



FAIR TRADING COMMISSION

CONSULTATION PAPER

REVIEW OF PRICE CAP PLAN 2021

For Cable & Wireless (Barbados) Limited

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This Consultation Paper is not a legal document and does not constitute legal, commercial or technical advice. The Commission is not bound by this document. The consultation is without prejudice to the legal position of the Commission or its rights and duties to regulate the telecommunications market generally.

INTERPRETATION OF TERMS

Actual Price Index (API) - means the actual level of prices in a service basket and should not exceed the Price Cap Index.

Annual Compliance Filing (ACF) - means the formal compliance document in which prices (and historically, volumes) are recorded for those services that are subject to a price cap during each relevant Price Cap Period, for the purpose of measuring compliance in that period.

Capped Services - means services price-capped under the 2021 Price Cap Plan: Residential and Business standard standalone fixed telephony services including value-added services.

C&W (or “the Company”) - means Cable & Wireless (Barbados) Limited, the regulated provider of domestic and international telecommunications services, pursuant to Utilities Regulation Order S.I. 2014 No. 65 and the Barbados subsidiary of Cable and Wireless Communications Plc.

Fair Trading Commission - means the Fair Trading Commission (also known as the Commission, or FTC), the body responsible for consumer protection, fair competition and utilities regulation in Barbados.

Inflation Factor (I Factor) - means the percentage change in the retail price index (RPI) between two (2) periods.

Over-the-top (OTT) Services - are communications services provided over the internet.

Price Cap Index (PCI) - means the constraint that specifies the maximum level of aggregate price change for a service basket. The PCI within the PCP 2021 consists of an inflation factor (I) and a productivity offset (X).

Price Cap Plan Compliance Rules and Procedures - means the formal document setting out the official set of rules and procedures which the Company must follow in relation to the Price Cap Plans set by the Commission, and which are published separately.

Productivity Offset (X Factor) - means the target productivity to offset the inflation rate in the price cap formula.

Regulated Services - means the utility services designated by the Minister pursuant to the Telecommunications (Regulated Services) Order S.I. 2006 No. 5.

Service Baskets - means a group of services subject to pricing constraints in the Price Cap Plan.

Value-Added Services - are fixed-line services which add value to the main landline service. Examples are call waiting, voicemail, caller ID, call forwarding, and automated assistance for customers.

SUMMARY

1. The Fair Trading Commission (“the Commission”) is reviewing the performance of the Price Cap Plan 2021 (PCP 2021), through which it regulates the prices of certain services provided by Cable & Wireless (Barbados) Ltd. (“the Company”).
2. The PCP system of regulation was first introduced in 2005 and has been reviewed periodically since then. The PCP 2021 is due to expire on December 31, 2024, and Commission’s Decision at the time included provisions for a review of the Price Cap Plan prior to its conclusion.
3. This public consultation forms an important part of the Commission’s review of the PCP 2021. The purpose of this consultation is to obtain public input which will help the Commission in ascertaining whether there remains a need to regulate, on an ex-ante basis, the Company’s regulated services; and if so, whether to:
 - a. Maintain the current price cap approach;
 - b. Offer a simplification of regulatory reporting in return for a commitment not to increase prices for any Capped Services; and
 - c. Offer the Company some flexibility for price increases for Capped Services if there is a fundamental change in circumstances.
4. The Commission sets out its provisional analysis in this document, identifying three options for future price regulation. These options are summarised in the table below.

Table 1 - Summary of Options Subject to Consultation

Option	Effect on prices for stand-alone voice telephony services	Change in the regulatory reporting requirements of the Company	Applicable period/timeframe
1	Prices may increase by inflation or 3% whichever is lower	No change	For all options presented, the PCP 2025 is to be set for a period of three (3) years, starting on 1 January 2025. The PCP 2025 could be extended, at the discretion of the Commission, for up to one (1) additional year.
2	No price increases allowed	Removal of requirement to file annual compliance reports and separated accounts	
3	Price increases only allowed if there is a fundamental change in circumstances, as approved by the Commission	Removal of requirement to file annual compliance reports and separated accounts	

5. The Commission is seeking the opinions of industry stakeholders and any other interested parties as to which of these options, or any better alternative option, should be pursued going forward. The procedures for responding to this consultation are detailed in Section 6 of this document.

