



Information & Communications Technology Authority

Public Consultation

on

Local Number Portability

(Ref: CD 2008-1)

Launch Date: 21 April 2008

Closing Date: 30 May 2008

1.0 Introduction

Subsection 71(3) of the ICTA Law (2006 Revision) provides that the Information and Communications Technology Authority (Authority) may require any licensee to offer local number portability (LNP) if it is satisfied that the benefits of a particular form of LNP outweigh the likely cost of implementation, and that it will not impose an unfair burden on any licensee. LNP is defined in subsection 71(4) as the ability of customers to change licensees without having to change their telephone numbers.

In ICT Decision 2005-1, Interim Decision and Further Process for Local Number Portability, released 29 March 2005 (http://www.icta.ky/da_public.php#LNP), the Authority determined that there were significant benefits to LNP and that it would be appropriate to further examine the likely implementation costs of LNP in the Cayman Islands. Accordingly, the Authority established a Local Number Portability Consortium (LNPC), consisting of the Authority and major ICT network licensees, to identify the most appropriate LNP model for the Cayman Islands and to investigate its costs.

Initially, the LNPC examined the models in place in a wide variety of jurisdictions around the globe. The LNPC then approached a number of vendors and requested proposals for the implementation of LNP in Cayman. Based on these discussions, the LNPC recommended to the Authority a model involving an electronic query of all calls.

In this consultation document, the Authority seeks comments on whether LNP remains a desirable option for the Cayman Islands, in light of the likely costs to subscribers.

2.0 Issues

The costs associated with LNP consist of two key elements: (1) the fees payable to an outside vendor to host a central clearing house; and (2) the internal LNP costs incurred by each licensee, which include one-time start-up costs and ongoing costs. Each of these categories is discussed in greater detail below.

2.1 Central Clearing House Costs

In ICT Decision 2005-1, the Authority determined that the fees payable to an outside vendor to host a central clearing house should be shared among the licensees. However, the Authority concluded that it was not necessary at the time to make a determination as to the methodology for allocating these costs to the various licensees. Furthermore, the Authority determined that it would be permissible, if LNP is mandated, for licensees to introduce a new line item on

monthly bills to identify the central clearing house costs that each subscriber is paying.

Information received from outside vendors, suggests that this cost would be in the order of CI\$300,000 annually, to be shared equitably amongst all telecommunications licensees. If this amount were to be recovered on a working telephone number basis, the amount per telephone number would be about CI\$0.20 per month.¹

The Authority therefore proposes 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.

2.2 Internal LNP Costs Incurred By Each Licensee

The Authority also determined in ICT Decision 2005-1 that licensees should be responsible for their own internal LNP costs. These include the costs of system upgrades to permit the all-call-query function, and the costs of training staff to make the required changes throughout the licensee's databases that need to be kept abreast of the porting of numbers. As previously noted in ICT Decision 2005-1, the Authority considers that licensees should be free to pass these costs on directly to consumers if they so wish, either as part of the price of their services or as a separate line item on their bills.² Alternatively, some licensees may choose to absorb these costs as an expense.

Precise internal LNP costs cannot be determined at this stage in the process. However, figures supplied by licensees suggest that that the Cayman telecommunications industry as a whole would incur start-up costs of no more than CI\$ 2.2 million and ongoing costs of no more than CI\$380,000 per annum. Were these costs passed-on evenly to all working telephone numbers in the Cayman Islands the resulting maximum amount per number would be approximately CI\$0.65 per month.³

The Authority therefore proposes that the maximum amount that licensees may recover from subscribers under a "LNP Internal Cost Recovery" line item should be CI\$0.65 per telephone number per month.

¹ Annual cost converted to a monthly amount and divided by the number of working telephone numbers.

² Having said that, the ICT Authority notes that some of Cable & Wireless' (C&W) services are price regulated. As such, C&W would be required to seek the Authority's approval in order to pass on LNP costs to customers who subscribe to these services. The Authority's approval of any such proposal would likely involve a detailed review of the LNP cost estimates and calculation methodology.

³ Implementation costs have been annualized using an assumed cost recovery period and return on capital. To these annualized cost the Authority has added ongoing costs, converted to a monthly amount and divided by number of working telephone numbers.

Therefore, the total amount of clearing house costs and licensee implementation costs, if they were to be fully recovered on a working telephone number basis, would be no more than CI\$ 0.85 per month. Pre-paid rates also could be adjusted to reflect a similar increase. However, licensees would be free to charge a lower or even no amount.

3.0 Porting Fees

Some licensees may also choose to recover a portion of these costs by charging a one-time fee from customers who choose to port their numbers. The Authority considers that, if LNP is mandated, the licensee to whose network the number is ported may charge a maximum fee of CI \$10.00 per ported number. The licensee from whose network the number is ported may not charge a porting fee.

4.0 Summary

Mandating the implementation of LNP in the Cayman Islands would result in increased costs for all telephony providers. Licensees would have the ability to recover these costs over time from their subscribers. The Authority proposes that the maximum costs that may be attributed to LNP on the monthly telephone bills of all subscribers would be:

- a. LNP Recurrent Costs: CI\$0.20 maximum per telephone number per month
- b. LNP Implementation Costs: CI\$0.65 maximum per telephone number per month
- c. **TOTAL:** **CI\$0.85** maximum per telephone number per month

It is emphasised that these are maximum figures. Actual costs may be less, and individual licensees may choose not to charge subscribers directly for LNP, or to charge less than the maximum, and so gain competitive advantage.

In addition, the Authority proposes that when a number is ported, the "receiving" licensee may charge a one-time porting fee of CI\$10 or less.

5.0 Comments Requested

The Authority invites comments from all parties on the proposals detailed above. In particular, it seeks views on the following key questions:

- 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.)
- b. Are the maximum monthly charges acceptable?
- c. Is the one-time porting charge acceptable?

6.0 Procedure

All submissions on this issue should be in writing to be received by the Authority by 30 May 2008 at the latest. Submissions may be filed as follows:

By post:

The Managing Director
Information and Communications Technology Authority
P.O. Box 2502
Grand Cayman KY1-1104
CAYMAN ISLANDS

By courier:

The Managing Director
Information and Communications Technology Authority
3rd Floor, Alissta Towers
North Sound Way
Grand Cayman
Cayman Islands

By email to:

consultations@icta.ky

Or by fax to:

1-345-945-8284