

# NEWS

## Approval of C&WJ Changes - OUR Says Why

- ◆ The decision by the Office of Utilities Regulation (OUR) to approve Cable & Wireless' request to discontinue the provision of telephone instruments, wiring of premises and maintenance of wiring installations in premises was made as a move to make customers directly responsible for the costs which they impose on the provision of utility services.
- ◆ The immediate effect of the proposed new change in policy will be a reduction in the average consumer's bill as no charge will be imposed for rental of instruments or the number of extensions. Additionally, the maintenance of wiring inside customer's premises will continue to be done by Cable and Wireless at no direct cost to the consumer until the master jack has been installed in their premises.
- ◆ Initial wiring of premises and the subsequent maintenance of this wiring has not been free. Although the cost has not been shown as a line item on consumers' bill, it is part of the expenses covered in Cable and Wireless' overall revenue requirements. Reducing these expenses should therefore reduce Cable and Wireless' total revenue requirements which should result in lower tariffs than would otherwise have obtained.
- ◆ Cable and Wireless has little or no control over the way in which wiring installations and telephone instruments in consumers' premises are maintained. Therefore, the company cannot effectively control the costs of these activities. Many wiring extensions done inside customers' premises are not undertaken by Cable and Wireless' technicians but by unauthorised contractors and zealous do-it-yourselfers. Subsequently, Cable and

Wireless' technicians often have to go in to improve the installations to meet their technical standards and quality of service. Relieving the individual consumer of the cost implications of their actions reduces the incentive to care and protect wiring installation and telephone instruments. The resulting maintenance costs are borne by the customer body at large.

- ◆ Making the customer responsible for wiring installation and maintenance of instruments brings Cable and Wireless in line with the practices of the electricity and water utilities. It is also what is done North America and Europe.
- ◆ The change in this responsibility was obviously anticipated in the Telecommunications Act 2000. Section 57 removes the responsibility for certification of equipment, internal wiring and technicians from Cable and Wireless. Cable and Wireless would no longer have a direct role in approving these items.
- ◆ The cost of these services had been subsidized in part by revenues received from international telephone traffic. The contribution of these revenues as a percentage of Cable and Wireless' overall revenue has been decreasing and will continue to decrease as a result of accounting rate rebalancing. If the subsidies being provided to certain services are not reduced the average cost of local service will increase.
- ◆ It is sometimes argued that removal of this subsidy for house wiring and telephone instruments will make it more difficult for the poor to become telephone subscribers. Innovative methods can be developed to address this problem as is done in the rural electrification programme for electricity customers. In any case, the minimum cost of the initial wiring will probably be lower than is being commonly estimated. Cable and Wireless will terminate their responsibility at a master jack at some secure location inside

the customer's premises. The master jack itself has provision for the attachment of a telephone instrument. If the position of the master jack is at a location convenient to the customers for placing the instrument, no additional wiring will be required. Otherwise, for a single plug, cabling will be required only from the jack to the instrument. The OUR does not consider it necessary to subsidize the cost of providing multiple extensions.

- ◆ The terms and conditions of service between a utility and its customers are normally approved by the regulator. There is nothing in the Government's Telecommunications Policy or in the Telephone Act 2000 which seeks to restrict the OUR's authority in this regard.
- ◆ Competition in the provision of local fixed line service will be allowed as of September 2001. If Cable and Wireless is required to continue providing wiring and telephone instruments to new customers at no direct cost to them, the competitive environment will be distorted.
- ◆ The OUR considered the Cable and Wireless request for the proposed change in the terms and conditions of service in great detail. We are convinced that the proposals are in the overall interest of the telephone subscribers.

**For further information, please contact Winston C. Hay, Director General or Granville Newell, Manager - Communication Services.  
Telephone: No. 968-6053 or 968-6057-8**