STRUCTURE OF THIS CONSULTATION PAPER

This Paper is divided into six sections, as follows.

6. *Section 1* sets out the legislative framework for this consultation.
7. *Section 2* provides an overview of the Price Cap Plan currently in place and recent trends in prices, demand, and competitive circumstances under that Price Cap Plan.
8. *Section 3* examines the continued need for price regulation, based on a review of the recent market developments.
9. *Section 4* looks at options for the scope and structure of the next pricing framework.
10. *Section 5* discusses administration of the next pricing framework.
11. *Section 6* provides details on the consultative process which will begin on October 7, 2024.

SECTION 1 LEGISLATIVE FRAMEWORK

12. Under Section 4(3)(a) of the Fair Trading Commission Act, CAP.326B, the Commission is charged with the responsibility to, inter alia, “establish principles for arriving at the rates to be charged by service providers”. The Commission is also charged with this responsibility under Section 3 (1) of the Utilities Regulation Act, CAP.282.
13. Further, in Section 39(1) of the Telecommunications Act, CAP.282B (TA), it states that the Commission shall:

“establish a mechanism for the setting of rates to be charged by a provider in accordance with the provisions of this Act, the Fair Trading Commission Act and the Utilities Regulation Act.”
14. The TA also states in Section 39(2) that the rates should facilitate the policy of market liberalization and competitive pricing.
15. In changing any principles of rate setting, the Commission is obligated to consult with interested parties in accordance with Section 4(4) of the Fair Trading Commission Act, CAP. 326B, which states that:

“The Commission shall, in performing its functions under subsection (3) (a), (b), and (f) consult with the service providers, renewable energy producers, representatives of consumer interest groups and other parties that have an interest in the matter before it.”

SECTION 2 EXISTING PRICE CAP PLAN

Price Cap Approach

16. The general principle of the price cap regulation is to allow some flexibility in the structure of prices of the Company's Regulated Services, while limiting the overall level of prices. The overall level of prices is constrained such that the change in prices charged by the Company, for individual services subject to the cap, and measured by the Actual Price Index (API), does not exceed the Price Cap Index (PCI). The PCI is expressed as Inflation (I) minus Productivity (X).
17. The current PCP 2021 was set up upon expiry of the third Price Cap Plan (PCP 2016). The PCP 2021 adopts the following approach:
 - a. Any regulated services where prices are assumed to be constrained to a reasonable level by competition (i.e., competitive services) were again placed in a separate basket (Basket 1) and uncapped.
 - b. The remaining Regulated Services then formed a separate Basket (Basket 2). Prices across services in Basket 2 were not made subject to an overall price cap. Rather, only standard standalone fixed telephony services and associated value-added services were made subject to a price cap, with the prices of other services uncapped. These services are referred to as Capped Services.
18. The objectives of the PCP 2021 were chiefly to protect customers for whom C&W was the only provider of fixed telephony services, both in areas of the country where Digicel did not have a network and nationally for those customers who demand only fixed telephony services, which services Digicel did not offer on a standalone basis. In this context, an effective price cap is one which was deemed to protect customers of Regulated Services from being charged excessive prices, i.e., as a result of C&W's market power and therefore ability to set prices, based on streamlined regulatory compliance procedures; while still allowing it to earn a reasonable return across all of the services it offers in Barbados. A further objective of the PCP 2021 was to act as a constraint on the price of C&W's other fixed telephony services.

19. The table below details the basket structure for the PCP 2021.

Table 2 - Basket Structure for the PCP 2021

Basket	Services	Caps
Basket 1: 'Competitive' Services	Fixed international outgoing calls, international calling cards, international calls from payphones, Domestic and International operator assistance	Uncapped
Basket 2: 'Non-Competitive' Services	Residential and Business standard standalone fixed telephony services including value-added services (Capped Services)	'RPI-X'
	All remaining Regulated Services (e.g., private leased circuits, direct exchange lines)	Uncapped

20. Residential standard standalone fixed telephony services include:

- a. Fixed line access¹ (monthly recurring charges and any one-off set-up/installation charges)
- b. Unlimited Local Calling
- c. Call Waiting
- d. Voicemail
- e. Caller ID
- f. Call Forwarding
- g. Any and all other value-added services currently available, or may be made available in the future, under a residential home phone plan.

