only apply to Flow at this time.

4.1 Benchmarking Sample

4.1.1 Benchmarking Sample Jurisdiction Selection Criteria

One of the first steps in any benchmarking analysis is to establish criteria to select the jurisdictions that should be included in the benchmarking sample. The objective of the selection criteria is to ensure establishment of a benchmarking sample of reasonable breadth (thereby limiting the influence on the results on any one jurisdiction) while at the same time maintaining an appropriate degree of comparability to TCI. The Commission relied on six selection criteria[8] to establish benchmarking samples for the First and Second Reviews. It added a seventh criterion[9] for the Third Review, which established a "vintage of regulatory decision" threshold requiring that interconnection rates in a selected benchmarking sample jurisdiction must have been implemented within the previous ten-year period. For this Fourth Review the Commission proposes to maintain the same seven selection criteria as in the Third Review.

Based on this analysis, the Commission determines that a total of nine (9) Caribbean jurisdictions currently meet all seven of the proposed selection criteria and, therefore, should be included in the proposed Benchmarking Sample for the Fourth Review.[10] These include:

1. Bahamas, The
2. Dominica
3. Grenada
4. Guadeloupe and Martinique
5. Jamaica
6. St. Kitts and Nevis
7. St. Lucia
8. St. Martin and St. Bartholomew
9. St. Vincent and the Grenadines

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8 1. *Regional Geography* – only jurisdictions in the Caribbean Region included;

2. *Physical Geography* – only island nations or jurisdictions included;

3. *Calling Party Pays ("CPP") versus Receiving Party Pays ("RPP") Regimes* – only full CPP regime jurisdictions included;

4. *Number of Operators* – only multi mobile operator jurisdictions included;

5. *Availability of MTR information* – only jurisdictions where the MTR is publicly available and verifiable by the Commission included; and

6. *Non-Confidentiality of MTR* – only jurisdictions where the MTR are not claimed to be confidential by all operators included.

9 The following seventh criterium was added to the original six selection criteria:

7. *Vintage of Regulatory Decision* – only jurisdictions where the regulatory authorities has revised interconnection rates since January 2010 should be included.

The rationale for this criteria was set out in 2020 ConDoc and Decision and related to ensuring that the interconnection rates that were included in the benchmarking analysis were representative of current per unit interconnections costs. Legacy decisions dating back a decade or more cannot reasonably be expected to accurately reflect current per unit interconnection costs and therefore should be excluded.

10 For the same reasons as determined in Decision 2011-2, the Commission proposes to group Guadeloupe and Martinique as one benchmarking observation and St. Martin and St. Bartholomew as another benchmarking observation.

The current proposed Benchmarking Sample is somewhat smaller than the sample of twelve (12) included in Decision 2020-2.[11] Compared to that sample, the current sample excludes Anguilla, Cayman Islands and Dominican Republic because their most recent regulatory decisions establishing new interconnection charges took place more than ten years ago and therefore do not meet the vintage of regulatory decision criterion.

4.1.2 Benchmarking Sample Interconnection Rate Update

For this proceeding the Commission has updated the benchmarking sample interconnection rates used in Decision 2020-2. Following the same approach used in previous reviews, the Commission gathered data from regulatory agency websites and other sources to ascertain whether and when new regulatory-determined interconnection rates were implemented. In this manner, the Commission was able to include actual monthly rate data to March 2025 for the current Benchmarking Sample.

4.1.3 Exchange Rates

Most of the interconnection rates in the Benchmarking Sample are typically denominated in local currency units ("LCU"). In previous reviews, the Commission has converted these into U.S. dollars ("USD") using official exchange rates. Of the 9 jurisdictions in the Benchmarking Sample, six have fixed official LCU/USD exchange rates (The Bahamas and the five ECTEL Member States of Dominica, Grenada, St. Kitts and Nevis, St. Lucia and St. Vincent and the Grenadines) and three have floating exchange rates (Guadeloupe and Martinique and St. Martin and St. Bartholomew (the Euro) and Jamaica (the Jamaican Dollar ("JMD")).

To eliminate the effects of fluctuations in exchange rates from actual changes in LCU-denominated interconnection rates in these three latter cases, as it has done in previous reviews, the Commission has used a single exchange rate for the entire benchmarking sample time period under consideration. To address short-term fluctuations, the Commission is also proposing to use three-year average annual exchange rates for 2022 to 2024 to convert LCU to USD interconnection rate levels. The Commission considers this to be a reasonable approach that provides a balance of current and recent past exchange rates and, therefore, may provide a reasonable predictor of future exchange rates. This approach is the same as that adopted in the Third Review. In any event, the Commission has determined that its Proposals are not sensitive to the choice of average exchange rates used for the three noted floating exchange rate jurisdictions because they account for a minority of the benchmarking sample.

4.1.4 Benchmarking Sample Interconnection Rate Methodology

As discussed in Section 3, ensuring interconnection rates are cost-oriented is a policy objective under the Ordinance and the Interconnection Regulations. As in past reviews, the Commission operationalized this objective by splitting benchmarking sample jurisdictions into two groupings.

