TELECOMMUNICATIONS REGULATORY COMMISSION

VIRGIN ISLANDS

CONSULTATION ON THE MARKET ANALYSIS OF WHOLESALE CALL AND SMS TERMINATION ON INDIVIDUAL FIXED AND MOBILE NETWORKS: PART II: ASSESSMENT OF REGULATORY REMEDIES

30 September 2011

Reference Number: C/02/2011

The address for responses to this document or enquires regarding this document is:
Consultation on the Market Analysis of Wholesale Call and SMS Termination on Individual Fixed and Mobile Networks, Part II
Telecommunications Regulatory Commission
P.O. Box 4401 or 27 Fish Lock Road, 3rd Floor
Road Town, Tortola, British Virgin Islands VG 1110
Fax: (284) 494 6786; E-mail: consultations@trc.vg
The deadline for responses is **31 October 2011**

Instructions for submitting a response

The Telecommunications Regulatory Commission of the Virgin Islands ("TRC") invites comments on this consultation document from all interested parties.

Comments should be submitted by **31 October 2011** in line with the guidelines for conducting consultations set out in the Telecommunications Code (Part 1) (Public consultations and Public Hearings) Guidelines, 2010[1]. The TRC reserves the right not to consider any responses submitted after this date.

Preferably responses to this document should be sent by email to consultations@trc.vg (indicating the subject): "Consultation on the Market Analysis of Wholesale Call and SMS Termination on Individual Fixed and Mobile Networks. Part II Assessment of Regulatory Remedies". Alternatively, the responses may be sent to the address (or the number) below:

Consultation on the Market Analysis of Wholesale Call and SMS Termination on Individual Fixed and Mobile Networks. Part II Assessment of Regulatory Remedies –Telecommunications Regulatory Commission P.O. Box 4401 or 27 Fish Lock Road, 3rd Floor Road Town, Tortola, British Virgin Islands VG 1110 Fax: (284) 494 6786.

Responses should include:

In the case of responses from corporate bodies (legal persons):

- the name of the company/institution/association/other organisation;
- the name of a principal contact person; and
- full contact details (physical address, postal address, telephone number, fax number and email address).

In the case of responses from individual (natural) persons, name and contact details (including email).

[1] http://www.trc.vg/attachments/030_G00349_SI%20No%20100%20of%202010%20-%20Telecommunications%20Code%20%28Part%201%29%20%28Public%20Consultations%20and%20Public%20Hearings%29%20Guidelines,%202010.pdf

In the interest of transparency, the TRC will normally make all submissions received available to public, subject to confidentiality of the information received. The TRC will evaluate requests for confidentiality according to relevant legal principles.

Respondents are required to clearly mark any information included in their submission which they consider to be confidential, and provide reasons why that information should be treated as such. Where information claimed to be confidential is included in a submission, respondents are required to provide both a confidential and a non-confidential version of their submission. The TRC will determine whether information claimed to be confidential is to be treated as such and, if so, will not publish that information. In respect of information that is determined to be non-confidential, the TRC may publish or refrain from publishing such information at its sole discretion. Once the TRC has received and considered responses to this consultative process, it will issue a final statement on the consultation which will be published on the TRC website (including a report on the consultation), and will issue amendments to the licences of the public suppliers detailing the regulated termination rates.

Market Analysis of Wholesale Call and SMS Termination on Individual Fixed and Mobile Networks

Consultation Part 2 – Assessment of Regulatory Remedies

1 Executive Summary

In line with the Determination of Dominance[2], the TRC proposes to regulate the wholesale price of call termination on fixed networks, the fixed termination rate "FTR" and the wholesale price of call termination on mobile networks, the mobile termination rate "MTR". The TRC has considered the range of regulatory remedies to address the call termination bottleneck which include:

- No regulation
- Bill and Keep
- Application of Long-run Incremental Cost ("LRIC") models to calculate the termination rate
- Benchmarking

The TRC has evaluated the range of responses from CCT, Digicel and LIME[3] with respect to the above options. The TRC is of the view that whilst opinions differ on the applicability of bill and keep models and LRIC models to the VI market, the three operators were unanimous in their support of benchmarking, even if the choice of appropriate benchmarks differed between the operators. The TRC believes that benchmarking is the correct and proportionate approach to setting termination rates in the VI by ensuring that this regulation is applied with minimum regulatory cost and that the VI is as far as possible in line with regulatory best practice in the Caribbean region.

The TRC therefore sees fit to apply benchmarking techniques to set the appropriate fixed termination rate and mobile termination rate. The TRC proposes a FTR of $0.01 based on relevant FTR benchmarks from regulated countries in the Caribbean. The TRC proposes an MTR of $0.05 based on the current rate in the VI which in the view of the TRC is in line with the future direction of MTR benchmarks in the Caribbean. The TRC proposes to set these regulated rates for the charge control period from November 1 2011 to 31 October 2013. Thereafter, the TRC propose to reset the rates every two years on the basis of Caribbean benchmarks at the time. It is anticipated that both the VI FTR and MTR will therefore fall in the following charge control period based on a new set of lower termination rate benchmarks across the Caribbean region. The TRC believes that this is the most proportionate and appropriate approach for the VI to ensure that the VI is in line with the Caribbean region and which minimises the cost of imposing such a regulation.

