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**Public Consultation
Written Submission**



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PRICE CAP MECHANISM REVIEW

Response to the Consultation Paper on the Price Cap Mechanism

Terms used in this document

"Liberalisation Decision" or "Decision of the Panel"	Refer to the decision in the rate hearing for the adjustment of rates in the liberalisation exercise.
"The Panel"	Refers to the Panel which handed down the Liberalisation Decision.
"Commission"	The Fair Trading Commission.
"Company"	Refers to the dominant provider, Cable & Wireless.
"C&W"	Means Cable & Wireless.
"PCM"	Means Price Cap Mechanism.

Documents referred to in this document

- Commission's Consultation Paper, Review of the Price Cap Mechanism
http://www.ftc.gov.bb/library/2007-09-19_price_cap_review_consultation_paper.pdf
- Fair Trading Commission Act
<http://www.commerce.gov.bb/Legislation/Documents/Fair%20Trading%20Commission%20Act,%20Cap%20326B.pdf>
- Utilities Regulation Act
<http://www.commerce.gov.bb/Legislation/Documents/Utilities%20Regulation%20Act,%20Cap282.pdf>
- Commission's Decision on Cable & Wireless Application for Rate Adjustment and the Introduction of Usage Based/Flat Rate Plans.
http://www.ftc.gov.bb/library/2004-07-20_commission_decision_candw_rate_review.pdf



Executive Summary

In 2005, the Fair Trading Commission moved to implement the Price Cap Plan on the heels of the Rebalancing Exercise which sought to pave the way for a fully liberalised telecommunications market in Barbados.

It is BANGO's submission that, from the outset, the Price Cap Mechanism should have reflected the decisions resulting from the rate hearings in the Rebalancing Exercise for the following reasons:

1. The information from hearings was fresh;
2. The hearings at the time represented a current thorough investigation of the company;
3. The decisions represented an informed assessment of the company; and
4. It was the best attempt to extract from the de facto monopoly the most information possible.

These factors, added to the competence of the Panel, lend much credibility to the Liberalisation Decision, which, for the sake of continuity and consistency cannot be ignored; except to the detriment of consumers.

In view of the above and the fact that the Price Cap Mechanism replaced the last method of regulatory hearings, the performance of the Price Cap may be measured as a comparison between what would have obtained if the PCM was not implemented and what obtains now under the PCM.

To determine whether or not the objectives of the Commission were met by the use of the PCM as a regulatory device, it is necessary to look at the results. E.g.:

- The present level of profits
- The present rates
- The level of profits if there were no increases

From a consumers' perspective, if the following questions could be answered in the affirmative, then the PCM has failed consumers:

1. Has the company made considerable gains?
2. Are rates unfair and unreasonable to consumers?
3. Is the service any worse than it was before liberalisation?

While only a poll could answer question #3, the first two questions could be satisfied by the following analysis:

1. If there were no increases from the implementation of the Price Cap:
 - a. Would the company have made a loss in the current year?
 - b. Would the company's profit have reduced considerably?
 - c. Would the profit made by the company exceed the profit in the last year?
2. If the profit exceeded the previous year's, by what percentage?

3. By what percentage did the company's profit exceed or fall short in the current year compared with the year the Price Cap period began?



Some lessons from the Liberalisation Decision

In performing the regulatory function it is expected that the mechanism would lend some continuity and maintain the regulatory integrity established by the findings of the FTC during the liberalisation period 2002 - 2005 and stated in the Panel's Liberalisation Decision.

