



E-mail: cacu2@our.org.jm
Mobile/WhatsApp: 876-322-9301

27th January, 2021

Office of Utilities Regulation
P.O. Box 593
36 Trafalgar Road
Kingston 10, JAMAICA
Attention: Fay Samuels

Dear Ms. Samuels,

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

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

In that regard, please find attached, the CACU's response to the Consultation Document on the Update of the Cost Model for Fixed Termination Rates – Draft Model.

We look forward to further discourse on this important matter.

Regards.

Sincerely yours,

CONSUMER ADVISORY COMMITTEE ON UTILITIES

Carolyn Arnold

Carolyn Arnold
Telecommunication Lead



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Mobile/WhatsApp: 876-322-9301**

Question 1: Do you agree that the demand presented above reasonably represents the demand of the Jamaican fixed market? Please justify your position and provide supporting information and references.

Yes. It is a reasonable representation that voice traffic will decrease while data traffic increases. This trend is also noted internationally according to [this source](#).

Question 2: Do you agree that the number of access nodes is reasonable and accurately represents the realities of the Jamaican market? Please justify your position and provide supporting information and references.

The document states that the figures were as of 2019. This response is at the beginning of 2021. The CACU does not expect that the numbers would be the same however the ratio may remain the same. We are of the thought that it is sufficient to use the available data.

Question 3: Do you agree that the unitary costs and trends used for the resources are accurate for a telecommunications operator in Jamaica? Please justify your position and provide supporting information and references.

To say that the information is accurate means that it is exact. While we believe they may not be exact, as an input to the model, the CACU does not disagree with the data being used.

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

The information presented did not juxtapose the resources against the corresponding demand. However the additional input sheet indicates that the information was obtained from empirical data. Therefore the CACU does not disagree with this.

Question 5: Do you agree that the cost structure shown above is reasonable for an operator with the demand and characteristics of the modelled operator? Please justify your position and provide supporting information and references.

The CACU does not disagree with the cost structure to the extent that the modelled operator has provided the representative data of their operations.



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Question 6: Do you agree with the routing factors used? Please justify your position and provide supporting information and references.

The CACU does not disagree with the routing factors used. It was stated that the factors were unchanged from the previous model. Upon examining the Additional Inputs File, we observed that only one additional row was included for television with a few factors filled out when compared to the other services.

Question 7: Do you agree that the unit costs obtained for services are a reasonable representation of the costs in the Jamaican market? Please justify your position and provide supporting information and references.

The trend shows that the units costs increase over time with some factors remaining steady. According to [this paper](#) by Morten Falch, section 3.0.

Trends in Investment Costs The most important factors of input to investments in telecom networks are electronic equipment, cables and wires. Prices for electronic equipment have decreased rapidly and are expected to continue declining in the future. This affects in particular the costs of switching but transmission is affected also. Improved cable technology, and in particular the introduction of optical fibres, has reduced costs of cables substantially. Prices for copper wires are relatively stable, but new compression techniques are increasing its capacity. Optical fibre cable provides significantly greater capacity, and price reductions now make it competitive with copper cables for installation of new access networks on greenfield sites in some locations

It would seem logical that the unit costs would decrease over time.

Consumer Advisory Committee on Utilities (CACU)

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