

**CONSULTATION DOCUMENT**  
**Recommendation of the Eastern Caribbean Telecommunications**  
**Authority**  
**("ECTEL")**  
**To the National Telecommunications Regulatory Commission to**  
**consult on**  
**Access Deficit Charge**

**August 2008**

1. The National Telecommunications Regulatory Commission is in receipt of a submission from ECTEL containing ECTEL's **invitation** to Cable & Wireless for any claim for an Access Deficit Charge (ADC) in the ECTEL Member States.
2. Cable & Wireless should submit any claim for an access deficit charge by **August 22, 2008**.
3. Interested parties can submit comments on Cable & Wireless' claim over the period **August 25 to September 8, 2008**.
4. Cable & Wireless will be allowed to respond to any comments over the period **September 9 to 19, 2008**.
5. All responses to this Consultation should be written and sent by email to [consultation@ectel.int](mailto:consultation@ectel.int) or by post or fax to: -

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**Disclaimer**

This consultative document does not constitute legal, commercial or technical advice. The consultation is without prejudice to the legal position of ECTEL's duties to provide advice and recommendations to the Ministers with responsibility for telecommunications and the National Telecommunications Regulatory Commissions.

## 1.0 Introduction

The Telecommunications (interconnection) Regulations<sup>1</sup> provides that

*The interconnection rates shall be imposed in a transparent manner and shall identify clearly –*

- (a) charges for interconnection services; and*
- (b) any contribution to the interconnection provider's access deficit, where applicable.*

Under the current interconnection regime, Cable & Wireless is allowed an access deficit charge (ADC) which is an add-on to the following interconnection services

- PSTN termination for incoming local and international calls
- PSTN Transit
- Domestic and international directory inquiry
- Emergency services
- International call origination

This consultation is limited in its scope in that it does not propose to review the current ADC regime but rather to review the level of ADC as well as the services on which any ADC should be levied with the introduction of cost based interconnection rates. A complete review of the retail tariff regime will be the subject of a future public consultation.

In this consultation ECTEL invites Cable & Wireless to submit any claim for ADC which will form part of the revised tariffs for interconnection. In submitting any claim for an ADC Cable & Wireless is to follow the guidelines presented in this document.

## 2.0 Guidelines for Submission of ADC Claim

In submitting a claim for an ADC the incumbent is to be guided as follows:

### (a) Definition of Access Deficit

For the purpose of determining any ADC in the ECTEL Member States ECTEL proposes that the following definition for access deficit.

**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.

Access deficit would therefore be calculated as

<sup>1</sup> Regulation 12(1) in Dominica. St Lucia and...

Access Deficit = Cost of Access Lines – [Revenue from Line Installation and Revenue from Line Rental] –  $\sum$  [Revenue from other regulated domestic fixed services – cost of other regulated domestic fixed services]

where:

- (a)  $\sum$  [Revenue from other regulated domestic fixed services – cost of other local fixed services] is **positive**.
- (b) Cost of access lines and other regulated domestic service to include retail costs
- (c) Revenue from line installation and line rental based on maximum revenue that can be secured under Price Cap Regime

ECTEL proposes to include only the surplus of local services in the calculation to reduce any incentive to the incumbent to cover the cost of domestic services by an ADC rather than by an appropriate retail tariff.

**(b) Services to which an ADC will be applied**

Where an access deficit exists, it means that unbalanced rates allow Cable & Wireless' fixed subscribers to purchase domestic regulated services at prices below cost. To avoid subsidies, these subscribers and those that call them should pay the deficit charge. ECTEL therefore proposes that any deficit charge be assessed only on services that involve Cable & Wireless' fixed subscribers. In particular, it is recommended that deficit charges be assessed on the following services:

- Call origination: C&W fixed-to-international;
- Call termination: International-to-C&W fixed; and
- Call termination: Mobile-to-C&W fixed.

The deficit charge is applied to C&W fixed-to-international and international-to-C&W fixed as these are the services for which inefficient competition is of the greatest concern.

The deficit charge on mobile-to-C&W fixed contributes to competitive parity by requiring mobile operators to fund part of the local services deficit. In addition mobile-to-C&W fixed involves C&W's fixed subscribers.

ECTEL does not recommend applying the deficit charge to domestic fixed-to-fixed or transit services.

**(c) Constraints for Calculation of the Deficit Charge**

1. ECTEL proposes that any ADC be calculated as the access deficit divided by the number of minutes to which the deficit shall apply. The number of minutes is the sum of C&W fixed-to-international, international-to-C&W fixed, and mobile-to-C&W fixed. The resulting charge per minute would be the **maximum** deficit charge that can be applied to any service.
  
2. Cable & Wireless must impute the deficit charge as part of the costs of the services that it supplies to end users. Cable & Wireless’ retail prices of competitive services must cover economic costs plus the deficit charge that is applicable to that type of service.
  
3. The ADC should not generate a greater recovery than the ADC currently in force.

**3.0 Cable & Wireless’ Submission**

In its submission, Cable & Wireless is expected to submit its proposed rates for ADC in each Member State by time bands as indicated in the table below.

<b>Member State</b>	<b>Day</b>	<b>Evening</b>	<b>Week-end</b>
Dominica			
Grenada			
St Kitts and Nevis			
St Lucia			
St Vincent and the Grenadines			

#### **4.0 Consultation Process**

The consultation process will take place in three stages.

1. In the first stage the Directorate invites Cable & Wireless to submit any claim for an ADC in the ECTEL Member States. The claim should follow the guidelines set out in this document. Any claim with supporting documents should be submitted to the Directorate by **August 22, 2008**.
2. Cable & Wireless' claim will be submitted for public comments over the period **August 25 to September 8, 2008**.
3. Cable & Wireless will be given an opportunity to respond to the comments over the period **September 9 to 19, 2008**.

The Directorate will then review all submissions and make a determination on the matter.

#### **5.0 Impact of This Consultation on the Consultation on ADC conducted in Dominica**

The NTRC in Dominica recently conducted a public consultation exercise on ADC. The interconnection agreements between providers in Dominica required the NTRC to determine the level of ADC that was applicable after the third year of the agreement. The exercise in Dominica was specific to Dominica and sought to determine the level of ADC which was applicable after the third year of the interconnection agreements.

This consultation is applicable to **all ECTEL Member State** and seeks to determine the level of ADC which is applicable on implementation of proposed cost based interconnection rates as determined by the LRIC models now out for public comment.

ECTEL therefore invites all interested parties to participate in this consultation.