Compilation of Comments Received from Stakeholders on the IUC Consultation Paper No.2007/1 dated 22nd January 2007

The Authority (ICTA) had launched a consultation document No.2007/1 on 22nd January 2007 regarding the determination of Interconnection Usage Charges (IUC) for Fixed Networks. The purpose of this consultation document was to elicit the comments, views and contributions of various stakeholders on the Authority's views on the determination of IUC for fixed networks.

The comments were invited by 29th January 2007, but based on request from operators during the consultation house on 22nd January 2007; the deadline for comments was extended by one week.

Stakeholders Comments

Comments, views, suggestions of 8 stakeholders (including 7 operators) have been received on the questions / issues in the Consultation Paper. The comments of three stakeholders were received 1-2 days beyond the extended period, but as the delay was short, these have been considered. One stakeholder has provided comments in French and these have been captured in English.

The Authority intended to publish the comments received in its original form on its website. However, more than one stakeholder objected to the procedure as the content of their comments is being qualified as being of a confidential nature. Accordingly, after consulting the concerned stakeholders, the Authority decided to provide a gist of the comments received, without mentioning the name of the stakeholder or direct reference to the stakeholders, who offered such comments. Any indirect / derived reference to the identity of the stakeholders is unintended. The stakeholders have been randomly numbered and the gist of the comments is tabulated and given at Annexure.

Discussion with Stakeholders

As deliberated at the launch of the consultation, the Authority is planning a second meeting with all the stakeholders for further discussion on the comments received before making a determination on IUC for the fixed networks.

5 March 2007

ICTA - Consultation

© Information and Communication Technologies Authority - March 2007
All rights reserved

Comparative Comments of Stakeholders on Consultation Document No.2007/1 dated 22nd January 2007

Questions for Consultation	No.1	No.2	No.3	No.4 , 5 & 6	No.6 –additional	No.7	No.8
ISSUES RELATED TO CALCULATION METHODOLOGY							
1) The Authority is in the process of finalizing the new IUC based on the historical and fully distributed cost of Mauritius Telecom. It is considered that the interconnection charges based on novel costing methodologies, such as Long Run Incremental Cost (LRIC), will involve more elaborate studies and as such will have to be undertaken through a separate exercise, which will comprise of an elaborate process and consultation with the stakeholders following the present exercise. The Authority proposes that the new IUC regime should remain in force till such time that LRIC based interconnection charges is available, or for a period of 15 months, whichever is earlier. Do you agree to this proposal?	- Suggests that new IUC regime should be applicable for more than 15 months, given complexity of LRIC computation - Transition to fully allocated current cost methodology, prior to LRIC should also be considered	- Agreed except that more recent data be used	-Request for use of more recent figures -Move to LRIC should be in lesser time than 15 months -ICTA should share cost model with operators	-Agreed and impress upon the Regulator to have clear roadmap on LRIC with definitive deadlines preset, in consultation with the stakeholders	- IUC should only be computed based on local loop costs, through a modern methodology, LRIC -Commitment needed from Authority to ensure that using historical costs is purely transitory and new IUC will be LRIC based, computed within reasonable timeframe, by end of 2007 for instance.		-Raises issue of delay (a) in migration to LRIC and (b) calculation of IUC based on HCA -Suggests IUC forecasting based on average of 2002 to 2004 figures
2) In the calculation of the IUC, the Authority has to provide a reasonable return on the Capital Employed, which should be a mix of debt and equity along with a risk rate of return on equity, in line with international best practices. What in your opinion should be the reasonable rate of return on capital employed (ROCE) by MT in its business? The stakeholders may provide their detailed comments on each component of ROCE.	- Not appropriate for other operators to recommend the rate of ROCE for another operator - propose ROCE based on risk element of the Mauritian economy, business sector and investment opportunities	- Rate of interest charged by Central Bank of Mauritius on long term loans	-Reasonable rate of return from foreign investors point of view -Request for disclosure of WACC used and what ß value is used for Mauritius	-Listed the elements which may be considered to fix the ROCE, such as (a) volume of traffic, (b) historic nature of business, (c)quasi-monopoly position, (d) replacement cost of network and new technology, (e) bank lending rate and risk free			- Return obtained from Government Bonds plus a reasonable risk - take into consideration that telecoms sector is not deemed to be very risky for investment

