



Digicel's Comments

on

Responses

to

The Office of Utilities Regulation Consultation Document

on

Update of the Cost Model for Fixed Termination Rates – Draft Model

10th February 2021

OFFICIAL STATEMENT

We thank you for providing this opportunity for Digicel to comment on responses to the consultation on the Update of the Cost Model for Fixed Termination Rates – Draft Model. Digicel is, of course, available and would be happy to discuss our submission further.

The comments as provided herein are not exhaustive and Digicel's decision not to respond to any particular issue(s) raised in the other respondents' submissions or any particular issue(s) raised by any party relating to the subject matter generally does not necessarily represent agreement, in whole or in part nor does any position taken by Digicel in this document represent a waiver or concession of any sort of Digicel's rights in any way. Digicel expressly reserves all its rights in this matter generally.

Please do not hesitate to refer any questions or remarks that may arise as a result of these comments by Digicel to:

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Observations on CACU's responses

Observations on CACU's response to Question 1

Digicel notes and agrees with the CACU response that overall voice volumes are likely to decline over time and that data volumes are likely to increase.

The CACU response does not appear to have considered the issue of transit traffic and its endorsement of the over trend does not appear to conflict with the Digicel comment on the original consultation in this regard.

Observations on CACU's response to Question 2

Digicel notes that CACU does not object to the use of the proposed inputs with the CACU response.

Observations on CACU's response to Question 3

Digicel notes that CACU has caveated the precision of the proposed figures but has not objected to their use.

Observations on CACU's response to Question 4

Digicel notes that CACU does not disagree to the use of the proposed inputs but that this is conditional on the data being based on empirical inputs.

CACU does not appear to have considered the issue raised by Digicel in its response and believes that CACU's conditional endorsement does not contradict the Digicel comments on the original consultation.

Observations on CACU's response to Question 5

Digicel notes that CACU provides conditional endorsement of the cost structure. In Digicel's view, the use of inputs from the modelled operator would require that they be assessed and where necessary, modified to take account of any inefficiencies that are attributable to the operator's dominant position in the fixed market.

Observations on CACU's response to Question 6

Digicel notes that CACU does not disagree with the use of the proposed routing factors.

CACU does not appear to have considered the issue raised by Digicel in its response and believes that the CACU endorsement does not contradict Digicel's comments on the original consultation.

Observations on CACU's response to Question 7

Digicel notes the CACU's comment that costs for fixed networks trend down over time and that the model appears not to be producing the expected overall trend.

The CACU response therefore aligns with the Digicel response and we would ask the Office to set out an analysis of the drivers underpinning this outcome.

Observations on C&WJ's response

Observations on C&WJ's response to Question 1

Digicel notes C&WJ's endorsement of the overall downward trend of voice call volumes. As with Digicel's comments on transit C&WJ has raised queries in respect of specific traffic classes. Digicel notes C&WJ's suggestion that the Office set out the reasoning behind the projections and allow for comments.

The C&WJ's comments on data services do not deal with the issue of self-supply by C&WJ and do not appear to conflict with or contradict Digicel's response on the original consultation.

Observations on C&WJ's response to Question 2

CW&J has questioned whether the volume of modelled nodes is too low.

C&WJ has offered some comparators to support its position however Digicel does not believe that the comparators selected are appropriate. For the ECTEL markets the fixed penetration is up to twice the fixed penetration in Jamaica therefore the volume of served households per node is radically different to the comparator proposed by C&WJ.

Geotype distribution is also likely to be different in the ECTEL markets compared to Jamaica further undermining any probative value from the comparison.

In the case of Norway structural market differences such as the much higher levels of fixed broadband penetration, declining fixed line penetration which would still result in legacy volumes from a scorched node approach and geo type distribution will all reduce the relevance of the comparison offered.

In respect of the migration to NGN, Digicel is of the view that reflecting delays in the migration into the model would have the effect of rewarding inefficiencies on the part of an SMP operator. If the move to NGN results in lower costs then allowing the incumbent to recover higher costs on largely or wholly depreciated assets results in windfall gains.

C&WJ's proposal includes the suggestion that the figures for 2018 should be rolled forward to 2020 similarly for 2019 and 2021. CW&J knew the basis for its costing and pricing at the time and either explicitly or by omission made commercial decisions not to align its network evolution with the regulated basis for costs. It should not now be rewarded for these decisions.

By way of an aside while the COVID-19 pandemic has had some impact on operators' activities, the NGN migration was due to be largely completed by the time of its onset and accommodating delays due to the pandemic would be in this instance, another reward for the commercial decisions not to align its network evolution with the regulated basis for costs.

Observations on C&WJ's response to Question3

Digicel notes that C&WJ also raises the point that there should be an alignment between the Fixed and Mobile Cost models.

Observations on C&WJ's response to Question 4

Digicel notes that C&WJ's comments are all based on the underpinning issues raised in its response to Question 2. In this context we would refer the Office to our observations on the C&WJ response to Question 2.

Observations on C&WJ's response to Question 5

Digicel is of the view that the underestimation of CapEx referenced by C&WJ relates primarily to the volume of nodes which is the focus of C&WJ's response to Question 2. In this context we would refer the Office to our observations on the C&WJ response to Question 2.

Observations on C&WJ's response to Question 6

Digicel notes C&WJ's broad acceptance of the routing factors. They do not appear to have considered the aspects raised by Digicel and the C&WJ response does not appear to contradict the Digicel comments on the original consultation.

Observations on C&WJ's response to Question 7

Digicel notes C&WJ's position and that this is driven by its views on the number of nodes. C&WJ does not appear to have considered the issues raised by both CACU and Digicel in their responses and the C&WJ response does not contradict the responses of either CACU or Digicel to the original consultation.

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