Key components of the Liberalisation Decision relevant to the Price Cap Mechanism are:

1. Rates
 - A Flat rate regime for domestic land line service continues;
 - No increase in the rate of the domestic land line service;
 - Decrease in the rates for the international service at the company's discretion
2. Costs
 - Cost of providing the domestic service - 177.586M and revenue 127.6M is a deficit of 50M;
3. Revenue
 - There should be some equity in the apportionment of revenues to cover the cost of the domestic service.
4. Corporate Response
 - The Commission also found that the company was not forthcoming with the necessary information in several areas. The Commission stated at Paragraph 161 of its Decision: *"The Commission is of the view that is not in a position in light of the evidence to determine the amount of revenue that is properly earned by the domestic service and cannot do so without:*
 - *The revenues from international service for its use of the domestic network facilities.*
 - *The apportionment of interconnection charges in order to recognise mobile providers' use of the domestic network facilities.*
 - *The availability of financial contribution from the Universal Service Fund and Access Deficit Charge."*

In arguing that the PCM should embrace the decision of the Commission, it should be noted that the Panel's decision upheld the objectives of the Commission to provide some balance between a reasonable profit for the company and a reasonable rate to consumers; see Utilities Regulation Act Section 3, subsections(2) and (3).

An analysis of the Panel's decision will reveal three basic pillars underlying the integrity of the present regulatory environment as a means of protecting the consumer from the burden of unreasonable rates in a non-competitive market:

1. Maintain a flat rate for the domestic service;

2. Ascertain the cost of providing the service.
3. Apportion the cost of providing the domestic service to include other revenue streams from value-added services;



Functionality

In this matter the Panel in its decision wrote,

“The Commission must consider all the relevant sources of revenue that should be collected by the domestic network before it can determine the level of rate adjustment needed, if any, to meet the cost of service. The Commission finds that if it fails to consider these legitimate revenue streams inequity could result with rate payers bearing the full costs of the domestic network and other users getting a free-ride.

“The Commission finds that even though other carriers use the domestic network no revenue from these users which properly belongs to the domestic service have been included in the domestic revenue presented to the Commission.”

This therefore establishes the confines of the integrity function of the PCM and to the extent that this was not achieved is a measure of the failure of the PCM to fulfil this function.

The greatest failure of the functionality of the PCM and, hence, breach of the regulatory integrity, was allowing the company the discretion to increase rates at a specified percentage for three years, without first ascertaining the costs of providing the domestic service and apportionment of cost, even though pre-warned about this in the Liberalisation Decision.

Applicability

This is taken to mean the suitability of the PCM to the market environment. For example, whether or not there is competition and whether or not the values applied and the assumptions made, correspond to the market forces at work.

In looking at the current state of liberalisation, there is still only the company in the market providing the fixed line domestic service. The values employed in the PCM should therefore reflect the fact that there is no competition.

Furthermore, to the extent that there has been no apportionment of revenues and looking at the deficit as a percentage of the cost in the test year, residential and business consumers at that time were covering 72% of the cost of providing the domestic service.

When taken as a whole, under the present Price Cap Mechanism, one can say that the value added services not only covered the deficit but allowed the company to realise a profit of more than the statutory minimum of 12%. In assessing applicability, there should be some comparison between the level of increased

profits and the increase in rates to establish what further percentage of the cost of providing the domestic network has been assigned to Business and Residential users and what level of profits the company is making from the value added services.

If for example, both the revenues from the domestic service (Residential & Business) and the value added were \$127M each, and the cost of providing the domestic service was \$177M, then it would be unreasonable to ask the domestic (Residential & Business) to absorb 80%+ of the costs (given the increases in basket #1).

In both cases of the functionality and the applicability of the Price Cap Mechanism and on examining the Price Cap formula, it would be reasonable to say that the formula itself has the capacity to maintain regulatory integrity. However, if the values were not properly assigned to fit the Barbados environment, failure cannot be blamed on the principle itself and the regulator must squarely take the blame.