[2] http://www.trc.vg/attachments/014_Determination%20of%20Dominance%20for%20termination%20services%20on%20individual%20fixed%20and%20mobile%20networks.pdf

[3] Attached on the TRC website: www.trc.vg

2 Phase 1 Consultation

The TRC launched a consultation on the market analysis of wholesale call and SMS termination on individual fixed and mobile networks on 1 June 2011 and received responses from CCT, Digicel and LIME. The consultation defined the relevant termination markets and assessed the degree of competition and evidence of significant market power within those markets. Following the consultation, the TRC issued a short report[4] which designated all operators as dominant in the termination of calls and SMS to their own networks as follows:

- Cable and Wireless (BVI) Ltd ("LIME") is dominant in the wholesale market for voice call termination on its fixed network
- Cable and Wireless (BVI) Ltd ("LIME") is dominant in the wholesale market for voice call termination on its mobile network
- Caribbean Cellular Telephone Ltd ("CCT") is dominant in the wholesale market for voice call termination on its mobile network
- Digicel (BVI) Ltd ("Digicel") is dominant in the wholesale market for voice call termination on its mobile network
- Caribbean Cellular Telephone Ltd ("CCT") is dominant in the wholesale market for SMS termination on its mobile network
- Digicel (BVI) Ltd ("Digicel") is dominant in the wholesale market for SMS termination on its mobile network

The TRC issued the Determination of Dominance on the 22 September 2011 and published the Interconnection Requirements for outlining the requirements for interconnection in line with ITU HIPCAR best practice interconnection guidelines.

The consultation document also outlined the range of possible appropriate regulatory obligations that could be applied to call termination practices and received responses from the operators. This consultation document focuses on a further assessment of the appropriate regulatory obligations taking into account the operator responses and sets out the proposed approach for the VI.

According to the Telecommunications Act (the "Act"), where the TRC finds that a public supplier is dominant with respect to a certain market, the TRC may apply price regulation regimes. Section 26 (4) states that:

"Where the Commission determines that a public supplier is dominant in any market, the Commission shall include in the licence of the public supplier, upon issuing or by amending the licence, such additional terms and conditions to the licence for the purposes of regulating tariffs, protecting the interest of users and other licenses including the provision of adequate facilities and interconnection and access services, and of ensuring fair competition among licensees as it considers appropriate."

[4] http://www.trc.vg/attachments/014_Market%20Analysis_01_Interconnection%20Short%20Report.pdf

Section 29 (2) states that:

"The Commission may establish price regulation regimes to promote efficiency and sustainable competition and maximise consumer benefits, which shall be specified in the Telecommunications Code[5], for setting, reviewing and approving prices, in any case where

(a) …one licensee has a dominant position in the relevant market."

As outlined in the Determination of dominance, each operator is dominant in the termination of calls to their own network and therefore the TRC sees it fit to apply price regulation to call termination in the form of price control.

As outlined in the consultation document, the TRC does not see that it is currently necessary to apply regulation to SMS wholesale pricing, and none of the respondents indicated that this approach was inappropriate at the time although the Determination and the Interconnection Requirements allow for the TRC to change this approach if it detects the need. The price regulation will therefore only apply to fixed and mobile call termination for the purposes of this current charge control period.

3 Regulatory options

The consultation document set out four options for setting termination rates:

1. **No regulation. Rates are set through commercial negotiation. In** the presence of significant market power in the termination of mobile voice calls, fixed voice calls and in the presence of unequal market shares, the negotiated outcome may be sub-optimal from a consumer welfare point of view as operators may have an incentive to set termination rates above cost. Regulatory intervention may be required to set termination rates at the efficient level for the benefit of consumers.

2. **Bill and Keep**
   Bill and Keep (BAK) means that operators bill their customers for the calls they make and keep the revenue. They do not charge each other fees for termination, so in other words, the termination rate is set at zero. Where traffic is balanced between operators a zero termination rate eradicates the need for measuring and billing for traffic and ultimately for making identical payments between operators.

3. **Application of a long run incremental cost ("LRIC") model to determine the rate.**
   In many regulated environments[6], a cost model is developed to calculate the additional costs incurred through offering termination services to other public suppliers. Cost models have evolved from LRIC plus models which also allow for some fixed and common costs to be allocated to termination services to pure LRIC models which only account for the extra cost of

[5] As outlined in the Interconnection Requirements
[6] UK (Ofcom) and France (Arcep) have typically led the field in developing cost models.

offering termination services to other public suppliers. [7] The purpose of a LRIC model is to model the network costs of a hypothetical efficient network operator in a given country.

4. **Benchmarking**
   An alternative approach is to set termination rates on the basis of a relevant set of benchmarks. Benchmarking allows for a country to set termination rates at a level which is consistent with international regulatory best practice without undertaking a costly and time consuming LRIC modelling exercise. The choice of benchmarks is crucial for determining the appropriate rate for the VI. The first stage consultation proposed the use of European benchmarks from countries following the European Commission methodology.

4 Operator responses and TRC synthesis

This section summarises the responses of the operators with regard to the four options.

