



**CACU Response to OUR
Determination**

**Draft Cost Model for Fixed
Termination Rates**

10.07.2016

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CONSUMER ADVISORY COMMITTEE ON UTILITIES

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JAMAICA

August 10, 2016

Attention : Evona Channer

The Consumer Advisory Committee on Utilities (CACU) thanks the Office of Utilities Regulation (OUR) for the opportunity to participate in the consultative process on the Draft Cost Model for Fixed Termination Rates,

In that regard, please find attached, the CACU's response to the Consultation Document on the Estimate of the Weighted Average Cost of Capital for Telecommunications Carriers.

We look forward to further discourse on this important matter.

Regards.

Carolyn Ferguson PE, PMP

Engineer & ICT Professional

Consumer Advisory Committee on Utilities (CACU)



Question 1: Do you agree that the demand presented above reasonably represents the Jamaican fixed market? Please explain your views

It is generally accepted and agreed that there is a declining trend in voice calls, while the use of data is on the increase. This is shown by actual figures from past usage and the consensus on future trends. The figures in Table 1 and Table 2 reflect these trends.

We believe the Jamaican Market reflects the international trend.

Question 2: Do you agree that the migration percentage above and the final number of nodes are reasonable and accurately represent the foreseeable future of the Jamaican market? Please explain your views.

The CACU does not disagree with the migration percentages and the final number of nodes. These numbers would be reflective of the one (1) operator that has legacy nodes. The table indicates that there would be 100% Next Generation Networks (NGN) by 2020. The CACU does not disagree with this.

Question 3: Do you agree that the average distance extracted from the geographical analysis performed, reasonably represents the prevailing average length of the backhaul network in the geography of Jamaica? Please explain your views.

The CACU does not disagree with the average distances.

The ITU Document NPM/4.1 on **Telecom Network Planning for evolving Network Architectures Reference Manual**, published 28 February 2007, states (https://www.itu.int/ITU-D/tech/NGN/Manual/Version4/NPM_V04_February2007.pdf) :

The selection of new technology hinges on projected needs and consequent network development planning. In developing countries, the needs may be substantially different in urban and rural areas, and infrastructure and technology requirements will differ. In choosing technologies for a new or existing telecommunication network, a very wide range of factors needs to be considered. (Para 1.3 pg 13)

This supports the argument that the factors may vary for networks and operators so any data of this kind may continue to be evolving and changing for network operators and certainly within geographic areas. There is expected to be minimum and maximum distances given by equipment specifications.

Question 4: Do you agree that the resources obtained are reasonable to satisfy the demand? Please explain your views.

The data presented is not sufficient for the CACU to provide a response.

Network operators project their own demands according to their business cases and design their networks accordingly, hence that information would be strictly confidential.

Pertinent information could come from an independent survey of the Jamaican market gathering potential demand and then doing a generic network design to satisfy same including a projection of demand. This result would not be specific to any operator.

See Fig. 5.5, from the ITU Document NPM/4.1 on **Telecom Network Planning for evolving Network Architectures Reference Manual**, published 28 February 2007 (https://www.itu.int/ITU-D/tech/NGN/Manual/Version4/NPM_V04_February2007.pdf) Pg 91

It shows a projection of demand with options for satisfying this demand.

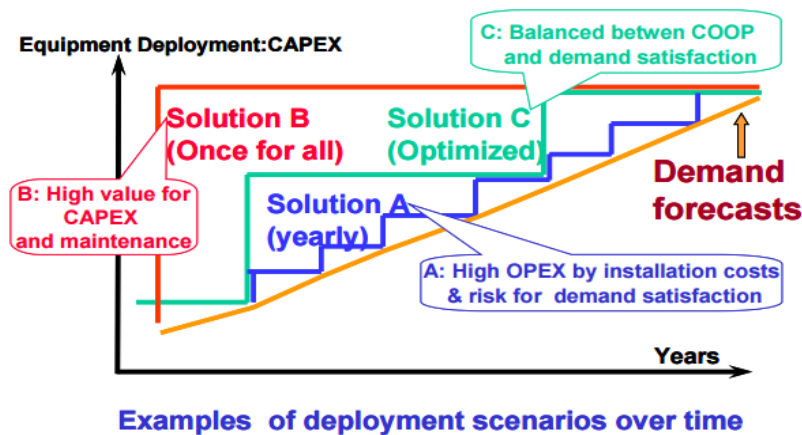



Fig: 5.5.1 Strategies of network resources deployment according to life cycle and economics



Question 5: Do you agree that the unitary costs used for the resources are accurate for telecommunication operations in Jamaica? Please explain your views.

The CACU does not disagree with the unitary costs. The following trends are noted:

- Capex and Opex costs quoted in JMD increased over time from 2013 to 2014 except in the case of OPEX for **Site.Cabinet site.# of sites** which was JMD 12,451 in 2013 and JMD 186 in 2014. These unitary cost increases can be expected over time with increasing inflationary costs in the Jamaican economy.
- Capex costs for equipment quoted in USD show a reduction over time which can be expected with improvements in technology and design as well as other international competitive factors that drive down costs.

We believe these costs are reasonable also considering that the source of the information is an international benchmark.

Question 6: Do you agree that the cost trends are reasonable? Please explain your views.

The CACU does not disagree with the cost trends given the source of the information.

Question 7: Do you agree that the cost structure shown above is reasonable for an operator with the demand presented in Table 1 and in Table 2? Please explain your views.

The CACU does not disagree with the cost structure presented.

The cost structure presented is from the reference operator and the demand presented in Table 1 and Table 2 are from the reference operator. It is fair to conclude that the costs presented are reasonable for the demand.



**Question 8: Do you agree with the routing factors used?
Please explain your views.**

The CACU does not disagree with the routing factors used.

**Question 9: Do you agree that the services' unit costs
obtained are reasonable? Please explain your views.**

The CACU does not disagree with the services' unit costs.

We observe that there is a general declining trend in these costs up to 2018, except for Emergency Services and Weather Warning Services which have an upward trend in their costs. We consider these services as important from a consumer perspective.