



## **National Telecommunications Regulatory Commission (Grenada)**

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Managing Director  
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Dear Sir,

**RE: Response to Consultation Document No. 3 of 2016, Date: 28th July, 2016  
Recommendation of the Eastern Caribbean Telecommunications Authority (ECTEL) on  
the Principles, methodologies and guidelines for the determination of the  
interconnection rates**

Within a liberalized market, cost recovery for the operators should be a critical factor to ensure the long term sustainability regarding license fees and other charges and change in paradigm as the industry expands.

**Question 1: Do you agree that Network CapEx, Network OpEx, License and spectrum fees, G&A Expenses and cost of capital should be included in the cost base of the BULRIC Models in the manner indicated in this section?**

I agree with the inclusion of Network CapEx, Network OpEx, License and spectrum fees, G&A Expenses and cost of capital should be included in the cost base of the BULRIC Models in the manner indicated.

- There is a need for independent verification of costs submitted by the operators. The process for reporting costs should also be transparent.
- Clear dates with specific objectives/milestones for the BULRIC implementation should be outline to allow operators to prepare as this will have an impact on budgeting and cash flows and this is by no means a simple process.
- The spectrum fees should include both annual and onetime payment options for operators who would be attracted to being able to pay less as a startup cost but also for those who look ahead to save futuristic cost with the onetime payment offer. I also have no opposition to G & A and cost of Capital as mentioned.

**Question 2: Do you agree with the ECTEL's proposal on the treatment of OpEx in the BULRIC Models?**

Network OpEx

I agree with ECTEL's proposal on the treatment of OpEx in the BULRIC Models. These standards have been established and practiced in various countries around the world as listed in Annex G and can be used as a road map for operators within the OECS Islands. However, we should ensure that existing practices are customize to best suit the needs of the OCES Telecoms industry.

Are there any reports or preliminary research conducted by these countries with existing BULRIC models? We would be able to determine the level effectiveness regarding the use of recurrent costs within OpEx associated with respective operators?

**Licenses and Spectrum Fees**

It is true that Licenses and Spectrum Fees can be the most significant cost to the operator. These fees should remain an annual fee as most of these fees are based on a percentage of their calculated revenue gained by the operator. An operator may have a single or multiple revenue streams which can fluctuate from year to year based on several economic factors (shift in technology such as OTT services, national GDP growth, natural disasters, recession, etc.). Therefore, a one off cost would be a disadvantage for both the operator in a slow period and new entrants to the market if they are unable to recover this cost fast enough.

Additionally, based on bottom up method is more accurate than the percentage on Capex for OpEx and when not enough information is available then percentage over CapEx shall be considered.

**Question 3: Do you agree with the ECTEL's view in how assets should be valued and the proposed application of the modern equivalent assets?**

Cost of asset various depending on the change in technology and requirement of upgrade or change in technology to facilitate change in paradigms e.g. implementation of number portability, upgrade from 3G to 4G and other LTE services.

The static approach with the use of both the HCA and CCA will be able to provide a fair determination for the valuation of assets in a relatively uncomplicated method when compared to the cash flow method. Additionally, it was noted that the static approach is commonly used



in a top down approach, therefore, there should be sufficient linkages with other methods for Network OpEx.

**Question 4: Do you agree with the ECTEL's view to implement tilted annuities in the BULRIC cost models? In the case that you have a different view, please support it with rationale.**

A titled annuity approach would be the best practice as the calculations would be based on on the forecasted change between years at the same rate (price) of the asset is expected to decline over the same period of time.

**Question 5: Do you agree with the ECTEL with the proposed approach for the consideration of working capital?**

The proposed approach for the consideration of working capital can be used. The consultation document stated "the working capital will be calculated as a percentage of OpEx for each year, based on information provided by the operator." It can become problematic for the Regulators or ECTEL to rely on the operators to submit accurate and timely data. One recommendation is to have an independent third party verify the accounting and clearly stipulate submission date with appropriate actions if there is a violation or late/non submission.

It is good to allow companies to justify the inclusion of working capital associated with OpEx and then include it as a percentage of operating expensing annually.

**Question 6: Do you agree with the use of LRIC+ standard?**

Long Run Incremental Costs plus Common Costs is described as the best option because it allows for the "recovery of common and joint costs that are not incremental to any given service." Typically, an EMPU approach would be used due to incremental costs of various products and services.

**Question 7: Do you agree with the suggested treatment of common cost under the LRIC+ standard in the BULRIC Models?**

Would the use Equi-Proportional Mark-Up (EMPU) include the provision for common and joint costs which are non-incremental in any way?

**Question 8: Do you agree with the use of a yearly approach for network optimisation?**

I agree with the Yearly Approach.

The Yearly Approach will be sufficient due to lack of complexity. Will this approach be used for both fixed and mobile models?

Additionally, the yearly approach used for network optimization but it is unclear whether the accurate pricing signals in the market would be reflected yearly as it requires the optimum network for each year and it is unlikely that any operators ever attain optimum levels. Please explain what is meant by optimum level and what pricing signals is meant here.

**Question 9: Do you agree with the time period defined (i.e. from 2015 to 2020)?**

Historically, there is significant gap between consultation and actual implementation of new policies therefore there should be a projection of a more realistic time period as some other models ignore the previous year and utilize the current year's data. A recommendation for one (1) year historic and a three (3) years forecast.

**Question 10: Do you agree with treatment of data sources described in this section?**

There is agreement that local operators should first provide more specific data to local market but in the event of inaccuracy or irrelevance would Ectel use its own knowledge of the market to estimate a reasonable level of demand for future years.

How will this data be verified and maintain timely submissions if Ectel is to solely rely on operators for the submission of data?

**Question 11: Do you agree with the reference operator and its characteristics (e.g. demand, spectrum, coverage) described above?**

Does this reference operator model apply to smaller operators such as Aislecom in Grenada, how will they be included?

In terms of coverage there is agreement with the option of population instead of geography however the geography may have a considerable effect on market pricing.

**Question 12: Do you agree with the proposed list of services and the grouping of services into increments for the BULRIC model for mobile networks?**

The approach included the relevant group of services into increments.

In Grenada, there are three (3) operators which collectively uses various mobile service technologies/networks from CDMA to GSM and possibly LTE in the future, how will this be addressed?



Would it be appropriate to draw a difference between real and wholesale services when defining the increments as it should be better explained how such differentiation may induce artificial rate differentials and distort the market.

I do not disagree with the proposed list of services and grouping them into increments based on services type rather than technology type for regulatory purposes.

**Question 13: Do you agree with the ECTEL's approach for Mobile Network Modelling?**

Agrees with ECTEL's approach for Mobile Network Modelling.

**Question 14: Do you agree with the ECTEL that the BULRIC model for fixed networks should consider a reference operator with the characteristics described above?**

What considerations would be made for passive infrastructure?

**Question 15: Do you agree with the proposed list of services and increments for the BULRIC model for fixed networks?**

Agrees with the list of services and increments for the BULRIC model for fixed networks.

**Question 16: Do you agree with the ECTEL's approach for Fixed Network Modelling?**

Will there be separate models for Copper/Coaxial Cable/Fiber? Or will the model be general?

There is some agreement with the consideration of native Ethernet fiber being used since there is a large transfer towards its use by operators. It must be understood though its pro and cons applicable to Ectel states.

Wireless or microwave links being more cost efficient than fiber links should be considered where applicable but operating efficiency as well as recovery after disasters and longevity should be considered as we live in hurricane prone climate.

Please be advised of our comments.

Regards,



Lawrence Samuel  
Coordinator