© Information and Communication Technologies Authority - March 2007
All rights reserved

				savings account rate (f) universal service characteristic of investment, and (g) use of historical cost instead of LRIC.			
3) The Authority proposes to treat the wholesale business of MT such as leased lines, etc… separately by providing for a special margin on non-call revenues before appropriating them to reduce the operating expenses. What in your opinion should be the reasonable rate of such special margin?	-Recommends special margin on non-call revenues	- No special margin on any service segment should be allowed	-Existing margins should be disclosed, in order to comment -Ensure that wholesale business of incumbent is not accounted for and compensated twice via this margin	-No rate volunteered. -The Authority can decide which are retail and wholesale services and the margin to be allowed but should consider substantial allowances made to MT during the last 2 tariff rebalancing exercises - Wholesale tariff cannot be higher than retail			- Authority is better placed to know the margin made by incumbent - Authority should take necessary care so that wholesale business of incumbent is not accounted for and compensated twice via this margin -Authority should disclose complete cost model without figures
Questions for Consultation	**No.1**	**No.2**	**No.3**	**No.4 , 5 & 6**	**No.6 –additional**	**No.7**	**No.8**
ISSUES RELATED TO COST BASED IUC							
4) In the new IUC regime the Access Deficit Charges (ADC) are proposed to be calculated and levied separately in a transparent manner. The cost based IUC shall represent the charges purely for origination, transit and termination. Stakeholders may comment on the new provision.	- Agrees to the proposal - Proposes varied ADC charges according to call category	- No rationale for ADC concept if every tariff for every service is cost based -ADC concept has been phased out in other countries	-No reason for ADC due to (a) high mobile penetration & competitive tariffs (b) high profits made by incumbent	-Agreed for pure cost based IUC -Cautions that positive impact of cost based IUC should not be eroded by unwarranted ADC contribution	- The incumbent fixed network operator, in a position of SMP, is entitled to pure cost based IUC only for use of its network. - No other remuneration should be granted.		- Requirement of ADC should be established based on entire fixed line business - It is illogical if ILD & mobile subscribers should fund ADC - A fixed amount may be added to the tariff of incumbent to recover ADC
5) As the network elements used for origination and termination of various calls are practically	- Agrees to the proposal	- Yes	- Agreed	-Fully Agreed -Full transparency required in			- Agreed except that incoming and outgoing calls may

ICTA Consultation

same, the Authority proposes that termination and origination IUC charges in the fixed network should be uniform for all calls i.e., international, mobile and fixed calls. Do you agree with this? If not, please provide the reasons thereof.				determining the UNEs used in origination, termination and transit			not require exactly the same network elements
6) The IUC calculated based on MT accounts is proposed to be made applicable to all fixed networks. State whether the IUC calculated on the basis MT accounts be extended to fixed network of alternate telecom operators also?	- Believes same IUC may apply	- Agreed except that it should be based on latest data - IUC should be based on LRIC in future	-Averaging principle used as done for CPP costing exercise under TO5 2004 -Without averaging high possibility of passing on the inefficiencies of one operator to another	-Agreed with proviso that regulator should use the benchmark of most efficient operator			-IUC methodology tends to recognize incumbent as most efficient operator, which may not be the case - Costing of all fixed telecom operators could be looked into, and average IUC be calculated as for CPP exercise, under TO-5 of 2004
7) In order to promote the use of the Internet, the Authority proposes to continue with the special below-cost rate of IUC for the dial-up Internet calls. State whether in your opinion the present rate of IUC for dial up Internet calls is sufficient or is there a need to further reduce the rate? What should be the options for the recovery of such shortfall in the revenue of fixed-line operators?	- Considers no need for further reduction in IUC for dial-up Internet access - Shortfall to be recovered from originating, transiting, and terminating IUC	- Should not be reduced further - Govt. should compensate the access providers for such losses	- Dial up Internet rate should reflect the cost so as to allow broadband Internet services to pick up	-Supports the low cost dial up Internet -However, the financing mechanism to the satisfaction of all stakeholders needs to be set up			- IUC rate should reflect cost - Subsidising dial up Internet should not be at the expense of broadband Internet services -Proposes that such subsidy may be used to reduce the cost of international backhaul, which would lead to the subsidization of all Internet services
Questions for Consultation	**No.1**	**No.2**	**No.3**	**No.4 , 5 & 6**	**No.6 –additional**	**No.7**	**No.8**
ISSUES RELATED TO ADC							
8) The Authority proposes to prescribe a levy for the recovery of ADC only from the	(a) ADC should apply to origination, transit	(a) No ADC should be charged on domestic calls	-Refer to reply 4 above	(a) Totally against the idea of levy to finance access	- Any additional levies should fall within the premise	- No claim of access deficit may be entertained	- Contribution to special account for the purpose of