BANGO therefore asserts that there is need to:

- *Make changes in view of the performance of the Company and developments in the telecommunications sector.*
- *Modify the principles, indices, or rules of the Price Cap Plan to maintain the regulatory integrity established in the Panel's Decision.*

BANGO bases its assessment of the PCM on the foregoing and responds to the consultation document as follows:

SECTION 1 – EXISTING PRICE CAP MECHANISM



Regulatory Function

In The Panel's Decision at paragraph 45, it states:

"The Commission recognises the importance of this Decision in the context of the present regulatory environment within the telecommunications sector. The Public Utilities Board operated under a monopoly environment whereas the Commission powers fall to be exercised under the evolving liberalisation of the market. This market anticipates the entrance of competitors to the Applicant, as the sector transforms from a monopoly environment with a single provider of telecommunications services to a competitive one with multiple providers. These changes underscore the need for the regulator to adopt a change in approach. The Commission must ensure that its decision does not unfairly impact on the Applicant's ability to compete in the market or create disincentives to potential new market entrants or create undue hardship on consumers."

There seems to be a contradiction between allowing flexibility in pricing and the principle of regulation. Where the PCM is used, it is consequently required by law to embrace and enhance the principles of regulation as stated in the Fair Trading Commission Act, the Utilities Regulations Act and the Utilities Regulations (Procedural Rules) Act.

Notwithstanding the statutory provisions compelling the company to submit information before it invokes any rate increases, flexibility under the PCM suggests abandoning these principles of regulation because it assigns values to the formula that bear no relation to:

1. The costs of providing the domestic service; and/or
2. The costs of providing the domestic service to its many types of uses.
3. The state of the liberalised market

Second, under the PCM, the company is not required to submit to any scrutiny or await the Commission decision before invoking the annual increases. At the end of the period, it is then opened to review. Hence the principle of regulation is lost to review.

Considerable gains in the regulatory process may also be lost here as the Panel at paragraph 55 of its decision quotes Irston R. Barnes in the text entitled "The Economics of Public Utility Regulation", Appleton-Century-Crofton Inc. New York 1942 at page 604 in discussing the West Ohio Gas Co. V. Public Utilities Commission of Ohio (No. 1) 294 U.S. 63;55 S Ct. 316, which states:

"The proposition that the expenditures of utility companies fall within the field of managerial discretion beyond the reach of regulatory authority is replete with danger for consumers and investors alike, and has fortunately been superseded."

Flexibility opens the consumers to a considerable amount of vulnerability and anxiety that did not prevail before (second only to “rate shock”). The vulnerability comes as a result of the lack of competition in the market that would naturally act as a counteracting force to the movement in rates.

Therefore, the escalator in basket #1 should be reversed either to a minus value or at least reduced to zero. Further, given that the company used all its allowable increases in Basket #1, the FTC is now required to examine by way of a hearing, whether or not the 21% (22.5% compounded) increase which C&W took over the three year PC period was reasonable, prior to granting any further flexibility in this basket. The FTC would be failing in its duty as regulator if this is not done.

SECTION 2 – OBJECTIVES & ELEMENTS



To what extent have incentives worked to persuade the company to reduce its operating costs and increase its efficiency? If this has been achieved, it has not been reflected in the increases in basket #1 to the consumer. If a company knows it can increase its rates in the de facto absence of competition, why bother to reduce costs?

The Company's engineer Ed Layne asserted in his testimony during the rate hearings, that he does not see C&W upgrading its plant any time soon. It must therefore be concluded that the company has no intention to be innovative, and to build out and replace plant in an efficient or prudent manner. **This incentive needs to be zero-valued until the company can demonstrate that it can live up to this expectation** and bring the technology from being as much as 20 years behind to cutting edge and can fulfil its Universal Service Obligation.

There is no evidence to suggest that C&W is being responsive to evolving technology, which would only happen if there is competition in the market offering quality services.

The objective to provide the Company with reasonable opportunity to earn a fair return, is definitely demonstrated by the performance of the company in the last two years; showing a 34% profit on its investment/operation in the current year. **This level of profits is exceptionally high compared to other jurisdictions in the Caribbean where the company operates and ridiculously high compared to its investments in the rest of the world.**

Rates have been going up steadily and it can be argued that no productivity gains have been passed onto customers. Again **this objective has also been to the company's advantage.**

The FTC cannot claim to have fostered competition in the market if the only player in the market is the dominant provider who remains in a monopolistic position.