No regulation

LIME stated that it disagreed that there is a need for regulation of termination rates in the BVI but did not explain further. CCT and Digicel did not respond on the option of no regulation.

The TRC conclude that no regulation of SMS termination rates is currently appropriate but that regulation of voice call termination rates is necessary to ensure that the VI is in line with international best practice and benchmarks.

Bill and Keep

CCT stated that they would be very interested in considering bill and keep models. The response stated “We would be very interested in considering bill and keep models, where only minutes exceeding a certain % of traffic unbalance would be charged. As an example, a possible bill and keep model could be the following: No charges would be applied for termination if the unbalance is equal or below a certain % (say for instance 20%). Any traffic above such unbalance would charged at the agreed rate.”

Digicel expressed no interest in a bill and keep model and argued that moving to a bill and keep arrangement would require a move to a receiving party pays (“RPP”) system which would not be in the consumer interest.

LIME argued that a bill and keep regime would be unsuitable for the VI given the negative impact it would have on foreign exchange inflows. In addition, LIME argued that “where there is an imbalance in traffic flows, bill and keep represents a transfer of value from the terminating to the originating network, which is inappropriate.”

[7] See European Commission Recommendation on Termination Rates, 7 May 2009 and Ofcom Final Statement on Mobile Call Termination 15 March 2011.

In the view of the TRC, none of the operators has made a convincing case for the introduction of a bill and keep regime in the VI. CCT's proposal would still require a termination rate to be charged for imbalanced traffic flows which renders the system no different from a traditional termination rate charging system where equal traffic flows can be netted off and operators only make/receive payments for traffic imbalances. Digicel's arguments against RPP incorrectly assume that a move to bill and keep would necessitate a RPP regime. It would be possible combine bill and keep with a calling party pays regime but the result, in the view of the TRC, would not necessarily be economically efficient. LIME's argument that bill and keep represents a transfer of value from the terminating operator to the originating operator is valid such that the transfer may incentivise an inefficient number of calls to be made.

Application of a long run incremental cost ("LRIC") model to determine the rate

CCT stated that they do not believe that a LRIC modelling exercise should be undertaken for the VI as the VI operators do not have the resources to provide inputs to a LRIC model. Digicel stated that "The Commission should certainly not embark on a cost modelling exercise" and argued that the total cost of doing so would be in excess of any benefits that could be derived from the process. LIME was the only operator to suggest that a "full fledged LRIC cost modelling exercise should be done for the VI." LIME suggested that the TRC could use LRIC benchmarks from other Caribbean countries.

The TRC is not minded to carry out a LRIC modelling exercise for the VI given the time and resources such an exercise would require. The TRC is in agreement with Digicel that the costs of such an exercise would likely outweigh the benefits for the VI market.

Benchmarking

CCT stated that benchmarking is the most appropriate approach to determining termination rates for the VI and said that it would be appropriate for the TRC to benchmark against countries following the European Commission methodology taking account of an appropriate adjustment for VI operators. Digicel stated that "if there is any regulatory intervention in termination rates then benchmarking is the best approach". Digicel argued against using benchmarks from countries following the European Commission methodology. Digicel argued that in the Caribbean region common costs are recovered across all network products in comparison to the European Commission methodology which does not allow for the recovery of fixed and common costs from termination services and that the Caribbean approach was more appropriate as "risks are far higher in the Caribbean due to smaller markets, natural disasters and political and economic factors". Digicel argued that adopting the European Commission approach would act as a deterrent to investors.

LIME argued for the use of relevant regional benchmarks rather than European benchmarks which might be taken from countries which bear little similarity to the VI. Further reference to LIME's response is made in section 7 on benchmarking.

In reality, application of the European Commission approach in benchmarking would likely result in a slightly lower MTR than at present. If the European Commission model were to be strictly applied to the BVI, then due to likely low level of incremental capacity costs in the VI, the resulting rate would be very low. The majority of network costs in the VI are likely due to coverage and the extra cost of providing termination services to other operators is likely to be very low given that this capacity will already be available for on-net termination.

The TRC believes that benchmarking is the optimum way to set termination rates for the VI. It is the lowest cost regulatory approach which ensures that the VI is in line with international best practice and with regional benchmarks. Taking into account the responses of the operators, the TRC believes that the best approach for the VI for the period of this charge control is as follows:

1) Fixed termination rates. As section 7 demonstrates, the VI has one of the highest FTRs in the region. Despite the terrain in the VI, the incremental cost of terminating calls on the fixed network is likely to be very low. There is a risk that the current rate results in a subsidy from the mobile networks to the fixed network in the VI, which the TRC views as having potential distortionary effects. Therefore the TRC will benchmark the FTR against comparable low FTRs in the region in order to avoid any mobile to fixed subsidy. The TRC is also concerned that the current level of the FTR may prevent the development of mobile to fixed ("M2F") retail offers which creates a competitive advantage for LIME which owns both a fixed network and a mobile network, which cannot be enjoyed by CCT and Digicel.
2) Mobile termination. As section 7 demonstrates, the VI has one of the lowest MTRs in the region. Calculating the MTR based on a pure LRIC model would likely result in a lower MTR based on the benchmarks in Europe following the pure LRIC methodology. Calculating the MTR based on a LRIC plus model as adopted in other Caribbean states might result in a slightly higher MTR as per the ECTEL benchmarks. However, the international trend is towards falling MTRs and the TRC sees no benefit whatsoever in increasing termination rates in the VI and would be concerned about the resulting impact on retail prices. At present, given the evidence in section 8, the TRC is of the view that the retail market for domestic mobile services in the VI is fairly competitive and that the current level of the MTR does not present a barrier to developing unlimited offer including on-net and off-net calls. Regulation is intended to mimic the outcome of a competitive market and in this case, it is the view of the TRC that the mobile operators have agreed to an MTR which reflects and results in a reasonably competitive domestic retail market. At this point in time, given that the BVI exhibits a low MTR for the region, the TRC sees little benefit in lowering the MTR. As Digicel state in their response "there is no evidence in the BVI that mobile termination rates are too high." The only purpose of lowering the MTR further would be to further encourage the development of unlimited off-net offers. However, the TRC recognises that there is a positive cost in terminating calls and recommends that the development of unlimited off-net offers be left to competition. The TRC will therefore set the MTR at $0.05 for the duration of this charge control and recommends that this rate be lowered by the average decrease in MTRs across the Caribbean region for the next charge control period.

5 Charge control period

Termination rates are typically set for a charge control period of 2-4 years. The TRC will set the termination rate from 1 November 2011 for a period of 2 years until 31 October 2013 at which point the termination rates will be reduced by the average decline in termination rates across the Caribbean states referred to in section 7. Every two years termination rates will be reduced until the point where either the low level of the rate or a change in charging model or technology demands an alternative approach. This approach is designed to create regulatory predictability and certainty for operators but with enough flexibility to stay in line with regional benchmarks and changes in technology. For example, the introduction of long term evolution technology ("LTE") to the BVI may necessitate a change in the charging model.

6 Other matters raised by the Operators

Asymmetric termination rates

Digicel raised the subject of asymmetric termination rates to address any difference in cost between the networks. Digicel stated that "a way of counterbalancing CCT's spectrum advantage would therefore be to allow for that cost advantage in termination rates." The TRC would like to clarify that any issues in spectrum allocation will be addressed through the spectrum consultation and not through termination rate regulation.

CCT also suggested "it would be reasonable to establish some kind of asymmetry in terms of termination rates between mobile networks, because of the big differences in size (regional vs local only). In other words it would be reasonable for CCT to charge higher local mobile termination rates than LIME and Digicel networks." The TRC knows of no regulatory precedent for setting asymmetric rates on this basis and is concerned that an asymmetric rate designed to address any alleged regional issues which extend beyond the VI would cause distortions in the domestic market.

The TRC is therefore not considering asymmetric termination rates.

FIWI

LIME argued that as CCT markets the FIWI services as a fixed line service, it should be regulated as such with an applicable FTR rather than MTR. CCT have explained that they use wireless technology through CDMA to offer this service, as set out in the first consultation document. The termination rate is intended to cover the cost of terminating third party calls on the network. Therefore, if the network is a mobile network then a mobile termination rate will apply.

7 Benchmarking

Whilst the TRC proposes to set the termination rates on the basis of benchmarking, the TRC is well aware that benchmarking can be imprecise and subject to bias depending upon the set of benchmarks selected. The TRC believes that benchmarking is the most proportionate approach it can take to setting termination rates in the VI given the resources available and the priorities set out in the TRC Market Review. The TRC fully acknowledges that the set of benchmarks that it selects will influence the rate therefore the TRC is minded to use the benchmarks as a sense check to the proposed rate and wishes to focus also on countries which are following best practice costing methodologies to calculate the rate in similar circumstances, also bearing in mind the future direction of these rates.

In their response to the first stage of the consultation process, LIME presented the following table showing termination rates in ECTEL countries for 2011:

	DOMESTIC TERMINATION RATES			
COUNTRIES	**Fixed**	**Mobile**	**Transit**	**Emergency**
BVI	**0.03**	**0.05**	**0**	
Dominica	0.0217	0.0956	0.0114	0.0093
Grenada	0.0151	0.0930	0.0076	0.0114
St. Kitts	0.0097	0.1043	0.0110	0.0073
St. Lucia	0.0130	0.0830	0.0067	0.0080
St. Vincent	0.0141	0.0893	0.0067	0.0066
ECTEL Average	**0.0147**	**0.0930**	**0.0087**	**0.0085**

