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# Digicel<sup>TM</sup>

Submission in response to  
ICTA's Public Consultation on  
Local Number Portability

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## 1 INTRODUCTION

Digicel welcomes the opportunity to respond to ICTA's latest consultation document on number portability ("NP") in Cayman. Although ICTA has commenced the work as part of the statutory cost benefit analysis that is required prior to any decision to mandate NP, a number of key costs have not yet been accounted for. Digicel is of the view that the benefits which may occur as a result of NP in Cayman are unlikely to outweigh the significant costs which would be incurred in establishing and operating NP. Therefore, the requirements of section 71(3) of the ICTA Law would not be met.

This response contains confidential information in relation to Digicel's subscriber numbers and the cost of its network. This information is of a commercial nature and is consistently treated in a confidential manner by Digicel. Disclosure of the information to the public or to Digicel's competitors would cause Digicel specific and direct harm. Therefore, a non redacted version of this letter will be filed under separate cover. All confidential information has been replaced by [...].

The succeeding comments are not exhaustive and Digicel's decision not to respond to any particular issue raised by ICTA or any party does not necessarily represent agreement, in whole or in part with ICTA's or that party's position on these issues; nor does any position taken by Digicel in this document mean a waiver of any sort of Digicel's rights in any way. Digicel expressly reserves all its rights. Any questions or remarks that may arise as a result of these comments by Digicel may be addressed to:

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## 2 LEGAL REQUIREMENT TO UNDERTAKE A COST BENEFIT ANALYSIS

In accordance with section 71(3) of the ICTA Law, prior to requiring any licensee to implement NP in Cayman, the following criteria must be met:

*“(3) Subject to this Law, the Authority may make rules imposing on any licensee the responsibility to offer number portability if the Authority is satisfied on reasonable grounds that -*

- (a) the benefits likely to arise from the requirement to provide a particular form of number portability outweigh the likely cost of implementing it; and*
- (b) the requirement will not impose an unfair burden on any licensee.”*

Therefore, it is clear that prior to implementation, a cost benefit analysis must be undertaken. Digicel understands that the rationale behind this “test” is to avoid a situation where operators are required to make significant investments, where the benefit to consumers is marginal or non-existent. As each operator’s costs are different, the cost benefit analysis should be done on the basis of each firm’s respective costs versus the benefits that would occur in the event that the subscribers of that company could retain their number. While it is clear that the analysis process have been commenced by ICTA, this is far from being complete.

Digicel agrees with ICTA that a cost benefit analysis will not be definitive where the total costs and total benefits are close to each other in value.<sup>1</sup> This is because such values are estimates only. Indeed, the early cost benefit studies grossly under-estimated the costs of introducing mobile number portability (“MNP”) and over-estimated the benefits. Therefore, we urge ICTA to interpret the words “a weighting of the likely costs and benefits” conservatively, as based on the experience of a number of other jurisdictions, the implementation process will be significantly more complex and costly than originally envisaged.

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<sup>1</sup> ICT Decision 2005/1, p.21

In this response Digicel focuses on MNP, as it is these costs with which Digicel has direct experience. Digicel's analysis suggests that, to implement MNP, would require that non-trivial changes to its network be undertaken, including the replacement of its present billing system.

Digicel has recently worked with consultants (Ovum) in London with regard to the possible introduction of MNP in the Caribbean. Ovum is recognised as one of the world's top consultancy firms on the subject of NP cost benefit analysis. Ovum conducted the ground breaking cost benefits studies in the 1990s for Oftel (UK), OPTA (the Netherlands), and Comreg (Ireland). In this reply, Digicel draws on data it has obtained from Ovum.

The cost figures that ICTA has outlined in its Consultation 2008-1 appear to be informal, rather than definitive. Digicel notes that no information has been provided which enables readers to see what the costs are comprised of. As far as Digicel is aware, operators have not been asked to report on their total costs and so all of the cost elements which would have to be incurred to implement NP have not yet been factored in by ICTA. Digicel suspects that the data provided to date by operators substantially underestimates the true costs, and that a number of cost categories have not yet have been fully recognised.

Digicel respectfully notes that while ICTA appears to be of the preliminary view that the benefits of NP in Cayman are substantial, it has not yet attempted to objectively quantify these benefits. Digicel believes that a discussion of the nature of these benefits and their likely scale, along with the various costs, is essential in order to move the debate forward.