Evidently, while all the objectives above assume a vibrant market most are not applicable to our particular telecoms market because of the absence of that vibrancy and competition in the market. From the above, **incentives to C&W need to be removed in paragraphs a, e & h, while the applicability of objectives b, c & d need to be examined to see if, on the basis of evidence, these truly exist.**

Price Cap Formula

From the formula it would seem that the ceiling or cap can be adjusted to give a positive net value (increase), a zero (no increase) or a negative net value (decrease)? How is this cap to be exercised? How is it determined what the cap should be? On what basis was the initial cap decided? If values are placed in the cap simply to

allow a calculation, then this is a misuse of the regulatory system. The Liberalisation Decision had this to say on the matter of rate adjustments:

The Commission finds that there are four steps in rate design and accepts the steps as formulated by the Massachusetts Commission and set down in re Western Mass. Elec. Co., 114 PUR4th 1, 41 [Mass. 1990].

“First, a company must perform a marginal cost study which accurately determines a company’s marginal costs.

“Second, marginal costs must be converted into rates for each rate class.

“Third, the marginal-cost-based rates must be reconciled with the total class revenue requirement by adjusting the most demand inelastic portion of that rate.

“Fourth, the resulting rate structure must be compared with the existing rates. If it is found to represent a change which violates the goals of continuity, the existing rates must be adjusted to move rate design towards marginal-cost-based rates in a manner which does not violate the goal of continuity.”

This would conclude that the underlying principle for adjusting rates is only activated if the rates are lower than costs or if the company is not earning a reasonable return; the statutory provision in Barbados is 12%. This also infers that **it would be against regulatory practices to allow a rate increase where the company is earning more than 12% and this limitation must be reflected in the mechanism.**

Basket #1

Accordingly, proper use of the PCM should relate to all the information in the possession of the FTC, including the decision of the last panel. The Commission represented the PCM's application to basket 1 oddly. It is worth clarifying for orthogonal mathematical modelling that for basket 1, the X-factor is set to -7%, or -0.07. The I-factor is set to zero.

In basket #1 there should have been a zero increase over the Price Cap period. Yet it was set at 7% annually, which was contrary to the Panel’s decision at the time. Why? What information led to this value? Certainty of an increase is no comfort to the consumer even when there is a cap on the increase.

We are therefore in favour of reducing the escalator to zero% or below.

Basket #2

The Productivity Factor (X) seems a bit mythical from the point of view that these are services mostly related to landlines, including universal access obligations. The level of pricing in this basket will affect competitiveness in the small and micro business sector (especially retail trade) by pushing up costs of operation, thereby limiting access.

Factors such as potential growth and potential market share, if measured as a means of projecting the expansion requirement of the plant or network seems a bit regressive from the point of view that it gives the appearance that the company is operating in a market that has to be subsidised. This is certainly not the case considering that the company announced that it made a profit of over \$80M in the current year.

Therefore, an X-factor of 4.19% is far too low. This should be (at least) above the expected I-factor and no further increases should be allowed for the ensuing period.

Basket #3

This basket is also critical to domestic users and business. It has implications for Caribbean integration and for CARICOM as a single market space. While this makes a good case for making telecoms part of that single trading space, in the absence of this, there has to be a careful watch on how International calls are defined since this will impact on what **should be domestic calls** for the Caribbean.

Given that there is some competition in this market, the fact that the dominant provider is positioned to influence the entire international market is of great concern and should be subject to greater scrutiny. Additionally, the fact that only outgoing international calls are included in this basket, but not incoming, should be examined.

In this regard, it should be noted that C&W is a subsidiary of a Caribbean company which also operates in the other Caribbean countries. This means that C&W is paying itself for terminating calls on its own network, contributing to the high rates for "Overseas Calls".

An X-factor of 11.57% is at least higher than the current I-factor, resulting in slightly lowering prices. However, this value should be examined with the intent to lower prices further and faster.