ICTA - Consultation

© Information and Communication Technologies Authority - March 2007
All rights reserved

international calls. (a) What is your opinion for levy / recovery of ADC from some domestic calls as well? (b) State whether it is appropriate to use the difference between the share of the access providers in the termination charges on international calls prescribed under TO 2 of 2006 and the proposed cost-based IUC to provide for the ADC?	and termination of all call types (fixed domestic, mobile and international) and the amount of ADC should vary by call type (b) Agreed	(b) No. ADC should be additional levy		deficit - In many countries the ADC schemes have been revamped to include just the high cost areas and/or low income subscribers and others have abolished it -ADC should remain the province of USF -Disagrees with the proposal of ADC recovery only from international calls, as Domestic to International call ratio is 60:1, so domestic calls should also contribute, (b)Not appropriate	of the USF - The above is supported by ITU directives and the ICT Act -All services that make use of the incumbent fixed operator's local loop should contribute pro rata to the cost of latter, notably domestic calls, as well as value added services (ADSL,VoD,etc…)	based on estimates of profits made by incumbent's local loop	ADC by ILD operators is already prescribed vide TO2 of 2006 & TO11 of 2003 - No further ADC be imposed on any other call type
9) State whether it is appropriate to allow MT to directly receive or retain the applicable ADC for the calls that leave or enter its network? What safeguards are required to build against excess appropriation of ADC to MT on this account?	<u>First Part</u>: No Comments Provided <u>Second Part</u>: Recovery of accrued and uncompensated access deficit should be prioritized over excess appropriation	<u>First Part</u>: Agreed <u>Second Part</u>: Proposed safeguards: reconciliation through billing system, dispute resolution by Regulator, define and publish adjusted gross revenue (AGR)	-Refer to reply 4 above	- Unacceptable	- Any additional levies should fall within the premise of the USF - USF needs to be urgently set up and managed as prescribed under ICT Act		- Direct payment to incumbent is against Section 21 of ICT Act 2001, which prescribes payment into a fund - This is also in contradiction to the position of the Authority in the Open House Session on Universal Service in Jan 2005 -MT is also not the sole Universal Service provider in Mauritius

© Information and Communication Technologies Authority - March 2007
All rights reserved

Questions for Consultation	No.1	No.2	No.3	No.4 , 5 & 6	No.6 –additional	No.7	No.8
ISSUES RELATED TO TARIFF							
10) In the general consumers' interest, it is proposed that any reduction in the IUC be fully passed on to them in a transparent manner. Do you agree with this proposal or should the reduction in tariff be left entirely to market forces?	- Retail services should be left to market forces - Authority should regulate wholesale services only	- Cost reduction to be transparently passed on to customers	- IUC reduction should ideally be passed on to subscribers - The current low tariffs in Mauritius should however be taken into account	- Market forces may decide the ILD rates post reduction of IUC - Regulator may concentrate on the incumbent operator to prevent abuse of dominant position			- Any IUC reduction should be passed fully to subscribers - Higher reductions may be looked into, given additional margin used by operators when computing their tariffs
ADDITIONAL COMMENTS							
	No.1	**No.2**	**No.3**	**No.4 , 5 & 6**	**No.6 –additional**	**No.7**	**No.8**
	Fully adheres to the costing exercise being undertaken by the Authority and requests that i. access deficit be catered for, ii. recovery mechanism for ADC be clear, iii. appropriate safeguards so as to ensure direct payment from access users		Holistic approach be adopted and cost of other components such as 'links' of interconnection may also be made part of the present exercise. The terms of interconnection may also be set clearly. Operators faced problem in signing I/C agreement with incumbent, as I/C agreement was different from RIO.		-New entrants may be exempted from contributing to USF for a limited time -USF contributions may be based on turnover	Provided an alternate calculation of cost of termination in incumbent's network using some benchmarks like cost per line, MRU to USD rate, minutes per month, expected life time, etc	The mobile to fixed calls (Rs.4.35 per minute on prepaid) are priced just short of mobile to ILD calls (Rs.5.70 per minute on prepaid). Without special payment of Rs.1.50 the cost of international call would be lower than the domestic call. Authority may need to investigate and correct the anomaly.

ICTA - Consultation

© Information and Communication Technologies Authority - March 2007
All rights reserved