[11] Although the quantity of the overall Benchmarking Sample has decreased by 3, its quality, as measured by the number Cost-Based jurisdictions has decreased by only one in the case of MTR and FTR and has actually increased by one for the TR. This is further discussed below.

The first includes all jurisdictions that set interconnection rates using a costing methodology of one form or another – i.e., generally long run incremental cost ("LRIC") approach including a contribution to fixed and common costs ("LRIC+") or not ("Pure LRIC"). This first grouping is referred to as the "Cost-Based Sample" and the average of the interconnection rates for this group is referred to as the "Cost-Based Average". The second grouping includes all available benchmarking sample jurisdictions, both cost-based and those that used some other methodology to set interconnection rates. It is refereed to as the "All Sample" and the average of the interconnection rates for this group is referred to as the "All-Sample Average". This same approach is followed once again for this Fourth Review.

Table 2 presents a summary of the methodologies used to set current[12] interconnection rates in each Benchmarking Sample jurisdiction. For those jurisdictions with cost-based rates ("Cost") the type of costing methodology used is provided in parentheses. If interconnection rates are not set on the basis of a costing methodology (i.e., benchmarking or another approach), then they are classified as "Other". Where certain interconnection rates are not available or applicable, they are shown as "N/A".[13]

Table 2: Basis of Interconnection Rates

Jurisdictions	**MTR**	**FTR**	**TR**
Bahamas, The	Other	Other	N/A
Dominica	Cost (LRIC+)	Cost (LRIC+)	Cost (LRIC+)
Grenada	Cost (LRIC+)	Cost (LRIC+)	Cost (LRIC+)
Guadeloupe & Martinique	Cost (Pure LRIC)	Cost (Pure LRIC)	N/A
Jamaica	Cost (Pure LRIC)	Cost (Pure LRIC)	Cost (Pure LRIC)
St. Barthelemy & St. Martin	Cost (Pure LRIC)	Cost (Pure LRIC)	N/A
St. Kitts & Nevis	Cost (LRIC+)	Cost (LRIC+)	Cost (LRIC+)
St. Lucia	Cost (LRIC+)	Cost (LRIC+)	Cost (LRIC+)
St. Vincent & the Grenadines	Cost (LRIC+)	Cost (LRIC+)	Cost (LRIC+)
Total All Sample	**9**	**9**	**6**
Total Cost-Based	**8**	**8**	**6**

While the number of All Sample benchmarking jurisdictions in the present review is slightly lower than the Third Review, the number of Cost-Based Sample jurisdictions is, on balance, unchanged. Consequently, the Commission is of the view that the Benchmarking Sample continues to provide a reasonable basis for the setting of interconnection rate maxima for TCI.

[12] The Commission notes that the classification of the basis on which interconnection rates are calculated is based on the most recent interconnection rates. In some cases, earlier interconnection rates may have been calculated on a different basis. As discussed above, the Commission places relatively higher weight on current and most recent observations and hence the Commission considers this classification as appropriate.

[13] As noted in Decision 2014-4, the TRs for Guadeloupe & Martinique and St. Martin & St. Bartholomew are not included ("N/A") because transit rates were not regulated during the period in question and, hence, are commercially confidential. Further, the TR for The Bahamas has not been changed since at least 2011 and hence is not included because it does not meet the vintage of regulatory decision criterion.

***Question 2**: Respondents are invited to comment on the Commission's proposed Benchmarking Sample selection criteria, the jurisdictions included in the proposed Benchmarking Sample as well as any other issues considered relevant to the establishment of a benchmarking sample. Any alternative proposals or suggestions offered by Respondents should include, as necessary, supporting rationale and evidence.*