Basket #4

This basket appears to be a confused collection of services which are under no price controls (expressed mathematically, the X-factor is set to negative infinity), with the only regulatory constraint being notice of adjustments being given by the company.

This means the company is free to change the price of any and all services within this basket as they so choose, without limits. The Commission's justification of this is that these are services under competitive pressure, or are little used. The former argument is invalid, and the latter argument is not always true, with several of the services subscribed by thousands of customers.

The services within this basket should be reviewed, as there are several services which are more appropriately located in basket 2. For example, those listed as "Business internal voice network service" such as DID PABX extensions and key systems.

Currently, these services could have their rates increased by arbitrary amounts at any time. This would have a major impact on businesses which rely on these services to conduct business, and thus must be constrained

It has been argued by the FTC that Voicemail services face competition from answering machines. However, this is not true competition, as the services provided are significantly different, and answering machines generally provide a much lower level of functionality, compared to a provider's voice-mail services.

In reality, the reason answering machines are used is primarily because of the high costs of voice mail services. Answering machines also require their own individual power supply.

An X-factor of negative infinity (no constraint) is ridiculous. This is effectively the same status as if they were unregulated. The X-factor for basket 4 should be reasonable for the services contained within the basket. Based on their low costs of implementation and a high return, the X-factor should be aggressively high.

Review

On the question of confidentiality of information, there are guidelines and procedures for handling claims of confidentiality, including seeking an opinion or a ruling from the court and if C&W fails, they pay costs.

We are either conducting a proper review or we are not. It seems incongruent to the process to ask consumers to request what financial information they require. The financial information should be for the inspection of the public. If you can send information to an individual without breaching confidentiality, then it should not matter if this information is available for public inspection.

The FTC must therefore **use the process outlined in the legislation to proceed with opening the information for public inspection.**

The FTC should also **use the systems available under statutory provision to conduct a Review.** There seems to be a reasonable case for assigning the Review to a Panel, which under the legislation may conduct a Review, even if based on written submissions. There also seems to be a role for **engaging intervenors as a solution to the concern over confidentiality**; since Intervenors can be sworn and represent the public, thereby limiting circulation of documents claimed to be confidential.

Status of Liberalisation

The process of liberalisation only opened the market in principle. The reality is that the only provider offering a domestic fixed line service is C&W. The fact that other licenses for fixed line have been granted, cannot qualify as competition if none of them is offering a service.

It should be recognised that it will take time (at least a year or two) from roll-out for a new entrant to have any significant impact on the market, or longer if the new entrant encounters other barriers, and there is no need to put a contingency in place for the occasion of the launch of a new entrant.

There are two aspect of the National Strategic Plan which concerns the provision of telecommunications services: First, to give Barbados global access at reasonable rates; and second, to bridge the digital divide and encourage competitiveness and productivity among citizens. Indicators ought to be established to measure what is affordable access, given the Price Index and the profitability of the Company; considering that C&W has admittedly demonstrated their ability to recover costs of investment with prices at the current level.

The other consideration is the spending power of consumers, since disposable income is not necessarily increased every year and even where this is the instance, the question is to what extent increases in telecom prices should be allowed to erode increases in wages and salaries and add to inflation. **There is need for study and research in these areas if we are to truly measure the impact on consumers.**

Both modification and revision of the input values to the PCM is required on the grounds that assumptions have been overestimated and the incentive for upgrading services and expanding the plant/network is excessive.

SECTION 3 - PARAMETERS, METHODOLOGIES & ASSUMPTIONS

It can be successfully argued that the PCM is no magic solution replacing the tenets, principles and pillars upon which regulatory authority is exercised. Implementing the PCM without it showing some continuity from what prevailed before, would be contrary to the spirit of all the legislation that preceded the PCM and the lessons learnt by the regulatory authority over time.

Therefore, some reflection should be made on the statutory provision, which is set at 12% on the costs of investment, when considering the parameters, methodologies and assumptions of the PCM. These provisions are not rescinded anywhere. Even further, the fact that this level was prescribed by law would lead one to believe that this is a reasonable return on investment. It is hardly likely that the law would embrace an unreasonable return and to this end, this return is a standard from which we can work. No reason to re-invent the wheel.