### **3 LIKELY COST OF IMPLEMENTING NUMBER PORTABILITY**

As previously stated, Digicel welcomes ICTA's commencement of the cost benefit analysis process. However, a number of key cost elements have not yet been considered. In the absence of clear evidence on the total cost involved in the implementation of NP, it is far too early to conclude that the statutory test set out in section 71(3) of the ICTA Law would be met and further, to quantify the maximum amounts which can be recovered by operators from their subscribers.

### 3.1 Which costs have been considered?

While the collection of data on operator costs has been started, it is by no means complete. As recognised by ICTA in the consultation document:

*“Precise internal LNP costs cannot be determined at this stage in the process.”*

Therefore, it is not entirely clear on which basis ICTA believes that it is appropriate to determine the maximum internal LNP (fixed NP) cost which can be passed onto customers. Digicel assumes that in the absence of clear information from all licensees, ICA has been required to make a “best guess” with regards to the indicative costs which would be involved. While this estimation may be helpful, it is clear that it is only once full cost information has been collected from each licensee and assessed; that a final decision on section 71(3) can be made. By ICTA’s own admission, we are not at that position yet.

### 3.2 Previous Cost-benefit Estimate Errors in Set-up and Porting Costs

Digicel believes that even when full cost data is available, ICTA should still err on the side of caution. There is now evidence which shows that cost estimates provided in publicly available cost-benefits studies, generally grossly underestimated both porting and system setup costs. Some estimates of actual country implementation costs compared to cost-benefit estimates are detailed below:

**Table 1: Actual and Predicted costs of MNP<sup>2</sup>**

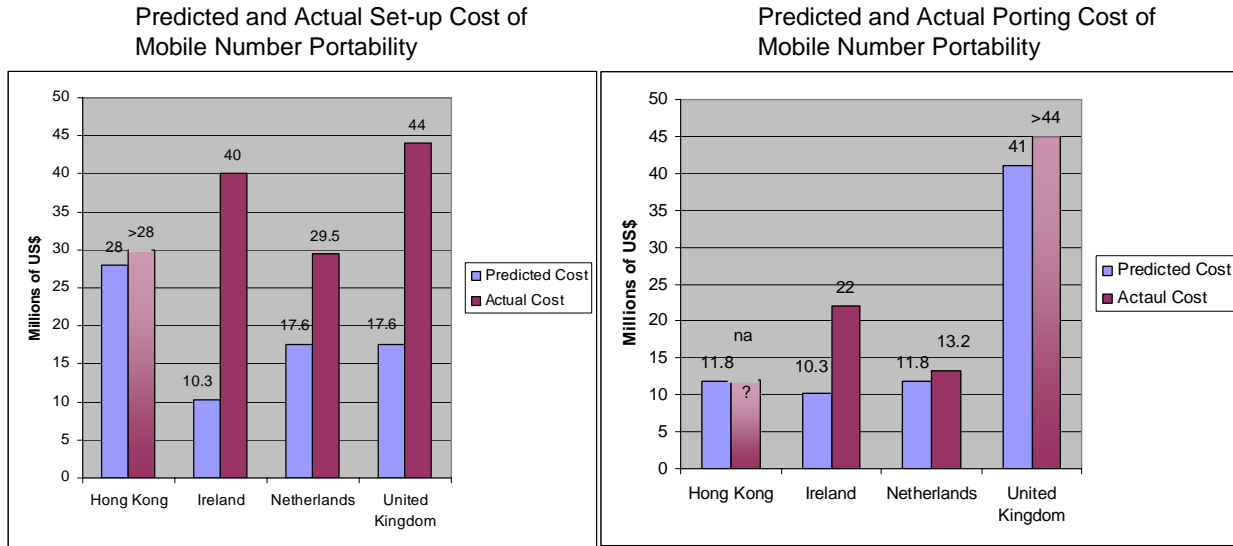
Country	Hong Kong	Ireland	Netherlands	United Kingdom
Date of cost-benefit study	1998	2000	1996	1997
Implementation costs (US\$m <sup>3</sup> )				
CBA	28	10.3	17.6	17.6
Actual	>28	40	29.5	44
Porting costs (US\$m)				
CBA	11.8	10.3	11.8	41

<sup>2</sup> Reported in a study by OVUM for MNT (South Africa), “Mobile Number Portability - an international benchmark” January 2005.

