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Andros Lakeside Development Company Ltd.

Responds to

Preliminary Determination on Review of Resale Broadband  
Obligations imposed on BTC and CBL

ECS 09/2017

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## Executive Summary

Andros Lakeside Development Company Limited (ADC) wishes to thank URCA for the opportunity to respond to the Preliminary Determination on the “Review of the Resale Broadband Obligation imposed on BTC and CBL under Section 116 and Schedule 4 of the Communications Act, 2009” (ECS 09/2017). Before ADC responds to the consultation, ADC wishes to address a **National Issue. The matter of inbound international call termination, as it speaks directly to the flow of Foreign Direct Exchange into the country.**

While the current Government of the Bahamas (GOB) is actively travelling abroad seeking foreign direct investment, the Electronic Communications Sector (ECS) in The Bahamas has been gifted with a source via inbound international traffic. While other countries in the region are benefitting greatly from foreign direct exchange, as a result of inbound international traffic, The Bahamas is not; as, it has not been aggressively pursuing this source of foreign direct exchange as it ought to.

The market for inbound international traffic is a key market for all Telcos around the world, including the Caribbean region, for incumbents and alternative operators. Inbound international traffic has proven to be a huge revenue generating stream for many Telcos, particularly in developing countries, with The Bahamas being no exception.

The Bahamas benefitted greatly from the service for a while but, as of late 2016, ADC has been noticing a very disturbing trend. The market prices for inbound international fixed and mobile have been trending dangerously downward. As a result, The Bahamas is being deprived of much needed foreign direct exchange, ***in effect is jeopardizing the ability of operators in The Bahamas to invest in infrastructure, to pay dividends to their shareholders and to pay taxes to the Government.***

The amount of foreign direct exchange loss is alarming. After investigating the market, it was determined the downward sparrow in the inbound international traffic rates and loss of **foreign direct exchange** into the country coincided with the entry of the latest communications provider.

The tables below depict the selling rate for inbound international traffic rates over the past two (2) years, and first quarter of this year (2018).

### Fixed Rates

Country	IDT - Fixed Rate 2016	IDT- Fixed Rates 2017	IDT-Fixed Rates 2018
Antigua	0.1693	0.1666	0.1482
Aruba	0.0744	0.0798	0.7980
Bahamas	0.0922	0.0544	0.0300
Bermuda	0.0331	0.0337	0.0337
Barbados	0.0989	0.2050	0.2013
British Virgin Islands	0.1746	0.1746	0.1752
Cayman	0.0954	0.9650	0.9650

Islands			
Cuba	0.6000	0.6000	0.6000
Jamaica	0.1420	0.1900	0.1900
Haiti	0.2279	0.2438	0.2438

Table 1

Mobile Rates

Country	IDT- Mobile Rates 2016	IDT- Mobile Rates 2017	IDT- Mobile Rates 2018
Antigua	0.1892	0.2030	0.1935
Aruba	0.1822	0.1918	0.1918
Bahamas	0.1397	0.0903	0.06910
Bermuda	0.0300	0.0326	0.0326
Barbados	0.1881	0.2052	0.2042
British Virgin Islands	0.2015	0.2020	0.2020
Cayman Islands	0.1482	0.1588	0.1588
Cuba	0.6000	0.6000	0.6000
Jamaica	0.1850	0.2007	0.1976
Haiti	0.2544	0.2650	0.2650

Table 2

- The prices listed above are the selling price for the service. It is safe to assume IDT is purchasing the services from a supplier in The Bahamas at a lower rate in order to resell.

Just a few notable mentions to date:

1. Termination rates for both fixed and mobile are trending dangerously downward in The Bahamas.
2. Termination rates are stable in the other countries in the region.
3. Termination rates in The Bahamas are lower than other countries in the region with the exception of Bermuda.
4. The rates stated to plummet following the entry of the latest communications provider.
5. Whatever's happening in the market is strategic.

ADC is aware The Bahamas is losing millions of dollars in foreign direct exchange, as a result of the declining termination rates. It is unfortunate, ADC is unable to accurately quantify (place a dollar value) the actual amount of monies being lost due the lack of available data.

ADC is disappointed that in 2018 The Bahamas is lagging in its data collection. Although late, ADC is prepared to go on record in support of URCA's final decision on data gathering as stated in Consultation on Measures for the Collection and Reporting of Market Data by Specified Licensees in

the Electronic Communications Sector Statement of Results and Final Decision ECS 27/2017 Issue  
Date: 20 December 2017.