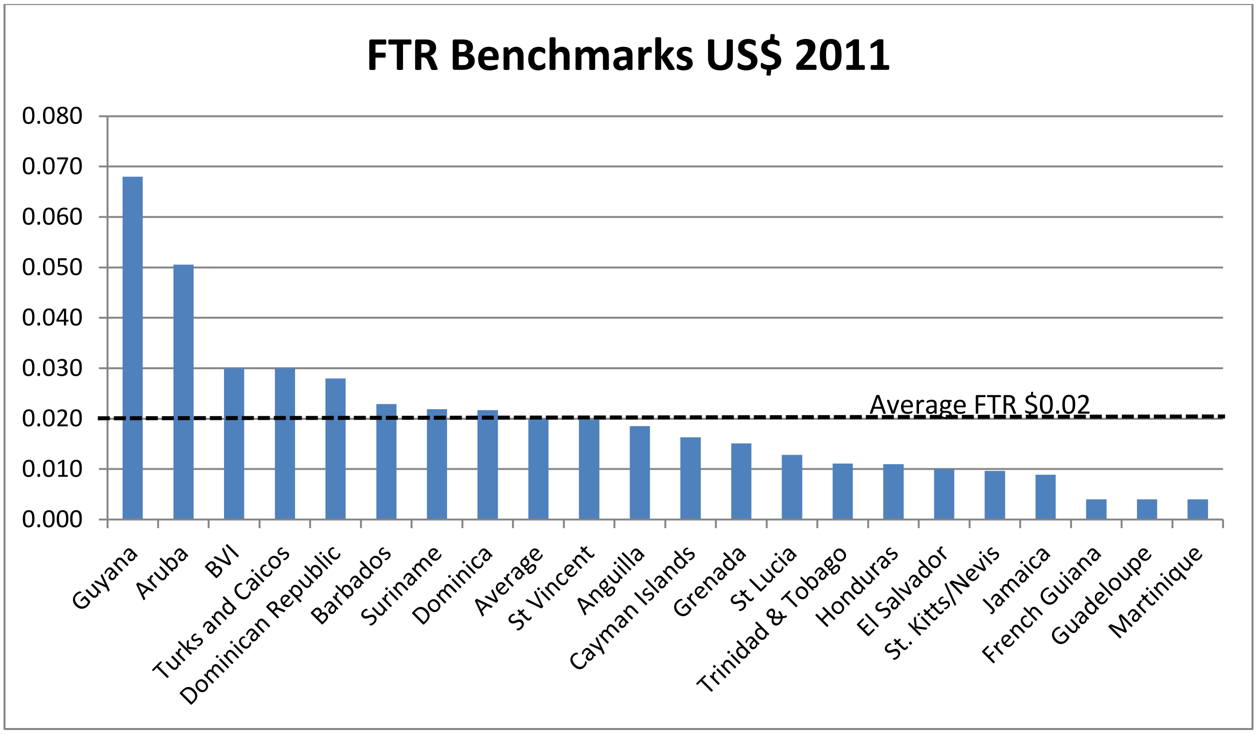
Source: LIME response

Whilst the TRC notes that the BVI MTR is the lowest in the table, the TRC will deal separately with the MTR as set out in section 9. The TRC is particularly interested in the presentation of the ECTEL average fixed termination rate of US$0.0147 which LIME is subject to in these countries.

FTR Benchmarks in Caribbean

The TRC has collected a number of fixed termination rate benchmarks for 2011 across the Caribbean region. The TRC has collected benchmarks from countries which have publicly available termination rates and has therefore excluded countries such as Bonaire, Curacao and

Haiti from the list. The TRC notes that with the exception of the Dominican Republic, either LIME or Digicel or both operators have a presence in all these countries.



Source: National Regulatory Authorities, Digicel and LIME

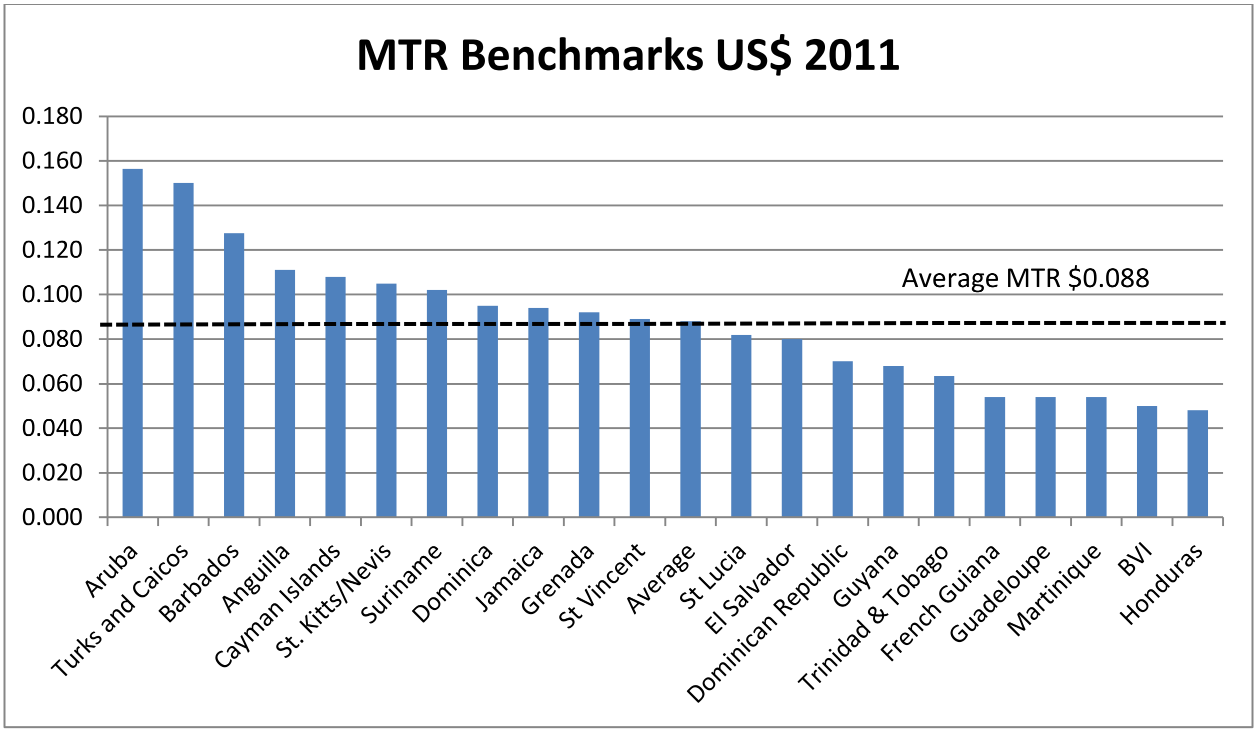
The average FTR for these countries calculates as $0.02 for 2011 compared to $0.03 for the VI. Therefore the VI is above the Caribbean benchmark for fixed termination. The TRC notes that the French Regulator, Arcep, has issued a decision[8] setting fixed termination rates for the outermost territories of France in the Caribbean which fall under Arcep's jurisdiction, namely French Guiana, Guadeloupe and Martinique based on the European Commission Recommendation on Termination Rates[9]. Arcep set fixed termination rates at $0.004 for 2011 falling to $0.002 in 2012 and $0.001 in 2013 based on the cost model using the European Commission's recommended pure LRIC methodology.