<sup>3</sup> Converted from € at 1€ = US\$1.47

Actual	n/a	22	13.2	<44
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**Figure 3: Cost-benefit Study Errors in Set-up and Porting Cost Estimates**



London based consultancies OVUM and NERA conducted these early and still highly influential public studies (for the UK, Irish, Dutch and Hong Kong regulatory authorities). The authors of these cost-benefit studies now admit that they considerably over-valued the benefits, understated the costs and did not fully recognise the technical difficulties of introducing MNP. According to OVUM, the first two cost-benefit studies failed to anticipate the impact of pre-pay on the demand for mobile services, and were over-optimistic in their assessment of the take up of MNP. The two cost-benefit studies that were next done failed to anticipate how quickly market saturation would impact what was at the time a rapidly growing market.

### 3.3 Costs of NP for Mobiles

It is not clear to Digicel that all of the relevant costs have been properly accounted for by ICTA, in reaching its decision on the maximum amounts which may be recovered by operators.

#### 3.3.1 NP solution development costs

The preparatory work needed before NP can be implemented in practice is lengthy and highly resource intensive. Although initial discussions have taken place in the LNP Consortium,

licensees will need to undertake further work with their individual vendors in order to develop the precise technical solutions that would allow NP to operate.

Digicel notes that the technical issues regarding NP are highly complex and typically require over a year of preparation before a NP system is fully operational. For example, in the UK this process took 17 months and in Switzerland 29 months. To our knowledge, an initially unplanned delay in the date MNP of between 2 and 6 months has occurred in every country in which NP has been introduced.<sup>4</sup> As far as Digicel can see, ICTA has yet to assess or explain this aspect of NP costs.

### **3.3.2 System set-up costs**

System set-up costs are those incurred by an operator in order to establish the technical and administrative capability to provide NP. There are three main areas of cost in this category:

- network and system modifications;
- testing functionality; and
- initial reconfiguration/updating of billing and administration systems.

Implementation costs are largely independent of the number of network users. This fact results from an absence of economies of scale which is the primary reason why MNP will often be uneconomic for small countries. It is also the main reason that the introduction of MNP has resulted in a net loss for Ireland, which has a population of 4 million. The same may also be true for Cayman, where the implementation costs would have to be spread across a population base of approximately 52,000 people.

### **3.3.3 Off-shore data-base costs**

According to ICTA, the off-shore central data-base option would incur annual costs in the order of CI\$300,000. This figure has apparently been derived from *“Information received from outside vendors”*. ICTA then uses this figure to *“propose[s] that the maximum amount that licensees may recover from subscribers under a ‘LNP Recurrent Costs’ line item should be CI\$0.20 per telephone number per month”*.

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<sup>4</sup> These delays occurred even though operators and the regulator in those countries typically had previous experience with LNP (fixed NP), which is not the case in Cayman.



Digicel respectfully suggests that the figure of CI\$300,000 is too indefinite at this stage to use it as a basis to calculate the maximum level of the NP recurrent costs. Further, if the vendor is found to have underestimated its costs, it is not clear how any 'deficit' should be recovered. Given that many of the costs are set-up costs, a discount rate will need to have been employed in reaching this annual figure and we note that there is no mention of this in document CD 2008-1. Digicel also notes the absence of any information about the split between one-off and recurring costs.

The apparently indicative cost information is most unlikely to represent the final up-front, operating and event driven costs attributable to the off-shore central database option. There may also be additional costs that are not included in the figures provided, such as those resulting from the preparatory work leading up to NP "switch on". Digicel understands that only a proportion of these costs would be attributable to the offshore database hosting company; most of the remainder of these costs would have to be borne by the licensees. In countries which have implemented MNP, about 70% of the costs incurred are manpower costs. It is not clear from ICTA's consultation document that vendors have included these costs in their estimates.