21. Business standard standalone fixed telephony services include:

- a. Fixed line access² (monthly recurring charges and any one-off set-up/installation charges)
- b. Unlimited Local Calling

¹ Including all fixed line access services offered to residential customers, including subgroups thereof (e.g. residence exchange line, residence stepping line, Direct Exchange Line, Smart Ring Line Only, staff/pensioner exchange line).

² Including all fixed line access services offered to non-residential customers, including subgroups thereof (e.g. business exchange line, business exchange stepping line, Direct Exchange Line, PBX/Key Systems Line, Business Automatic Universal Line, 112 Emergency Lines, Smart Ring Line Only, 800 Service Lines, Charity Exchange Line, Directory Number Hunt Exchange Line, Direct Inward Dialling Channel via T1, Voice Channel Stepping via T1, Facsimile Lines).

- c. Voicemail
- d. Automated Assistance for Customers
- e. Call Forwarding, Call Rejection, Call transfer, and Call Waiting
- f. Calling Number Delivery
- g. Calling Name Delivery
- h. Three Way Calling, Group Call Pickup, Multi Line Hunt Group
- i. Last Number Redial, Direct Inward Dialing, Automatic Recall
- j. Caller ID Delivery Blocking
- k. Easy Attendant, Music on Hold, Call Hold, Business Call Manager, CWB Communicator (softphone access)
- l. Any and all other value-added services currently available, or may be made available in the future, under a business fixed voice plan.

22. Since the Commission considered all uncapped services in Basket 2 to remain non-competitive, the Commission has continued to monitor the evolution of market conditions, including prices and demand, for these services and could re-introduce price regulation on these services, if and when deemed necessary.

23. Under the PCP 2021, the Company's ability to raise the prices of Capped Services was restricted, such that annual price increases have been kept below or equal to the level of inflation, or 3% a year if inflation exceeds 3% during that year. In case of a negative inflation rate in any given year, the allowable price increase in that year has been set to zero.

24. The price cap formula for PCP 2021 allowed the Company to change its retail prices for Capped Services (i.e., the Actual Price Index, API) by no more than the predetermined Price Cap Index (PCI). The PCI for each year (t) is calculated as:

$$PCI_t = PCI_{t-1} (1 + I_t - X_t), \text{ where}$$

I is the inflation factor (i.e. RPI); and

X is the productivity factor.

The overall cap for the Capped Services was set at the level of inflation, implying an X Factor equal to zero.

25. At the time of its determination, the PCP 2021 was set to apply to the Regulated Services of the Company from April 1, 2021, to December 31, 2024, and consisted of four (4) reporting periods:
- a. Period 1: April 1, 2021, through to December 31, 2021
 - b. Period 2: January 1, 2022, through to December 31, 2022
 - c. Period 3: January 1, 2023, through to December 31, 2023
 - d. Period 4: January 1, 2024, through to December 31, 2024
26. No carry-over provision in between price control periods was allowed. The Company was permitted to increase the prices of each Capped Service once in each price control period.
27. For the services within Basket 1, it was expected that these prices would continue to be driven primarily by competitive forces and the Company's pricing flexibility was deemed to be sufficiently constrained by competition to allow for a lighter form of price control. These services have been subject to advance notification of price changes as set out in the PCP 2021 Compliance Rules and Procedures.
28. For the uncapped services within Basket 2, in PCP 2021 it was also expected that prices would be driven primarily by competitive forces and the Company's pricing flexibility was deemed to be sufficiently constrained by competition to allow for a lighter form of price control. These services were made subject to advance notification of price changes as set out in the PCP 2021 Compliance Rules and Procedures.
29. Although there is no difference in PCP 2021 between the regulation of Basket 1 services and uncapped services in Basket 2, these categories have been retained for consistency with earlier PCPs in which there was a difference in regulatory treatment. For example, in PCP 2016, average prices across all services in Basket 2 were subject to a cap.

Compliance Filing

30. On December 1 of each period of the PCP 2021, that is, one (1) month before the start

of each new period, the Company has been required to file with the Commission the API for the Capped Services. Such filings are recorded as the Annual Compliance Filing (ACF). The ACF allows the Commission to measure the degree of compliance by the Company in each year.