4.2 Interconnection Trends since Decision 2020-2

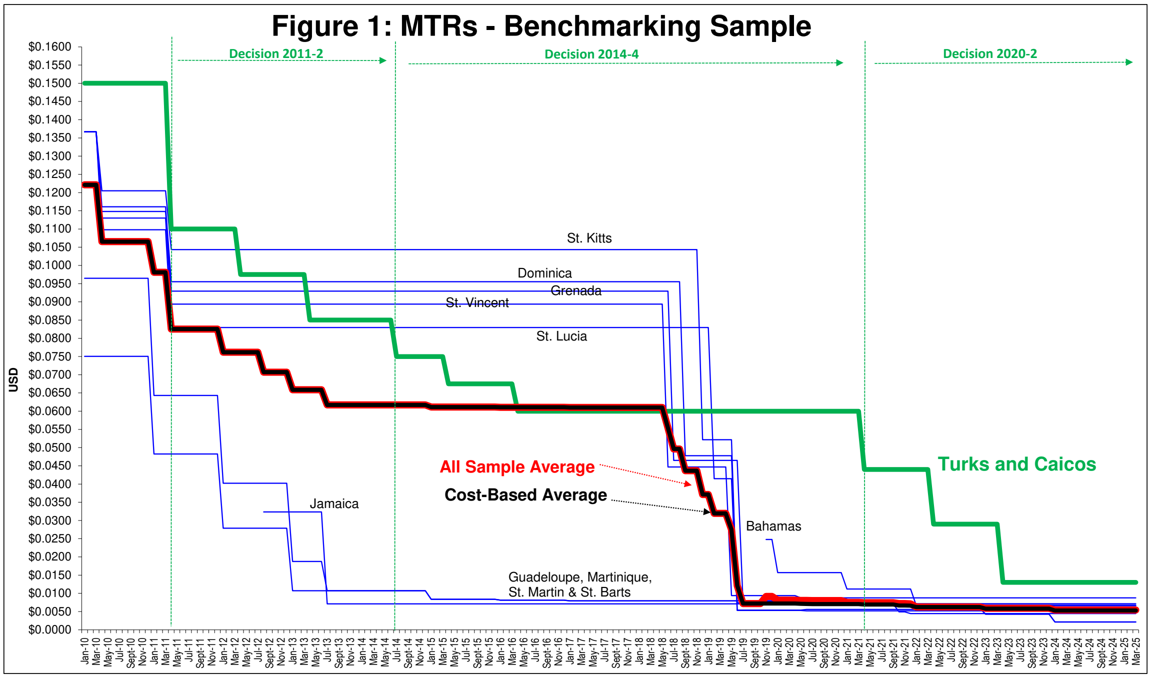
This section provides an overview of interconnection rate trends for the updated Benchmarking Sample for the period January 2010 to March 2025, with a focus on the most recent five-year period since the Third Review. For each of the interconnection rates under review, graphical presentations of the rates are provided for each Benchmarking Sample jurisdiction, including TCI, with the effect of the prior Decisions highlighted, as well as the associated All Sample Averages and the Cost-Based Averages.[14]

4.2.1 Mobile Termination Rates (MTRs)

Figure 1 shows that Benchmarking Sample MTRs have decreased significantly over the last 15 years with the All Sample and Cost-Based Averages decreasing by an average of $0.0077 per year. This decrease was concentrated during the first 10 years ($0.0114/year) relative to the very modest decreases in the most recent five years ($0.0004/year). The Benchmarking Sample MTR averages have essentially flatlined, and the prospect of further significant decline appears to be unlikely.

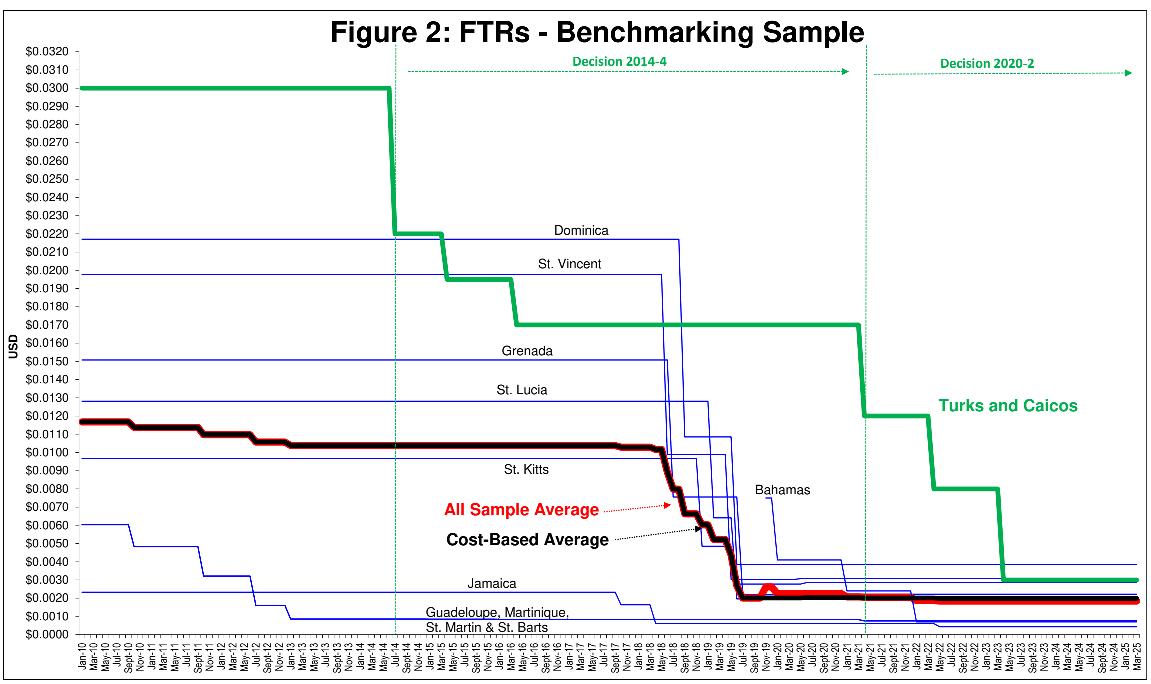
The MTR in TCI was reduced by a cumulative total amount of $0.1370 via nine steps pursuant to Decisions 2011-2, 2014-4 and 2020-2, for an average step reduction of $0.0152/step. The MTR is currently ($0.0130) considerably higher than the Cost-Based Average ($0.0053). Given the size of this gap, the Commission is of the preliminary view that the maximum allowed MTR should be decreased to move closer to the Cost-Based Average.