MTR Benchmarks in Caribbean

The TRC has collected MTR benchmarks from the same countries as presented above for FTR benchmarks.

[8] http://www.arcep.fr/uploads/tx_gsavis/11-0926.pdf

[9] http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2009:124:0067:0074:EN:PDF



Source: National Regulatory Authorities, Digicel and LIME

The TRC notes that the VI MTR of $0.05 is below the average MTR of $0.088 for the selected countries. The TRC also notes that in its recent consultation[10], Arcep has proposed an MTR of US$0.033 for 2012 based on the cost model using the European Commission's recommended pure LRIC methodology with a view to reducing rates below US$0.03 in 2013 which would take the MTRs in French Guiana, Guadeloupe and Martinique to below the level of the MTR in the VI.

8 Retail pricing

Calls to Fixed line retail pricing

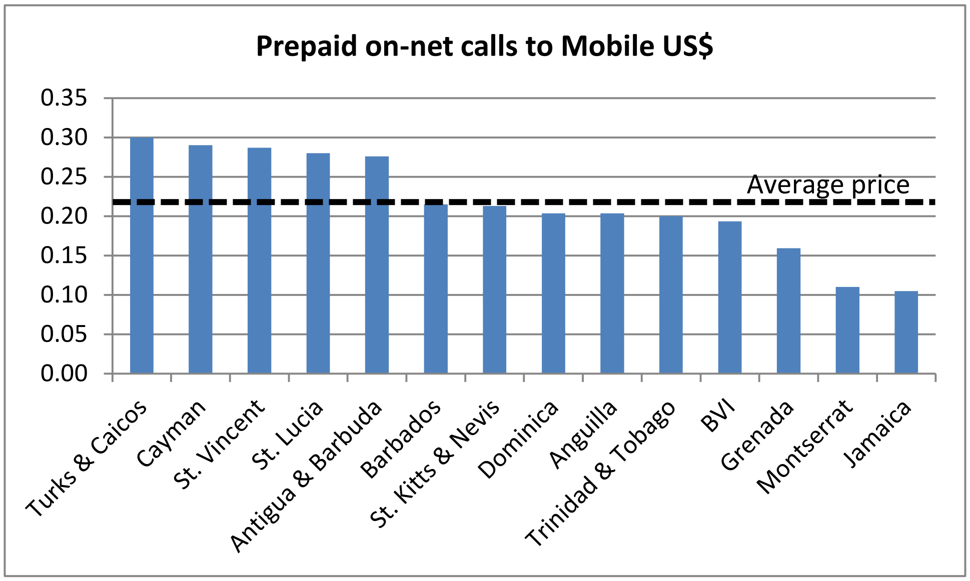
Off-net calls to fixed lines from mobile phones in the VI are charged at an out of plan per minute rate of US$0.18-$0.20. Given the difference between a fixed termination rate of $0.03 and a retail price of $0.18-$0.20, it is unlikely that it is the level of the termination rate that is driving this level of pricing. However, the fact that the VI FTR is above the Caribbean average may have some impact on the resulting retail price. If the level of the FTR represents some subsidy from the mobile sector to the fixed sector, then the mobile to fixed retail price would be set higher than it otherwise would be to, in effect, recoup this subsidy. A high retail price to call fixed lines or a retail price to call fixed lines which is the same as calling a mobile may have the effect of incentivising customers to call mobiles rather than fixed lines where the choice is available, given the greater reachability factor that mobile offers. A relatively high fixed termination rate also acts as a barrier to developing unlimited offers. If the national fixed termination rate is

