BE ALIV LIMITED
("Aliv")

Wholesale Fixed and Mobile Termination Rates for SMP Licensees

ECS 67/2019

Submitted to

The Utilities Regulation & Competition Authority

18 October 2019

INTRODUCTION

Be Aliv Limited (Aliv) is pleased to submit its response to the Preliminary Determination issued by URCA on 12th September 2019 on Wholesale Fixed and Mobile Termination Rates for SMP Licensees. (ECS 67/2019).

Aliv has also advocated for cost-based termination rates and for pure FL-LYRIC in particular as the appropriate cost standard and firmly believes that the current rates are out of date. Aliv's preference is also for benchmarking termination rates rather than the Bahamas specific BU-LRIC modelling.

Aliv furthermore does not support URCA's proposal for a three year glide path to update the rates because it is unnecessarily long, and based on prior URCA commitments operators' expectations have been set for the immediate introduction of rates given the passage of time. Aliv further proposes the introduction of fixed termination rates for inter-island at the same level as those for intra-island for the reasons provided herein.

Question 1: Do you agree with URCA's preliminary view that forward-looking, incremental cost is the appropriate basis for setting termination charges?

Aliv agrees with URCA's preliminary view and rationale for cost-based rates as an adequate basis for termination rates.

Aliv has advocated pure FL-LRIC as the appropriate cost standard for setting interconnect rates in previous consultations[1] and welcomes URCA's preliminary view.

Question 2: Do you agree with URCA's preliminary view that developing Bahamas-specific BU LRIC models should be used as a base for setting forward-looking LRIC-based termination rates in The Bahamas?

Aliv disagrees with URCA. The incremental benefit of termination rates based on Bahamas-specific BU-LRIC models is likely to be small compared to a diligent benchmarking exercise. Frequency of rate updates has a higher impact on rates than country specificity: Termination rates vary more across time than across countries using the same cost standard.

[1] E.g. ECS 16/2016 and ECS 34/2016

To an extent, Aliv understands that URCA prefers Bahamas-specific BU-LRIC models over a “targeted costing exercise based on network components” because the former is flexible enough to “to cost other services which use the core network (e.g., trunk segment of leased lines)”. It is worth noting that a benchmarking exercise could be extended to cover these unspecified services should the need arise.

Aliv prefers benchmarking termination rates because of the

- small expected benefit from BU-LRIC modelling
- comparatively high cost and time requirements related to such models for all parties involved and the
- availability of numerous valid benchmark countries.

Question 3: Do you agree with URCA’s view that interim rates for intra-island fixed termination and mobile termination services should be set?

Aliv agrees. Current rates are out of date and based on service unit costs from more than three years ago.

Question 4: Do you agree with URCA’s proposed approach for interim fixed and mobile termination rates (including the proposed use of a glide path)?

Aliv agrees with URCA’s proposal to set interim fixed and mobile termination rates based on a benchmark of pure LRIC.

Alv disagrees with the extensive period over which URCA proposes to update the rates, i.e. the three-year glide path, for the following reasons:

- The glide path is unnecessarily long: Annual rate changes of BS$ 0.6 cents/minute and BS$ 0.2 cents/minute for MTR and FTR, respectively are comparatively small in the context of regulatory precedent. The impact on operators’ accounts which diligent planning would not have factored in already is likely to be limited.

- The rates applied currently are largely based on cost studies carried out between 5 to 10 years ago (e.g. old ECTEL model from 2009, old French Caribbean model from 2010) and/or based on methodologies that are not typically used for termination rate setting purposes (e.g. BTC’s top down fully allocated historic cost). Therefore, they have not represented efficiently incurred costs for a long time and should be corrected as soon as possible.

On 30 September 2016 URCA announced an “upcoming termination rate review, anticipated to be commenced within twelve (12) to eighteen (18) months of this determination”[2], i.e. between October 2017 and April 2018. There are two implications of URCA’s announcement supporting immediate application of cost-based rates without a glide path:

- The current review process is more than a year late and a glide path would only add to this substantial delay.
- Operators have had the opportunity to plan on the basis of the announced date. A 2-year glide path would have led to cost-based rates in year 2020.

Aliv disagrees with the approach to setting the inter-island FTR as it is based on equally out-dated costs and methodologies as the intra-island FTR. In 2018, Aliv has incurred more cost on inter-island than intra-island FTRs with one of the fixed operators. Hence, URCA’s rationale for keeping the inter-island FTR at its current outdated level is questionable. Aliv proposes setting the inter-island FTR at the same level as the intra-island FTR for the following reasons:

- The intra-island termination cost is a subset of the inter-island cost representing 66% of the inter-island cost. Not accounting for the fact that costs for the largest component of inter-island termination are over-estimated by a factor of 10 would lead to excessive intra-island termination cost estimates. If the intra island rate is reduced substantially, the intra-island rate should fall substantially, too.
- The additional cost component needed for inter-island termination (compared to intra-island termination) is a subsea cable shared across many other services. Almost the entire capacity on the relevant sub-sea cable is dedicated to data and leased line services. The pure incremental cost of carrying domestic voice calls on a subsea cable is likely to be zero or very near zero. Hence, the cost of inter-island termination would be virtually equal to that of intra-island termination.
- Different rates for inter- and intra-island termination have facilitated incorrect billing by a fixed operator in the recent past. They complicate billing for no good, i.e. cost recovery reason.

[2] ECS 33/2016, p. 5

Question 5: Do you agree that the proposed levels of interim termination rates?

Aliv agrees directionally. However, it appears that the rates proposed for year 3 are in some cases (e.g. EU countries) based on cost estimates for year 2018. If this is the case, they should be corrected.

For the aforementioned reasons, Aliv proposes setting inter-island rates at the same level as intra-island rates and moving to updated cost-based rates as soon as possible, i.e. in year 2020 without the additional delays a glide path would introduce. The rates proposed by Aliv are shown in the table below, for the avoidance of doubt.

Service	Rate as at 01-01-2020 (BSD cents/min)
Fixed call termination (intra-island)	0.08
Fixed call termination (inter-island)	0.08
Mobile call termination	0.72
SMS termination	0.85

Respectfully submitted

On behalf of Aliv

RESERVATION OF RIGHTS

Aliv expressly reserves all rights including the right to comment further on any and all matters herein and categorically states that Aliv's decision not to respond to any matter raised herein in whole or in part, or any position taken by Aliv herein does not constitute a waiver of Aliv's rights in any way.