### **3.3.4 Cayman licensee costs<sup>5</sup>**

While ICTA notes that precise costs are not available, it is suggesting that a price of CI\$0.65 per month for "LNP Internal Cost Recovery" is set, based on the cost figures that licensees provided in a questionnaire sent out by ICTA. Digicel believes the figure of CI\$380,000 per annum quoted by ICTA cannot be relied upon for this purpose. Now that we have a better understanding of the preferred solution, Digicel has consulted further with outside experts in order to arrive at a more accurate estimate of its own costs.

Digicel has a number of questions concerning the conclusions reached in ICTA's paper CD 2008-1. For example, ICTA has not explained whether all licensees have provided information or whether (in the absence of data) it has been necessary for ICTA to extrapolate a figure for the indicative 'industry wide' costs. If this is the case, it is clearly not appropriate to use these figures as the basis of any maximum permissible amount which may be recovered from subscribers. How has ICTA dealt with issues concerning the time value of money and in

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<sup>5</sup> To assist ICTA, Digicel has provided additional cost information in a confidential Annex.

particular, the cost of capital and inflation? Have all costs reported by operators been taken into account, if not, which ones have been omitted and why? How have cost differentials been taken into account? For example, a system upgrade for a fixed line operator may be significantly less than a similar upgrade on a mobile network. It is not clear whether ICTA plans to enable licensees to make full cost recovery or whether it would determine a maximum amount which it considers to be 'appropriate'.

The ICTA Law contains a test whereby NP should only be mandated where it does not impose an unfair burden on any licensee. Digicel contends that this can only be avoided where an operator can fully recover its own costs for implementation. The fact that another operator would not incur the same costs for the same activity on its respective network must not be a bar to full cost recovery.

### **3.3.5 Porting costs**

ICTA's position in the consultation document is that, (i) *"the licensee to whose network the number is ported may charge [to customers] a maximum fee of CI \$10.00 per ported number"*. ICTA then states that (ii) *"The licensee from whose network the number is ported may not charge a porting fee"*. Unfortunately ICTA provides no analysis explaining why it has reached this position and Digicel considers that the regulator has erred in two aspects.

In regard to point (ii) Digicel considers that ICTA's 'solution' is inappropriate and not in accordance with the general principle of cost causation. The cost of porting numbers from an operator's network should be recoverable from the customer's new operator<sup>6</sup>. This is the recommendation of the independent experts in this field.

In regard to (i) Digicel believes that CI \$10.00 per ported number will be significantly below Digicel's actual costs. In order to comply with the test set out in section 71(3) it is essential that any requirement to offer NP does not impose an "unfair burden" on a licensee. A requirement to offer NP at an amount which does not allow for a full recovery of the costs incurred would be an "undue burden" on Digicel, in contravention of section 71(3) of the ICTA Law.

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<sup>6</sup> While these costs are not controlled by the recipient network the costs can and should be independently audited (perhaps by ICTA) and recovered from the recipient network.

### 3.3.6 Cost recovery

Determining the optimal level of porting is something that is not well understood, even in many countries that have introduced NP. The point of MNP is to make it possible for customers to take their number with them should the welfare benefits of porting their number outweigh the welfare costs of doing so. Since individual requests for number porting impose additional costs on donor and recipient networks, the donor network must be allowed to pass on the costs to the receiving network, which may or may not decide to recover some or all of those costs from the applicant via retail charges.

It is not clear what methodology was used to calculate the maximum amount that licensees may recover from subscribers under “LNP Recurrent Costs” and “LNP Implementation Costs”. The authority proposes a model whereby these costs are to be shared equally amongst carriers. Unfortunately this approach would adversely affect entrants and those operators which do not operate both fixed and mobile networks, as the ability to recover the costs from a proportionately smaller subscriber base could translate into operational losses (which is not in accordance with section 71(3)).

ICTA has based its recovery methodology on an apportionment of costs across the total number of working telephone numbers in Cayman. There is a fundamental error in using the number of working telephone numbers in this way, not least due to the different usage profile between fixed and mobile numbers. For example, a business will often have a single telephone number, but this can be used by potentially hundreds of employees and a household may have a single fixed telephone number which is used by several residents. However, mobile numbers are rarely ‘shared’ in the same way. As a result of this different usage profile, fixed line users will invariably contribute a disproportionately low amount towards the cost of implementation, while mobile users will make a disproportionately high contribution.

The deficiency of cost apportionment based on a count of subscriber lines has been acknowledged in Jamaica, and was used (inter alia) as the basis of moving away from this methodology (for the calculation of regulatory fees) to one based on revenues.

