

National Telecommunications
Regulatory Commission
St. Vincent and the Grenadines

Ref No.: *COR/ECTEL*

September 19, 2016

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

Dear Mr. Charles.

**RE: Comment on Comments on the Consultation on the Principles, methodologies, and guidelines
for the determination of interconnection rates**

Your email dated September 6, 2016 on the above-captioned subject refers.

Having reviewed the comments made on the Consultation on the Principles, methodologies and guidelines for the determination of interconnection rates, the NTRC wishes to make its comment.

1. NTRC Grenada:

- a. *ECTEL suggested that working capital information be provided by the operators annually. This NTRC believes that the regulators may have problems getting accurate and timely information from the providers and therefore believes that an independent third party should verify this information and take appropriate action if there is a violation or late/none submission.*

While the NTRC believes that the information provided should be accurate and on time, we also believe that involving a third party will further slowdown this process. Additionally, there would be an added cost for this to be done which we assume will need to be covered by the regulators.

- b. *They are seeking clarification on whether a referenced operator model apply to small operators. However, we believe, the referenced operator will be the dominant provider of the particular service.*



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2. Digicel:

- a. The use of a single-year approach to network dimensioning:

They have stated that decisions about efficient investments in these networks are made on a 5-8 year cycle, matching the lifetimes of the relevant assets and believes that costs must therefore be recovered over this cycle. In a single-year approach, efficient assets that were built in one year could disappear completely the following year, especially in an environment where traffic is migrating from one technology to another, or where population patterns are shifting. The logical conclusion of the single year approach is therefore that the full cost of such an asset must be recovered in a single year.

The NTRC agrees with this.

- b. The use of a “scorched-earth” approach to dimension the mobile access network

Digicel believes that it is more appropriate that a modified scorched-node approach is adopted, which would refer primarily to the operators’ actual deployments. The operators’ deployments have necessarily reflected the need to meet the coverage characteristics of ECTEL’s five member countries and the availability of buildings and land to site suitable antennas, some of which need to be sympathetic with the environment. Only then should node modifications be applied with suitable justification in an independent assessment.

The NTRC is not clear on this statement.

- c. The calculation of the size of the radio access network required for coverage, the treatment of geotypes in the mobile model and the treatment of geotypes in the fixed model:

It is Digicel’s view that the geography of ECTEL’s five member countries (Dominica, Grenada, Saint Kitts and Nevis, Saint Lucia, and Saint Vincent and the Grenadines) does not fit well with a model that appears to have been designed with other geographies in mind.

The NTRC agrees with this.



- d. The approach to the tilted annuity calculation given the single year approach to network dimensioning:

They believe that these approaches could cause the model to behave in unpredictable or unrealistic ways. This is especially the case if traffic migrates from one technology (e.g. 3G) to another (e.g. 4G). The model will dimension a smaller and smaller 3G network. However, in the proposed modelling approach, the previous year's capex, as annualised by the tilted annuity, will be recovered on assets that no longer exist.

The NTRC is not clear on this statement.

- e. The treatment of common and joint costs:

In section 2.14 of the consultation document, ECTEL sets out the recommended cost standard, including the treatment of common and joint costs. It proposes to use a method it refers to as the "efficient capacity approach". In Digicel's view, it is unclear what is meant by this.

They also believe that this would not be the best method as it relies on a number of assumptions that are variable, unspecified to date, and can create uncertainty in the results.

The NTRC agrees with this.

- f. The treatment of mobile services:

There is no clarity on how SMS termination rates will be set and how SMS and MMS services will be dealt with in the incremental cost structure of the model. Digicel suggests a LRAIC+ approach using annual traffic volumes.

The NTRC agrees with this.

- g. The treatment of spectrum allocation:

The proposed approach may therefore allocate unrealistic spectrum blocks, or fragments of spectrum blocks, to the reference operator. A more robust and reliable approach to selecting the spectrum used by the reference operator is needed.



The NTRC agrees with this.

- h. The treatment of fixed services and inconsistency between the approach to modelling fixed and mobile networks

In section 2.3.2 of the consultation document, ECTEL sets out the recommended approach to fixed services and increments, proposing a single increment that includes all traffic. This differs significantly from the approach recommended by Axon Partners to the OUR in Jamaica as part of its recent fixed LRIC consultation where multiple services were included. Neither Axon Partners nor ECTEL has justified the use of a different approach in this case.

In addition, the treatment of fixed services is a difference in principle from the modelling of mobile networks. This will result in a difference in the treatment of common costs between fixed and mobile networks which may be difficult to explain and justify, given the similarities between the core networks of each technology. Given the relative network capacity impacts of voice and non-voice services (leased lines and broadband) in the fixed network the use of a single increment will yield unreliable model outputs.