Data mining is important; URCA's request for Data from operators is not unreasonable. It is consistent with responsible Regulators request, and URCA should be commended for the position it has taken given the objections. If ADC were to suggest, it should include in items for publication based on International Telecommunication Union (ITU) standards:

**Telephone Traffic**

1. VoIP traffic (minutes)
2. MMS sent
3. SMS sent
4. International incoming to mobile network (minutes)
5. International incoming fixed-telephone (minutes)
6. International incoming total telephone (minutes)
7. International outgoing mobile traffic (minutes)
8. International outgoing fixed-telephone (minutes)
9. International outgoing total telephone (minutes)
10. Mobile traffic to fixed networks (minutes)
11. Fixed-to-mobile telephone traffic (minutes)
12. Domestic mobile-telephone traffic (minutes)

**Internet**

1. International Internet bandwidth (bps) per Internet user
2. International Internet bandwidth, in Mbit/s
3. Other fixed (wired)-broadband subscriptions
4. Fibre-to-the-home/building Internet subscriptions
5. DSL Internet subscriptions
6. Cable modem Internet subscriptions Fixed (wired)
7. Broadband subscriptions per 100 inhab. Fixed (wired)
8. Broadband subscriptions Fixed (wired)
9. Internet subscriptions Total

**ICT Access and use**

1. Households with Internet access at home
2. Households with a computer
3. Households with a mobile telephone
4. Households with a fixed line telephone
5. Households with a TV

It is ADC's view, having accurate data is critical in decision making. Had the data on inbound international traffic been readily available, one would have been in a better position to accurately and immediately calculate the **economic loss to the country**.

This country must immediately ***stem the flow of wealth transfer from operators in The Bahamas to rival foreign carriers.***

ADC's sole objective is to secure for the Commonwealth of The Bahamas a higher proportion of the international tariffs for the operator within the country. The additional revenues gained can then be used to help develop the telecommunications sector in The Bahamas and provide much needed employment for its citizens.

**Since, the loss of foreign direct exchange into the country is a national issue; the GOB must give this matter the attention it deserves.**

### **Resale Broadband**

***According to Ofcom, 'broadband is increasingly important to both residential and business consumers. It allows them access to a range of content and services. Effective retail competition plays a key role in ensuring that consumers benefit from lower prices, greater choice, better quality services and innovation, and has helped to promote high levels of broadband adoption. Competition in retail broadband services depends on effective competition in the wholesale broadband access (WBA) market, complemented by regulation where necessary.'***

It is regrettable in a newly liberated telecommunications market in The Bahamas, while the regulator is attempting to encourage competition, incumbents are advocating for a duopoly. The regulation of access is essential in order to promote sustainable competition and to guarantee the interoperability of services while achieving benefits for consumers in The Bahamas.

In an ideal situation, the access seekers enter the telecommunications value chain using the least capital intensive methods, because they begin without a customer base. This implies using wholesale access products which rely heavily on infrastructure and services provided by the access provider. Then, as the access seeker grows its customer base, it climbs the ladder, progressively investing more heavily in its own network infrastructure, gaining by stages independence from the access provider and more control over the design of its retail services.

Having stated the above, it is imperative at this critical stage in the ECS in The Bahamas to maintain some form of regulation to ensure competition develops.

It is ADC's view, a resale product is not perhaps the more favorable or desirable product for access seekers to in order to introduce competition in this market at this time. The more suitable options may be Local Loop Unbundling (LLU) or bitstream access.

Resale offers does not allow access seekers to differentiate services from those of the access providers. Or allows for adding its own value added services. In order to be able to differentiate their services from those of the access providers, access seekers must have access at a point where they can control certain technical characteristics of the service to the end-user and/or make full use

of their own network, thus being in a position of altering the quality of service, the data rate or other features supplied to the customer.

In summary, to compete effectively, access seekers require control over key technical parameters of the active wholesale access product so that they may innovate and differentiate their retail offerings from those of other operators, particularly the access provider. However, the current offers does not allow for such differentiation.

It is ADC's view that a bitstream product may be the more suitable wholesale product to open the retail DSL services market for competitors. It will allow the access seeker the ability to differentiate its services as well as, to add value added service.

The bitstream product can be deployed relatively easy, and it provides the speed more customers have become accustomed. With the bitstream product, the access provider will not be required to make extensive network changes to allow access seekers access. Pricing may also be transparent and it may not expose access seekers to prohibitive upfront costs by the access providers.

In some parts of the world the bitstream product is regulated, it is an obligation placed on incumbent operators to enable access seekers access to its network. Ofcom mandates bitstream access, but forbears from regulating the access price. In New Zealand, the unbundled bitstream access (UBA) service was made available as a regulated product before LLU was made available.

If not bitstream, then perhaps URCA may wish to consider LLU, as it will encourage further competition, because it will allow access seekers the ability to offer both voice and broadband services.

Finally, the strategy of delay and then deny is still prevalent in the ECS in The Bahamas. As a result, the market has not grown as it should. Access seekers are fully aware of the practice by the access providers and nothing has been done to dispel the notion that this practice has changed.

The time frame for new installation still lags and fault corrections are not given the necessary attention. ADC supports stiffer penalties for delay or refusing to abide by the regulations. It is ADC's view, that access providers will continue this practice, until URCA places meaningful penalty (real dollar value) for breach of regulation.

While regulations are important, enforcement of regulations once they have been introduced is essential for encouraging competition.