31. In the event that no price changes for any Capped Services were planned for the upcoming period of the PCP, the Company has been exempted from filing an ACF. In such an event, the Company had to submit a written statement to the Commission one (1) month before the start of the new period, authorised and signed by its CEO, explaining that no price changes were planned for that PCP period.

Notification

32. From the introduction of the PCP 2021, the Company has been subject to the following notification process:
 - a. Rate Decreases: The Company has not been required to seek prior approval from the Commission for any proposed decrease in prices for any Regulated Services. However, the Company has been required to notify the Commission in writing of any proposed rate decreases for Regulated Services no later than three (3) business days before the rate decrease takes effect. The Company has been required to notify customers via their billing statements.
 - b. Rate Increases: The Company has not been required to seek prior approval from the Commission for any proposed increase in prices for any Regulated Services. However, the Company has been required to notify the Commission of any proposed increase in rate for any Regulated Service no later than twenty-five (25) business days before such rate increase takes effect. For every rate increase, the Company has been required to advise the public by way of insert attached to the prior month's bill; advertisements in two (2) daily publications in at least two (2) editions; and on all of its social media platforms no later than twenty (20) business days before the date of the expected price increase.

Regulatory Reporting

33. Each year, under the PCP 2021, the Company has been required to provide the Commission with financial information both on a business segment level and total business level. In particular, the following information has been required from the Company on an annual basis:
- a. Audited Statutory Financial Statements and Audited Regulatory Financial Statements for the Company's entire operations in Barbados;
 - b. Separated financial statements (i.e., Profit & Loss statements and Balance Sheets, plus a reconciliation statement to its Audited Statutory Financial Statements) for the following business segments:
 - i. Residential and non-residential fixed telephony and broadband services
 - ii. Domestic and international business connectivity services
 - iii. Mobile services
 - iv. All other business segments (e.g., TV services) Information on the total subscribers/connections and traffic volumes for fixed telephony, fixed broadband, and business connectivity services – reported separately for residential and non-residential customer segments.
 - c. Information on the total subscribers/connections and traffic volumes for fixed telephony, fixed broadband, and business connectivity services – reported separately for residential and non-residential customer segments.
34. The Company has been required to prepare the regulatory statements in accordance with the accepted accounting principles and the statements may be subject to a Regulatory Compliance Review and Audit by the Commission.

Key Trends In Regulated Prices And Volumes During The Current Price Cap Period

35. As part of this review the Commission considered the following:
- a. the degree to which the Price Cap Plan has been adhered to by the Company when setting prices;

- b. the Company's operational and financial performance during the PCP 2021; and
- c. any observed changes in the competitive and market circumstances for services subject to the PCP.

36. The key findings of this review can be summarised as follows:

- a. The Company's prices for Regulated Services have complied with the requirements set under the current Price Cap Plan. In fact, the Company has not changed any prices for any of the standalone fixed line services for which its prices are regulated, even though the Company had the opportunity under PCP 2021 to increase prices on an annual basis.
- b. It appears that the PCP has become sufficiently immaterial in the context of the Company's overall revenues, that it is simpler for the Company not to make any price changes for regulated services (and thus avoid the need for regulatory reporting) rather than make the price increases that are permitted under the PCP.

Retail Price Changes Under The PCP 2021

37. The Commission has assessed the Company's pricing behavior for services included within the non-competitive service basket (Basket 2). Since the beginning of the PCP 2021 on April 1, 2021, until the most recent Annual Compliance Filing ("ACF") by the Company in December 2023, there have been no price changes for any services in this basket, either capped or uncapped. This contrasts with the previous price cap period, when prices for residential exchange line rentals were increased within the allowance of the price cap.

38. The Commission notes that, while prices for services in Basket 2 have remained constant in nominal terms during PCP 2021 over this period, prices have fallen in real terms in line with inflation.