[14] The averages presented below are based on the Benchmarking Sample and exchange rates for the current Fourth Review. As discussed above, the First, Second and Third Reviews included a different Benchmarking Sample and exchange rates, which may have resulted in marginally different averages.



4.2.2 Fixed Termination Rates (FTRs)

Figure 2 shows that Benchmarking Sample FTRs have also decreased significantly over the last 15 years with the All Sample and Cost-Based Averages decreasing by an average of \$0.0006 per year. This decrease was concentrated during the first 10 years (\$0.0010/year) relative to the very modest decreases in the most recent five years (\$0.00004/year). Here as well, the Benchmarking Sample FTR averages have essentially flatlined, and the prospect of further significant decline appears to be unlikely.



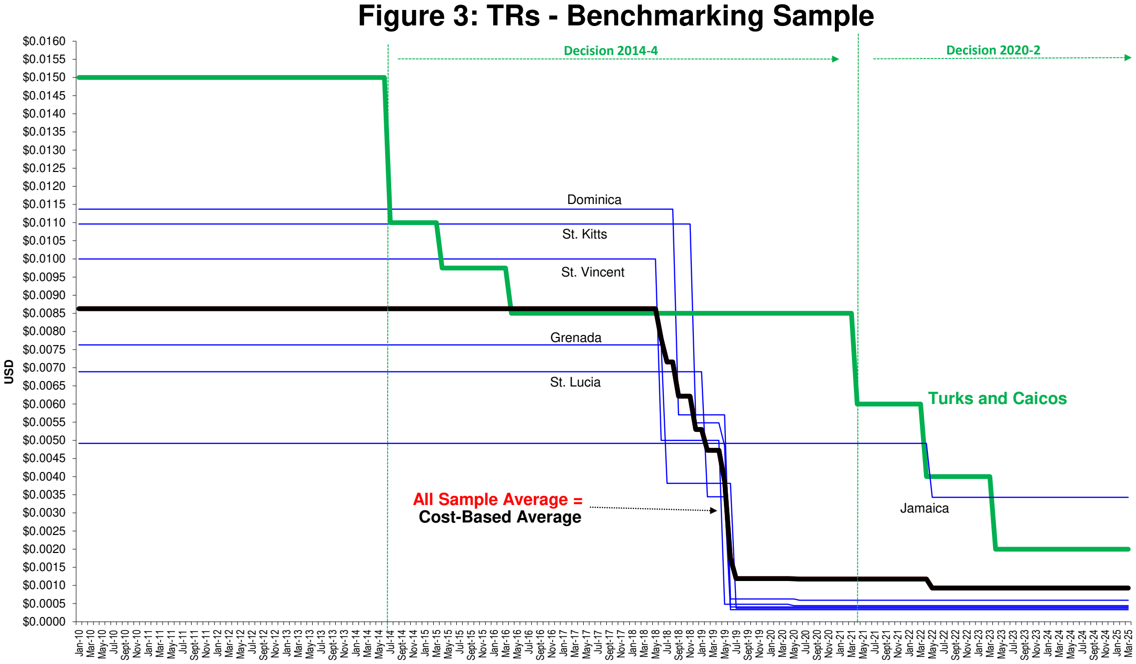
The FTR in TCI was reduced by a cumulative total amount of $0.0270 via six steps pursuant to Decisions 2014-4 and 2020-2, for an average step reduction of $0.0045/step. The FTR is currently ($0.0030) considerably higher than the Cost-Based Average ($0.0020). Here as well, given the size of this gap, the Commission is of the preliminary view that the maximum allowed FTR should be decreased to move closer to the Cost-Based Average.

4.2.3 Transit Rates (TRs)

Figure 3 shows that Benchmarking Sample TRs have decreased significantly as well over the last 15 years with the All Sample and Cost-Based Averages decreasing by an average of $0.0005 per year. This decrease was concentrated during the first 10 years ($0.0007/year) relative to the very modest decreases in the most recent five years ($0.0001/year). As with the MTR and FTR, the Benchmarking Samples TR averages have also flatlined.

The TR in TCI was reduced by a cumulative total amount of $0.0130 via six steps pursuant to Decisions 2014-4 and 2020-2, for an average step reduction of $0.0022/step. The TR is currently ($0.0020) considerably higher than the Cost-Based Average ($0.0009). Given the gap, the Commission is of the preliminary view that the maximum allowed TR should be decreased to move closer to the current Cost-Based Average.

Figure 3: TRs - Benchmarking Sample



Question 3: *Respondents are invited to comment on the Commission's analysis of historical trends in MTRs, FTR and TRs, including the Commission's preliminary conclusion that the allowed maxima for all three of these interconnection rates should be reduced in TCI. Any alternative perspectives offered by Respondents should include, as necessary, supporting rationale and evidence.*

5 Interconnection Rate Proposals

This section sets out the Commission's proposed reductions in the maximum allowable interconnection rates going forward. The Commission notes that the Proposals set rate caps and, as such, do not prevent operators from negotiating rates that are below the approved maxima.