Given the Company's overall rate of return at 34% in the current year, consideration should be given to decreases in rates to the consumer when its profit levels shoot over and above the statutory provision.

If the statutory provision under the last model is 12% return on costs of investment, and this is considered to be a reasonable rate, then **in the PCM process there should be some** means of monitoring the actual rate of return, and if it exceeds **the statutory rate of return** 12%, then there should be an index which could be used to reset the X-factors appropriately, to invoke a rate reduction (or an increase if below the statutory prescription), that would be fair to both the Company and consumers.

This could be implemented by simply reducing the duration of the PCM to a single year. However, this would be contrary to the light-handed and motivating intent of the PCM and would simply demonstrate that the Commission had not set the values of the X-factors appropriately. However the X factors are set, no increases should be granted so long as the return exceeds the 12% provision even if a reduction in prices is not invoked.

Reduction in rates can be another consideration based on the relevant factors and can be actually used against poor performances in the same manner as increases are used as incentives to improve performance. The other positive side about this opposite approach is that the company would recognise that it should capture the untapped market to compensate for reduction or no increases in rates.

In this scenario, if the company can show that it worked for its profits then it should be rewarded by being allowed to keep it. This seems to be the best way to simulate competition in a de facto monopoly.

The Retail Price Index (RPI)

The use of the RPI should be set against particular and specified inputs, such as the level of wage increases to workers at the company. To simply give an increase based on using the RPI in the formula if in truth and in fact the company's expenses have not increased would be to allow the company to profiteer.

From its performance over the Price Cap period, there is nothing indicating that inflation has affected the company and accordingly, no price increases should be set in any of the baskets. The use of the RPI should give less weight to the movement in rates, given its sensitivity to changes in the retail market.

The Productivity Factor (X)

This factor is based on projections for creating incentives. These incentives are wrongly applied in the sense that they do not take account of the possibility that the company would make such massive profits in calculating or assigning this value.

Discounts

The question really is whether or not a specific service which is claimed to be below costs, drastically affects the overall rate of return. In any business there are times when a decision is made to suffer a loss on an item or service in order to maximise an overall return. In this instance the company is only claiming a loss, but what should be measured is the extent to which dependency on the land line is allowing the Company to create other revenue flows, but which it feels should not be considered in setting rates for the fixed domestic service.

Discounts should be part of a strategy either to allow the company to secure market or to increase sales and to this extent the company should offer discounts at its own risk and should not expect to claim these as costs.

SECTION 4 - PRICE CAP ADMINISTRATION

A Robust Exercise

The observed approach to administration evidently favours the dominant provider. There are some aspects of the Price Cap which should be subject to scrutiny prior to allowing the company to adjust rates.

If for example, the FTC decides to continue with a cap in Basket #1 then, any increases in rates which the company wants should be subject to the following scrutiny:

1. The cost of providing the domestic service;
2. The level of revenue minus cost of providing the value-added services;
3. Apportionment of cost to balance contributions from the revenue streams properly belonging to the domestic service.

In the approach to regulation, it should be noted that regulation is robust and about scrutiny and transparency. For example, on the question of costs, the Panel in its decision quoted Mr. Justice Roberts in *Acker et al v. Unites States et al* in 1936. 298 U.S. 426 cited in Phillips text page 258 at paragraph 56 of the decision, which states:

“The contention is that the amount to be expended for these purposes is purely a question of managerial judgement. But this overlooks the consideration that the charge is for a public service, and regulation cannot be frustrated by a requirement that the rate be made to compensate extravagant or unnecessary costs for these as any other purpose.”

At paragraph 60, the Panel concludes:

“The Commission is therefore of the view that the management of the Applicant is required to establish the reasonableness and propriety of all expenditures, operating as well as capital expenses.”