*“...it bears noting that revenue per subscriber line is higher for C&WJ than for Digicel resulting largely from structural factors in that Digicel operates almost exclusively in the*

*mobile telephony market whereas C&WJ operates in several different markets including not only that of mobile telephony but also the fixed-line market and the Internet Service Provider (ISP) market. By that logic an allocation based solely on subscriber lines does not reflect this reality and is inferior to one that relies on using revenues from all regulated activities for allocation.*

*The Office has always regarded the method of allocating regulatory service fees based on the number of subscriber lines held by each operator as a temporary expedient that would only be acceptable in the early years after liberalization of the telecommunications markets...However, now that the telephony market has matured considerably, the deficiencies of the subscriber line method outlined in the paragraph above make it imperative that a method be found that ensures that the cost of regulating the market is allocated reasonably and equitably among the various licensees...The fundamental problem of the revenue per subscriber line being very different for different segments of the market (e.g. mobile, fixed-line, ISP, etc.) can no longer be avoided and renders the subscriber line-based method of allocating regulatory costs unacceptable...”<sup>7</sup>*

### **3.4 Digicel’s costs**

In August 2007, Digicel provided information (in the form of a spreadsheet) to ICTA to assist it in its assessment of NP costs. At that time, Digicel was unable to provide full cost information and so provided the data that was available.

In view of ICTA’s recent consultation, Digicel has taken the opportunity to liaise with its vendors (and other operating companies in the Caribbean where NP is in place) to more accurately estimate the likely costs of implementing and operating NP in Cayman. The results of this information gathering process are set out in the confidential annex which appears at the end of this response.

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<sup>7</sup> Final Decision of the Office of Utilities Regulation in respect of a request for reconsideration on “The regime for the assessment of regulatory fees” – Determination Notice: Gen 2008/1

In summary, information from Digicel's vendors indicate that the total Capex costs which would have to be incurred are in the region of [...] with a total monthly Capex and Opex cost of approximately [...]. Notwithstanding Digicel's concerns about any cost apportionment based on working telephone numbers, if these monthly costs were apportioned amongst Digicel's entire customer base, this would equate to an additional monthly charge significantly in excess of the of maximum amount prescribed in CD 2008-1. Digicel anticipates that when the other licensees in Cayman undertake similar detailed assessments, the maximum charge set out in the ICTA decision would materially increase.

The information in the Annex provides an overview of the implementation costs for MNP. Digicel notes that ICTA is also proposing to mandate fixed to mobile NP. Digicel has not been able to secure quotes from its vendor for the additional costs which this variant of NP would involve, but understands that if fixed to mobile NP was required in Cayman, the estimated costs would increase.

## **4 BENEFITS LIKELY TO ARISE FROM NUMBER PORTABILITY**

### **4.1 Potential benefits**

There are three main classes of benefit which a cost benefit analysis of NP (fixed or mobile) should estimate:

- Type 1 benefits are those which accrue to subscribers who retain their number when changing operator;
- Type 2 benefits are the efficiency improvements and any associated price reductions which result from increased competition due to the introduction of NP; and
- Type 3 benefits are the other resource savings that accrue due to fewer telephone number changes, and include benefits to third parties such as fewer calls to 'incorrect' numbers and having to change stored telephone numbers.

A key factor in driving benefits for all three classes of benefit is the willingness and ability of subscribers to change their operator. It is possible to obtain a view about the likely demand for porting by end-users through market research or by assuming that NP exists, and then working

out the marginal costs that each party faces (the donor operator, the recipient operator, and the end-user) while taking into account the degree of competition presently existing between operators.

The vast majority of benefits have been shown to accrue to those who change their provider and avoid changing their number. In the well publicised cost-benefit studies, these benefits are now understood to have been overstated due in part to insufficient account being taken of the increasing ease with which private users can notify their circle of callers of any number change (e.g. through email or SMS).

#### **4.1.1 The level of benefits**

The benefits of MNP have often been expressed as an amount per subscriber. The Irish study estimated these at \$109 while the UK and Hong Kong cost benefits studies obtained a figure of approximately \$58. Ovum now considers these estimates to be far too optimistic for a number of reasons. Ovum has advised us that for the Caribbean it believes the average NPV of the benefits of MNP per subscriber are likely to be in the low US\$20 range. The fact that there are two mobile networks in Cayman will substantially reduce available benefits below this level.