5.1 Rate Maxima Determination Methodology

The methodology used by the Commission to determine its Proposals is based on the same "forward-looking" benchmarking approaches used in previous interconnection rate reviews. In summary, the approach involves the following elements:

1) *Benchmarking Sample*: The establishment of an updated Benchmarking Sample.
2) *Benchmark Averages*: The determination of All Sample and the Cost-Based Averages.
3) *Benchmark Average Rate Projections:* In prior reviews, based on historical benchmarking sample trends, the Commission developed All Sample Average and Cost-Based Average rate projections for a projection period of typically three years into the future. In those prior reviews, the Commission projected significant reductions sample average interconnection rates/costs, which were borne out by historical experience. As the findings above show, further significant reductions in the All Sample and Cost-Based Averages sample average are no longer expected – they have largely flatlined at this time.
4) *Determination of target "end-point" interconnection rates based on Benchmarking Sample Average projection*: As in previous reviews, the Commission's basis for setting the target "end-point" interconnection rate maxima is based on its All-Sample and Cost-Based Average projections. As noted, the Commission's preliminary view is that there will be no further significant reductions in these two averages for the present projection period. Moreover, since the All-Sample and Cost-Based Samples are very similar, the end-point rate targets of the All-Sample and Cost-Based averages are virtually the same. Consequently, the Commission proposes that the target end-points for the MTR, FTR and TR should be set above the All-Sample and Cost-Based Averages projections by a certain margin. The Commission has considered two factors to determine this margin:
    a) *Contribution to Fixed and Common Costs*: For this first factor, the Commission considers that a margin of approximately 15% is appropriate, since it is a common markup applied in the case of wholesale cost studies including those applying to interconnection services. Moreover, this proposed margin is likely more than adequate since the majority of the Cost Based Sample jurisdictions rely on a LRIC+ methodology to set interconnection rates and, therefore, already include a markup for fixed and common costs.
    b) *Normalization Adjustments*: In addition, to take into account demographic, socio-economic and other environmental differences between Benchmarking Sample jurisdictions and TCI, in the Second and Third Reviews the Commission included an upward normalization adjustment of roughly 6% for the All Sample Average and 1% for the Cost-Based Average projections, respectively. The Commission proposes to once again include theses same normalization adjustments for the current review.

c) Combined, these two adjustment factors result in a proposed combined margin of approximately 16% for the purpose of setting target end-point rate maxima relative to the Cost-Based Average projections.

5) *Glide/Transition Path:* In previous reviews, the Commission has implemented reductions in interconnection rate maxima towards the target end-points using a multi-step glide or transition path process. Given the very modest further interconnection rate maxima reductions proposed in this Fourth Review, the Commission considers that no glide-transition path is required and, instead, a single-step approach is proposed.

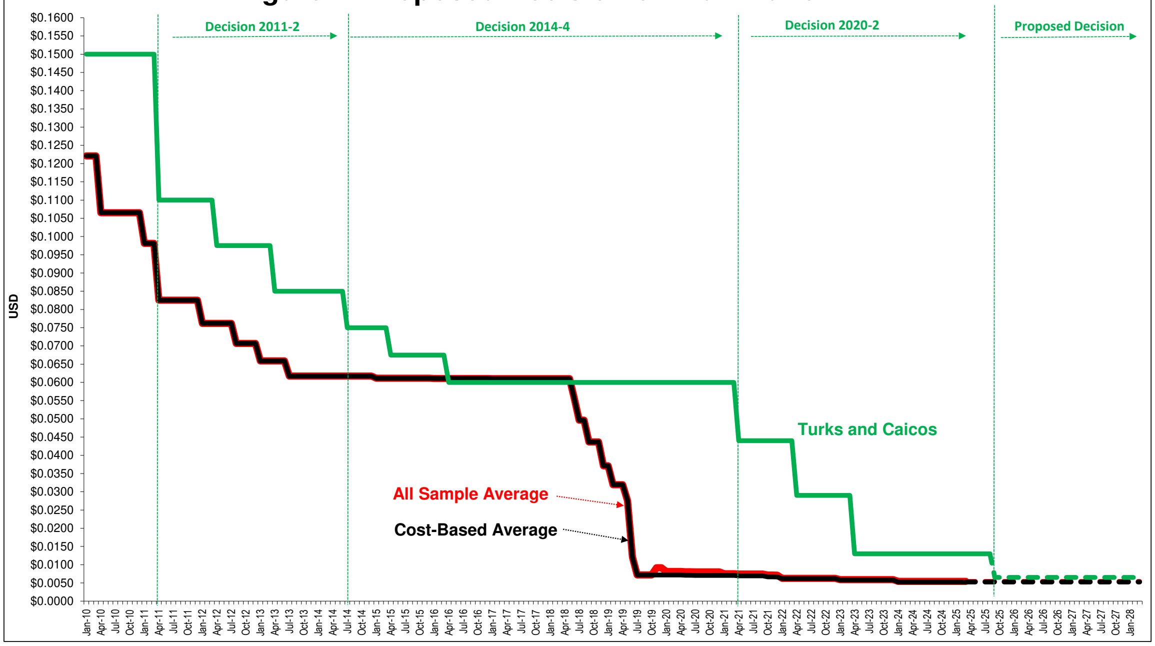
Based on the application of the above-summarized methodology, the following section provides the Commission's MTR, FTR and TR Proposals.