[10] http://www.arcep.fr/uploads/tx_gspublication/consult-dom-cmilt-180711.pdf

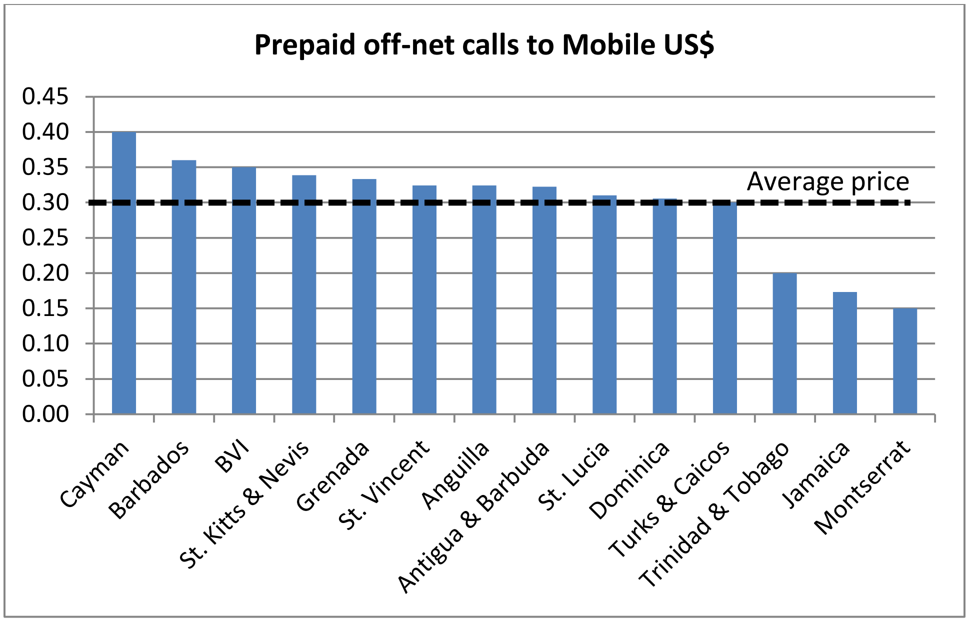
above, for example, the international fixed termination rate to call fixed lines in the UK or the US, operators in the VI would be able to develop unlimited style retail packages including calls to UK or US landlines but not to VI landlines. In the case where unlimited style retail packages are already offered which include calls to VI landlines, a fall in the fixed termination would enable a fall in the retail price of such packages.

Calls to Mobile retail pricing[11]

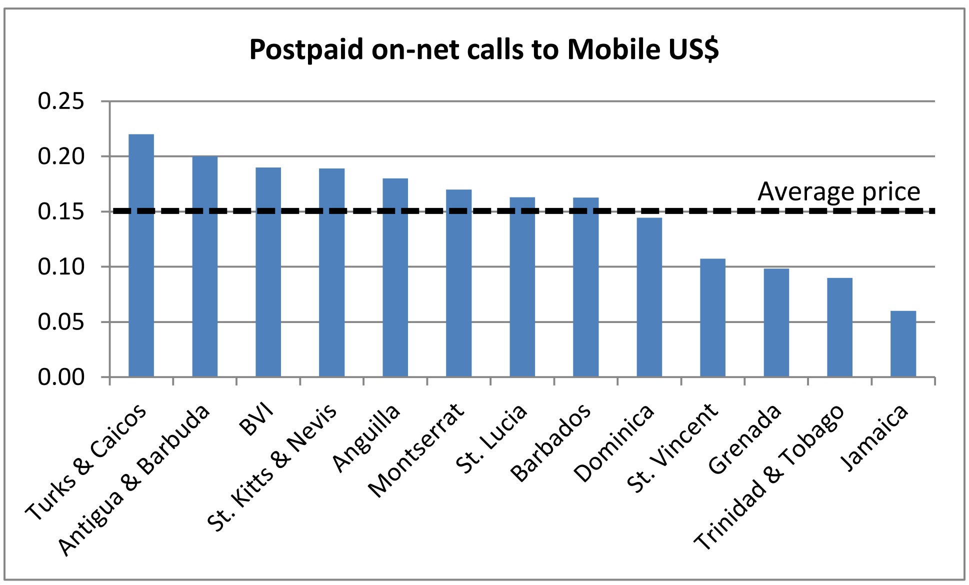
As the graphs below show, prepaid on-net prices in the VI are below the average for the region whilst prepaid off-net prices are slightly above the average.