The NTRC agrees with this.

- i. The use of cost inputs and model calibration:

They believe that ECTEL does not explicitly discuss the recommended approach to the use of cost data received through the data request, and the calibration of its models. There are a number of considerations that are important in the context of creating a model to determine termination rates in five separate countries. When collecting and applying cost data, it is important that ECTEL recognize the differences between the countries, and the differences between the operators submitting data. The same concern applies to the calibration of the cost models.

The NTRC agrees with this.



3. FLOW:

- a. *They do not fully understand the methodology on the construction of the cost and would like until the actual model has been developed.*

The NTRC agrees with this.

- b. *ECTEL proposes that OpEx preferably be based on bottom-up calculations in those cases where such bottom-up determination of OpEx is feasible and adequate data is available. Flow has stated that It is difficult to evaluate this proposal without a more concrete exposition of how ECTEL proposes to implement a bottom-up calculation for network opex categories. They agree that a bottom-up calculation, in theory, would be a more methodologically consistent objective. However, because it is not clear what a bottom-up calculation would look like even where ECTEL believes that it has “feasible” and has “adequate” data for such calculation, they believe the results should be cross-checked with benchmark expense factors.*

The NTRC agrees with this.

- c. *They believe that, with respect to NGN technology and transmission, a hybrid approach should be used in order to capture the state of the fixed network in the coming years.*

They also disagree that the capacity approach more accurately represents how network-related common costs should be shared among services. They believe the Shapley-Shubik provides a fairer treatment of allocation by taking into account the different possible outcomes of the order in which increments are provided. In the context of LRIC modeling, they believe, the capacity approach less accurately represents how common network common costs are shared than Shapley-Shubik.

The NTRC agrees with this.

- d. *With regards to the time period of implementation 2015-2020, they have stated that it is unclear on when ECTEL intends to set interconnection rates. They also believe that the rates be implemented at the beginning of 2017 to give stakeholders sufficient notice as well as the operators sufficient time to plan any retrospective payments for the months prior to this.*



The NTRC agrees with this.

- e. *With regards to the treatment of data sources, they have stated that an operator offering a fixed voice service does not mean that this should qualify its inputs as appropriate for the service. As such some care needs to be taken here. Additionally, for the process of gathering data, they believe that providers should provide data throughout the modeling process and they should also be able to asses any international benchmarks proposed.*

The NTRC agrees with this.

- f. *With regards to network coverage, they believe that there should be an evolution assumed for fixed network noting that the market is addressed with 2G, 3G and 4G technologies for mobile.*

The NTRC does not agree with this statement as new technologies are being offered for mobile and broadband services. There is not much that can be done with regards to the fixed network.

- g. *FLOW finds the ECTEL proposals regarding transmission technologies unclear or under-specified. Firstly, in the case of the backbone transmission network, they have stated that it is unclear what ECTEL means by “[t]hese links will be dimensioned by reproducing the actual configurations of the Operators, both in terms of topology and technology.” How is this statement consistent with scorched earth location of radio sites and modified scorched nodes in core? Secondly, they are not clear about “leased lines” as a transmission technology: how is this consistent with the discussion of transmission technologies for the fixed network, e.g., in terms of SDH fibre, native Ethernet fibre or WDM fibre?*

The NTRC agrees with this.

- h. *They are disappointed that ECTEL has not stated how site sharing will be determined.*

The NTRC agrees with this.

- i. *They believe that the model should exclude the TV service, in particular the “TV channels” included in other services.*



This NTRC is not clear on this statement.

- j. *With regards to the modified scorched node approach, they believe that:*
1. *It is inconsistent with the actual evolution of the network.*
 2. *There is no recognition of that fact current penetration of modern access node in the ECTEL Member Nations is likely to be far lower than the overwhelming majority of the benchmark countries cited in the Supporting Annex.*
 3. *They do not agree that the access network is irrelevant to core network costs. The type of access network will determine the number and type of access nodes required, which, in turn, will influence core network costs.*

The NTRC agrees with this.

- k. *For the “core network technology” ECTEL proposes an all-IP network with media gateways to provide TDM connectivity for connection with traditional networks. FLOW proposes, instead, a forward-looking view of modeling of the fixed network that is more consistent with the realities of deployment and the “migration approach” found in its proposed mobile LRIC modeling as well as that found in other benchmark models, including the current Jamaican fixed network LRIC exercise recently.*

The NTRC agrees with this.

- l. *They have stated that ECTEL does not discuss how it proposes to configure the core layer above the access nodes, nor how it proposes to derive duct and fibre lengths in the model. We assume that we will be given an opportunity to comment on all these methodological questions before model construction.*


The NTRC agrees with this.



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Sincerely yours,



Apollo Knights
Secretary / Director



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