Question 4*: Respondents are invited to comment on the Commission's proposed forward-looking benchmarking methodology for setting MTR, FTR and TR maxima. Any alternative methodological proposals or suggestions offered by Respondents should include, as necessary, supporting rationale and evidence.*

5.2 MTR Proposal

The All Sample and Cost-Based MTR Averages for March 2025 are $0.0054 and $0.0053, respectively. The Commission does not project any further significant reductions in these averages. These benchmarking results suggest that the current upper limit of $0.0130 for the MTR in TCI should be reduced to **$0.0065**. The Commission considers that this rate level is sufficiently above the Cost-Based MTR Average (i.e., by a margin of 23%) to provide a proportionate contribution to fixed and common costs and to accommodate the upward normalization adjustment. The Commission does not propose a transition path, hence the current MTR maximum would be reduced to $0.0065 in a single step on September 1, 2025. The Commission's proposed MTR maxima reduction relative to the projected All Sample and Cost-Based MTR Averages is illustrated in Figure 4.

Figure 4: Proposed Decision on Maxima for MTR



5.3 FTR Proposal

The All Sample and Cost-Based FTR Averages for March 2025 are $0.0018 and $0.0020, respectively. The Commission does not project any further significant reductions in these averages. These benchmarking results suggest that the current upper limit of $0.0030 for the FTR in TCI should be reduced to **$0.0025**. The Commission considers that this rate level is sufficiently above the Cost-Based FTR Average (i.e., by a margin of 26%) to provide a proportionate contribution to fixed and common costs and to accommodate the upward normalization adjustment. Here as well, the Commission does not propose a transition path, hence the current MTR maximum would be reduced to $0.0025 in a single step on September 1, 2025. The Commission's proposal relative to the projected All Sample and Cost-Based FTR Averages is illustrated in Figure 5.

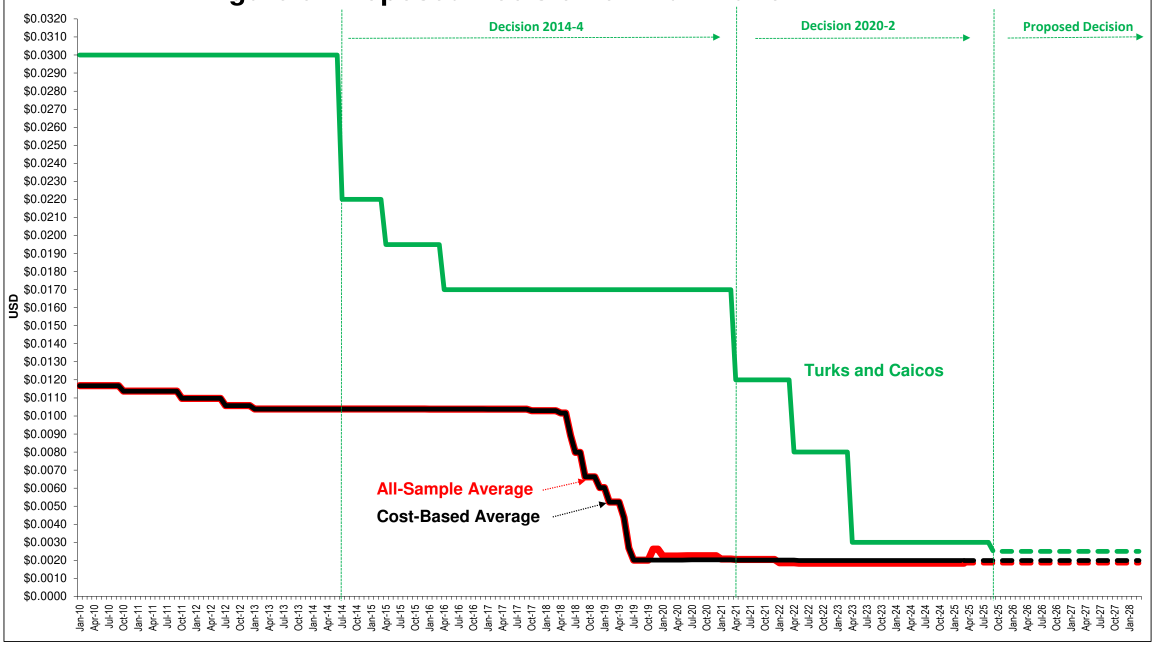
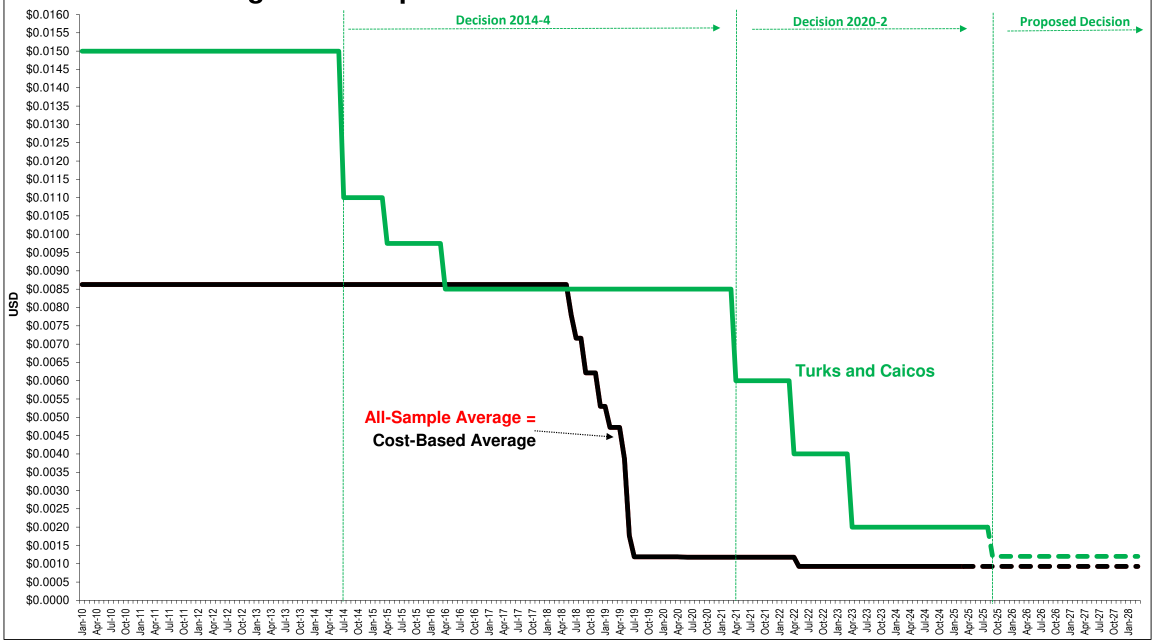