Therefore, when it comes to the administration of the PCM, flexibility cannot apply to setting the domestic rate in such broad parameters since strict controls is a statutory and legal requirement in the exercise of the regulatory function. This is an internationally accepted standard in the industry in liberalised markets.

Summary

Regulatory Function Favours Company

The application of the PCM, including assigned values to the formula and the incentives in the baskets, is a mystery to the exercise of regulatory authority.

It would seem that there is a deliberate attempt by the FTC to favour the company in its approach to the functioning of the PCM as a regulatory mechanism at the level of policy, because the PCM parameters have been set contrary to all the statutory provisions for exercising regulatory authority.

In any forum this level of ineffectiveness, and failure to consider the costs to the consumer in setting the rates, could naturally be described as a gross dereliction of duty; total incompetence. What makes this case different is that we know from experience that we are dealing with highly qualified professionals who are in possession of the facts and who know the rigours of regulation.

It is because of this that BANGO is of the view that there are other factors, players or circumstances which have not come to public light, that is being allowed to manipulate the regulatory function of the FTC.

There is no doubt that the PCM can be applied to maintain the integrity of the regulatory environment but its performance over this initial period does not reflect this because of inputs incorrectly defined by the FTC. Under the circumstances, it would seem that the FTC should apologise to consumers for its lack of enforcement of its regulatory function in the use of the PCM.

Even with the implementation of the PCM, BANGO maintains that the Order made in the Liberalisation Decision, as reproduced overleaf, should stand. **BANGO is hereby requesting the information that would satisfy the following:**

1. **Has the company made considerable gains?**
2. **If there were no increases from the implementation of the Price Cap:**
 - a. **Would the company have made a loss in the current year?**
 - b. **Would the company's profit have reduced considerably?**
 - c. **Would the current profit have exceeded the profit in the last year?**
3. **If the profit exceeded the previous year's, by what percentage?**
4. **By what percentage did the company's profits exceed or fall short in the current year when compared with the year the Price Cap period began?**
5. **The costs of providing the domestic service;**
6. **The level of revenue from the value-added services;**
7. **Apportionment of cost to balance contributions from the revenue streams properly belonging to the domestic service.**

BANGO anticipates a hearing into the reasonableness of the increases in Basket #1 invoked by the company.

ORDER

BARBADOS No.4 of 2004

THE FAIR TRADING COMMISSION

IN THE MATTER of the *Fair Trading Commission Act* CAP 326B of the Laws of Barbados.
AND IN THE MATTER of the *Utilities Regulation Act* CAP 282.
AND IN THE MATTER of the *Utilities Regulation (Procedural) Rules*, 2003 S.I. 2003 No. 104.

Cable & Wireless (Barbados) Limited

APPLICANT

Office of Public Counsel
Mr. Olson Robertson
Sunbeach Communication Inc
Mr. Noel F. Smith
Mr. Alvin Cummins
CARITEL
Mr. Grenville W. Phillips
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Barbados Consumer Research Organisation Inc. (BARCRO)
Mr. John D. E. Boyce
All Caribe Inc.
Ms. Audrey McKenzie
Barbados Council for the Disabled
Cariaccess (Barbados) Limited

INTERVENORS**BEFORE**

Mrs. Vivian-Anne Gittens Chairman
Professor Andrew Downes Commissioner
Mr. Gregory Hazzard Commissioner

APPEARANCES

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Senator Gregory Nicholls, Esq.
Mr. Barry Carrington
Mr. Michael Carrington
Ms. Keisha Hyde

Upon reading the Application filed by the Applicant; and
Upon reading the written submissions filed by the Parties; and
Upon hearing the evidence adduced; and
Upon hearing Counsel for the Applicant; and
Upon hearing the Intervenors.

IT IS HEREBY ORDERED that the Application by Cable & Wireless (Barbados) Limited for an:
(a) adjustment to the domestic line rate for business and residential customers; and for
(b) the introduction of flat rate charging plans and usage based rates for domestic calls made from fixed lines

is denied.