#### **4.2 Factors not taken into account**

While ICTA has commenced the cost benefit analysis which is necessary prior to mandating NP, a number of factors which will have the effect of reducing the likely demand for NP do not appear to have yet been fully taken into account.

##### **4.2.1 The influence of market conditions**

NP increases the willingness of customers to switch to another provider and thus can potentially make competition between networks more intense. The provision of NP thus requires that several competitive alternatives exist in order for subscribers to take full advantage of NP. The strength of this effect will therefore depend heavily on the current industry structure. If there are only two competing mobile network operators (“MNOs”) with roughly equal market shares (as is the case in Cayman), we would expect the effect of NP to be far less than if there were five or six competing MNOs.

Many users in Cayman have active subscriptions with both C&W and Digicel. Multiple handset ownership is a very strong substitute for NP. Digicel estimates that over [...] of its subscriber base also carry a C&W phone or SIM card. These customers who have SIMs for both networks correspondingly reduce the benefits that the introduction of MNP would bring as they lower the possible demand for porting, and also the competitive benefits which may result from MNP; while having no effect of reducing the scale of MNP system set-up costs. Indeed, it is likely that many of the potential benefits the MNP can bring are already being enjoyed in Cayman due to the widespread use of MNP substitutes.

Another factor which implies substantially depleted benefits of MNP in Cayman is that MNOs lock their subscriber's mobile handset to the respective network. This is necessary as handsets are sold at less than cost and are subsidised by the future sale of services. In the absence of handset locking, the retail costs of mobile handset purchase would increase significantly. Therefore, even in the event that MNP was mandated, customers would face additional switching costs and this may have the effect of further reducing the potential demand for NP, especially where multiple handset ownership is the norm.

#### **4.2.2 Network resilience**

Digicel is concerned that with any off-shore database solution, the resilience of its network and potentially its ongoing ability to bill customers for the services they use, will partly be under the control of another firm based in the USA. As Cayman and the USA are in regions that suffer extreme weather conditions (in particular, hurricanes) Digicel is concerned that an outage involving the off-shore database could cause Digicel to incur significant losses. Any prudent operator would seek to insure against those potential losses and therefore the additional insurance costs should also be included in any cost estimate of NP.

#### **4.2.3 Data protection**

Assuming NP passed a cost benefit test in Cayman, Digicel notes that some would also need to be given on data protection issues. The holding of a centralised database 'off shore' is also likely to incur additional compliance costs, and these should also be factored in as part of ICTA's cost benefit assessment.

#### 4.2.4 Impact on consumers

Another feature which appears to be missing from ICTA's work so far is a detailed assessment of the consumer protection issues which would result from any decision to mandate NP. Digicel notes that ICTA appears to consider fixed to mobile NP to be an option in Cayman. In Denmark<sup>8</sup>, concerns about technical and consumer protection issues relating to fixed to mobile NP ultimately led the regulator there to abandon the its proposal:

*“Until December 2005, it was planned to provide facilities for retaining subscriber numbers across fixed and mobile networks (known as cross-portability). This should be seen in the light of a statutory requirement existing since 1999 for cross-portability to be introduced. However, the Minister for Science, Technology and Innovation has had to postpone the introduction of cross-portability several times since great technical problems have been encountered in establishing the necessary solutions.*

*In 2005, the National IT and Telecom Agency commissioned a report examining the situation in this area in further detail. The report recommended to abolish the requirement for cross-portability, seeing that if cross-portability of numbers were to be enabled, this would result in a lower service level for end-users”<sup>9</sup>*

The Danish regulator undertook a comprehensive study in August/September 2005 which involved 7 operators, 16 regulators and the European institutions. The objective of the study was to assess the viability of fixed to mobile NP. The study concluded that if fixed to mobile NP were implemented, the following problems would occur:

- Reduction in customer ability to control spend;
- Adverse impact on international calls;
- Increased retail rates; and
- Reduced quality of service.