Figure 5: Proposed Decision on Maxima for FTR

5.4 TR Proposal

The All Sample and Cost-Based TR Averages for March 2025 are the same, at $0.0009. The Commission does not project any further significant reductions in these averages. These benchmarking results suggest that the current upper limit of $0.0020 for the TR in TCI should be reduced to **$0.0012**. The Commission considers that this rate level is sufficiently above the Cost-Based TR Average (i.e., by a margin of 29%). The Commission does not propose a transition path, hence the current TR maximum of $0.0020 would be reduced to $0.0012 in a single step on September 1, 2025. The Commission's proposed TR maxima reduction relative to the projected All Sample and Cost-Based TR Averages are illustrated in Figure 6.

Figure 6: Proposed Decision on Maxima for TR



5.5 Summary of Proposals

Table 3 provides a summary of the Commission's interconnection rate maxima Proposals, highlighting current interconnection charges, the March 2025 Cost-Based Averages, and the margin of the Proposals above the Cost-Based averages.

Table 3: Summary of Interconnection Rate Maxima Proposals

Date	MTR	FTR	TR
Current rate maxima	\$0.0130	\$0.0030	\$0.0020
Cost-Based Average (March, 2025)	\$0.0053	\$0.0020	\$0.0009
Proposal (from September 1, 2025)	\$0.0065	\$0.0025	\$0.0012
Margin % – Proposal above Cost-Based Average	23%	26%	29%

Figure 7 provides a graphical summary of the Proposals in context with Decisions 2011-2, 2014-4 and 2020-2.