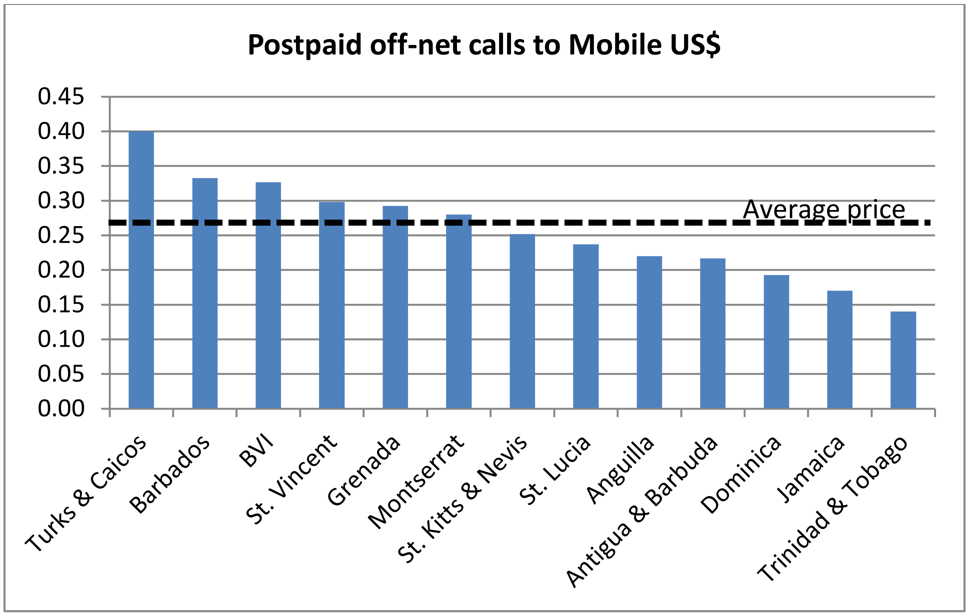


[11] All prices are taken as an average across operators from operator websites for the included countries. The purpose of the graphs is to show where the VI is above or below the average for the selected countries and the TRC welcomes further input from all operators in providing pricing information.



Postpaid on-net prices (for out of plan rates) are just above the regional average and postpaid off-net prices are fairly high compared to the regional average.





Given that the MTR in the VI is low relative to the current regional average, it would appear that it is not the level of the MTR that is influencing the relatively high off-net rate for both prepaid and postpaid. The prepaid off-net rate is $0.30 higher than the MTR. It is possible that the pricing models in the VI are more competitive around on-net rates and "unlimited offers" as these are the products that consumers in the VI are most interested in. Some consumers in the VI subscribe to more than one operator due to lack of number portability and possibility a demand for on-net calls and therefore the operators are incentivised to compete on the basis of on-net rates rather than off-net rates.

Therefore if the MTR was reduced it is unlikely that it would further impact the retail off-net rate but if it was increased, then it is possible that operators could pass on this increased cost in the form of higher retail rates. The TRC believes that it would be against the public interest for off-net retail rates to rise in the VI and therefore would not support any increase in the MTR. Similarly, the TRC does not see any current benefit in reducing the MTR over the proposed period of the charge control (2011 – 2013) unless it fell to zero and operators would then be incentivised to include off-net calls in unlimited offers. However, the TRC recognises that there is a positive cost to termination and is currently of the view that any move towards zero MTRs should be driven by the operators.

9 Proposed charge control

Proposed Fixed Termination Rate

The TRC is concerned that the current level of the FTR may act as a barrier to offering lower priced calls to fixed lines in the VI and unlimited offers which include calls to VI fixed lines. The TRC is especially concerned that it could be cheaper for VI customers to call fixed lines in the US or the UK than in the VI and wishes to address this anomaly by reducing the FTR. Whilst the TRC has considered all the relevant Caribbean benchmarks, the TRC believes that the ECTEL benchmarks and Arcep benchmarks for French Guiana, Guadeloupe and Martinique represent the most relevant set of benchmarks. The ECTEL rates have been set by a regional regulator which has committed significant resources to calculating termination rates for countries where LIME operates as the incumbent fixed line operator according to a LRIC plus methodology. The Arcep rates have been set by a regulator, which has carried out a detailed costing study according to a pure LRIC methodology. Whilst much contention remains in the region concerning the superiority of LRIC plus versus pure LRIC, the TRC is minded not to engage in this debate but rather to use benchmarks which reflect both methodologies.

Country	**FTR US$**
Dominica	0.022
French Guiana	0.004
Grenada	0.015
Guadeloupe	0.004
Martinique	0.004
St Lucia	0.013
St Vincent	0.020
St. Kitts/Nevis	0.010
Average	**0.011**

A simple averaging for these selected countries gives an average FTR of $0.01. The TRC therefore propose to set the VI FTR at $0.01 from 1 November 2011 to 31 October 2013.

Proposed FTR November 1 2011 to October 31 2013 = US$0.01

Proposed Mobile Termination Rate

Given that the VI MTR is already relatively low for the Caribbean region and there is no identified problem with retail prices to call mobiles in the VI that is related to the MTR, the TRC propose that the VI MTR stay at $0.05 for the period of the charge control from 1 November 2011 to 31 October 2013. The MTR should then be reduced in line with Caribbean benchmarks for the following charge control periods.

Proposed MTR November 1 2011 to October 31 2013 = US$0.05

The TRC proposes that these rates are set from 1 November 2011 until 31 October 2013. The MTR and FTR will then be reduced to the average MTR and FTR across the region for the period of 2013-2015. In the event that the average MTR or FTR is above the VI termination rate, then the VI termination rate will remain constant and will not be increased.

These fixed and mobile termination rates represent the upper limit of applicable termination rates and operators are free to offer and negotiate termination rates below these levels.

Operators have until October 31 to respond to this consultation document. The new regulated rates will apply from 1 November 2011 and the licences of the operators declared dominant in the termination of calls to their own networks will be amended accordingly.