##### 4.2.4.1 Reduced customer ability to control spend

As a result of the different number ranges used for fixed and mobile services and the calling party pays regime, customers choose to call a subscriber via their fixed or mobile number, depending on the network which offers the lowest retail rates. Where fixed to mobile NP is mandated, customers no longer have the ability to distinguish between fixed and mobile calls and as such, the ability to manage their telecoms spend is significantly diminished.

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<sup>8</sup> A calling party regime operates in Denmark

<sup>9</sup> <http://en.itst.dk/>



#### **4.2.4.2 Impact on international calls**

International carriers also determine the cost of calls into a territory according to the number range. Where these carriers are unable to distinguish between fixed or mobile numbers, they are (in turn) unable to advise their retail customers. The Danish authority was concerned that as a result, some international carriers may simply decide to no longer offer calls to Denmark, thereby not only reducing customer choice, but also the competitive constraints (in terms of pricing) on the remaining international carriers in the market.

#### **4.2.4.3 Increased retail rates**

As a result of the significant implementation costs for fixed to mobile NP, Danish customers would also have seen a marked increase in their retail rates. This increase would have been essential to enable operators to fully recover the additional investment which would have been necessary.

#### **4.2.4.4 Reduced quality of service**

Mobile and fixed numbers offer different functionalities - mobile subscribers expect certain services to be available e.g. mobility, SMS/MMS, roaming etc. Where a customer switches from mobile to fixed and retains their number, the functionality will not be replicated on the fixed network. The Danish authority was concerned that the 'disconnect' between the type of number and services offered over the network would lead to a reduced customer experience.

As a result of the issues outlined above, the Danish regulator decided not to mandate fixed to mobile NP. Digicel respectfully asserts that the same considerations would have to be taken into account before mandating fixed to mobile NP. It is not clear that the likely impact on consumers and international traffic profiles in Cayman have been adequately examined.

## 5 COMMENTS REQUESTED

In section 5.0 of CD 2008-1, ICTA requested input on a number of questions. These questions, together with Digicel responses are set out below:

*“a. Given the maximum cost recoveries detailed above, are you in favour of number portability being mandated in the Cayman Islands? (It should be noted that whilst the Authority can specify the maximum amount that can be directly attributable to LNP on monthly telephone bills, licensees could choose to recover their costs in other ways e.g. by not reducing their calling charges as quickly as they otherwise might.)”*

Digicel has fundamental concerns that the cost estimates detailed in the consultation do not accurately reflect all of the costs which are necessary for the implementation of NP in Cayman. In the absence of a full cost benefit analysis there is a very real risk that potential benefits may be overstated and operators could be required to implement NP, in the absence of a full cost recovery mechanism. As a result, Digicel is not in favour of NP being mandated in Cayman at the present time as it does not consider the test set out in section 71(3) of the ICTA Law is made out.

*“b. Are the maximum monthly charges acceptable?”*

As stated above, Digicel is firmly of the view that the maximum monthly charges do not accurately reflect the true cost of implementing and operating NP in Cayman. Therefore, Digicel does not consider the monthly charges to be acceptable as they were calculated on the basis of incomplete information.

*“c. Is the one-time porting charge acceptable?”*

Please refer to Digicel's previous comment.

## 6 CONCLUSION

The cost figures that ICTA has outlined in its Consultation 2008-1 appear incomplete and undefined. ICTA has not as yet sought to quantify the benefits of NP or to identify the categories

of benefit. Therefore, Digicel considers that the analysis necessary to satisfy the test pursuant to section 71(3) of the ICTA Law has not yet been done.

Any decision to mandate NP should be founded on a rigorous cost benefit analysis. This is the only way to assess whether NP is in the public interest in accordance with the statutory test set out in section 71(3) of the ICTA Law. NP involves significant set-up and ongoing costs and therefore, economies of scale and ability to pass on costs to a smaller subscriber base have often made NP uneconomic for smaller countries. Market circumstances in Cayman (i.e. two mobile networks; prevalence of locked handsets; widespread multiple handset ownership etc.) mean that there would be a significantly reduced average benefit per subscriber from NP compared to most other countries which have adopted MNP to date.

Digicel considers that (once information on all of the relevant costs have been considered), it will be determined that the benefits of implementing NP would not outweigh the significant costs which would be incurred and which would have to be recovered from a very small subscriber base. Therefore, Digicel respectfully suggests that it is premature to mandate NP at the present time.