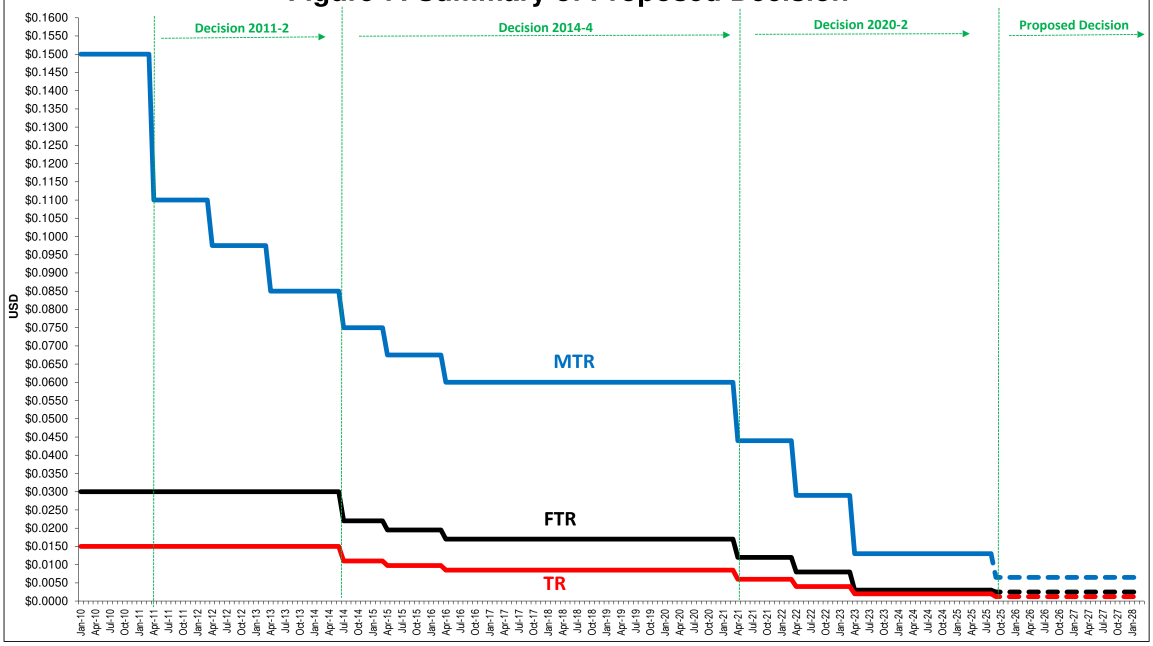


Figure 7: Summary of Proposed Decision

***Question 5**: Respondents are invited to comment on the Commission's MTR, FTR and TR Proposals. Any alternative proposals or suggestions offered by Respondents should include, as necessary, supporting rationale and evidence.*

6 Other Issues

6.1 Flow Through of Mandated Interconnection Rate Changes

Telecommunications Decision 2019-4, *Flow's Regulated Fixed Services Review Decision*, issued July 29, 2019 requires Flow to "flow-through" mandated MTR reductions on a one-to-one basis to Flow's retail basic standalone domestic fixed-to-mobile ("FTM") per minute call price cap. The effective date for the flow-through FTM of such price cap reductions is the same as the effective date for any MTR maxima reduction determined by the Commission. The Commission notes that a similar obligation applied in the Commission's earlier price regulation decisions applying to Flow's retail standalone domestic FTM rate.

The Commission is of the preliminary view that this obligation should be removed in the context of this Fourth Review for two reasons. First, the proposed reduction in the MTR of $0.0065 is very modest in scale, relative to previous reviews, and therefore would have little or no benefit in the context of the current price cap regime applying to Flow's basic fixed services. Second, dropping this obligation would reduce the related administrative burden for both Flow and the Commission.

6.2 Implementation Process

Once the Commission completes its review and assessment of all interested parties' Initial and Reply Reponses to this Consultation Document, it will prepare and issue a decision setting out final approved MTR, FTR and TR rate maxima. Flow and Digicel will then be given thirty (30) days to provide revised copies of their respective Interconnection Agreements including the final approved interconnection rate maxima, with an effective date for those rates as set out in the Commission's decision (currently projected to be September 1, 2025).

6.3 Future Interconnection Rate Review

The Commission considers that benchmarking sample average interconnection rates for the Caribbean region are unlikely to decrease much further in the coming years. Moreover, the Commission's proposed reductions in interconnection rate maxima set out in this Consultation Document are very modest in scale compared to previous reviews. Consequently, the Commission does not consider it necessary to set a date for the next interconnection review. That said, should circumstances change, the Commission may initiate a further review on its own motion or if an interested party provided a reasoned basis for doing so.

Question 6*: Respondents are invited to comment on the Commission's proposed flow-through obligation, implementation process and timing of the next interconnection rate review as well as any other issues relevant to this review. Any alternative proposals or suggestions offered by Respondents should include, as necessary, supporting rationale and evidence.*

Annex: List of Consultation Questions

Question 1*: Respondents are invited to provide any comments they may have on matters related to legal and regulatory provisions relating to the establishment of interconnection rate maxima in TCI. Any alternative proposals or suggestions offered by Respondents should include, as necessary, supporting rationale and evidence.*

Question 2*: Respondents are invited to comment on the Commission's proposed Benchmarking Sample selection criteria, the jurisdictions included in the proposed Benchmarking Sample as well as any other issues considered relevant to the establishment of a benchmarking sample. Any alternative proposals or suggestions offered by Respondents should include, as necessary, supporting rationale and evidence.*

Question 3*: Respondents are invited to comment on the Commission's analysis of historical trends in MTRs, FTR and TRs, including the Commission's preliminary conclusion that the allowed maxima for all three of these interconnection rates should be reduced in TCI. Any alternative perspectives offered by Respondents should include, as necessary, supporting rationale and evidence.*

Question 4*: Respondents are invited to comment on the Commission's proposed forward-looking benchmarking methodology for setting MTR, FTR and TR maxima. Any alternative methodological proposals or suggestions offered by Respondents should include, as necessary, supporting rationale and evidence.*

Question 5*: Respondents are invited to comment on the Commission's MTR, FTR and TR Proposals. Any alternative proposals or suggestions offered by Respondents should include, as necessary, supporting rationale and evidence.*

Question 6*: Respondents are invited to comment on the Commission's proposed flow-through obligation and timing of the next interconnection rate review as well as any other issues relevant to this review. Any alternative proposals or suggestions offered by Respondents should include, as necessary, supporting rationale and evidence.*