SECTION 3 RELEVANT MARKET DEVELOPMENTS

39. When examining the continued need for and design of the retail price control regime, it is important to take into account the current and expected future competitive dynamics for Regulated Services.
40. To this end, the Commission has reviewed the relevant market developments, taking into consideration submissions made by the Company on recent and expected future trends in competition in the fixed telecommunications services market. The Commission expects a number of developments in the telecommunications market in the coming years. These can be broadly divided into two areas:
- a. Technological and demand-related developments within the overall telecommunications sector which may lead to constraints on C&W's ability to set the prices of its Regulated Services independently from those of other telecommunications services (such as convergence of service offerings or increased substitutability of service offered by different technologies); and
 - b. Changes in competitive dynamics or the overall structure of the Regulated Service markets.
41. In this section the Commission sets out its assessment of the key market developments and the implications for continued price regulation of the Company's fixed telecommunications services.

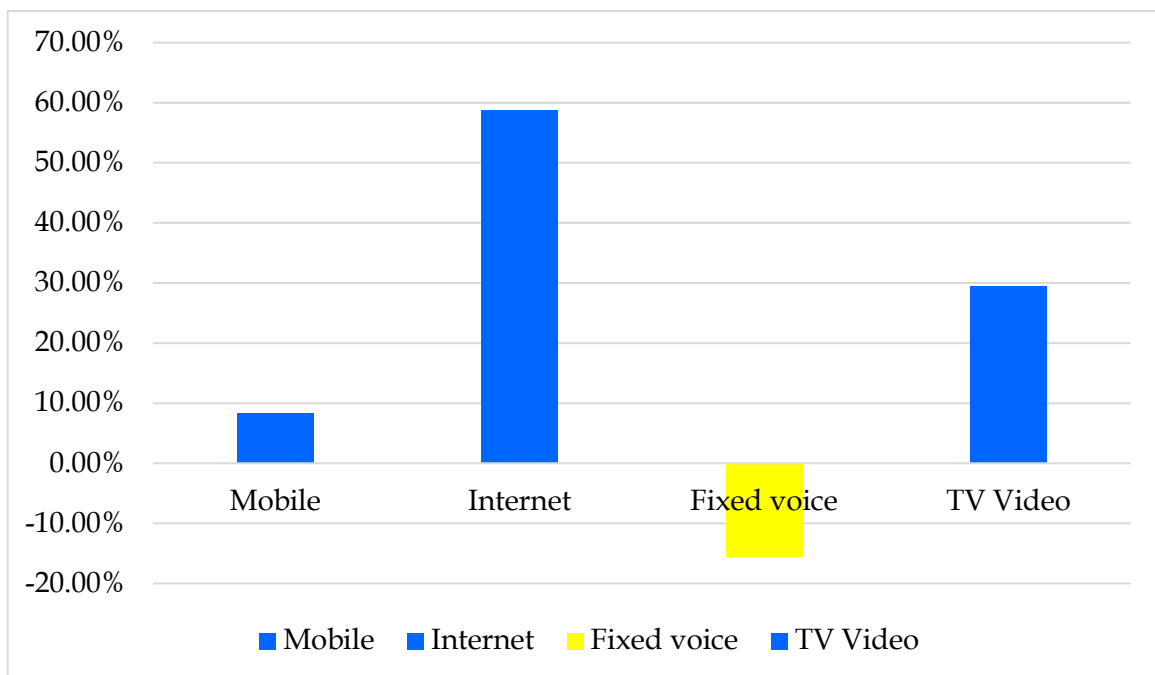
Technological And Demand-Related Developments

42. The key technological and demand-related development during recent years has been the rapid transition towards services based on broadband data connectivity. This trend was already visible in the previous price control period but has been exacerbated by societal changes brought on by the COVID-19 pandemic. Mobile data traffic has increased dramatically at the expense of traditional voice traffic, and fixed lines are now primarily used for broadband internet access, facilitated by the completion of the transition to Fibre to the Home (FTTH) and the phasing out of the legacy copper network.

43. The COVID-19 pandemic had a major impact on the Barbados economy, with GDP falling by 12.7% in 2020 when much of the tourism industry was closed. However, the economy has bounced back well, with GDP growth of 4.3% in 2023 and something similar predicted for 2024. There was a similar COVID-related dip in C&W's revenues for mobile and fixed voice services in 2021 but, whereas mobile revenues have now rebounded to be above their pre-pandemic levels, fixed voice revenues have continued to fall and are now 16% lower than at the start of the PCP.

44. The chart below shows how C&W's revenues have evolved during the 2021 price cap period. Internet and TV revenues have continued to grow throughout the period, mobile revenues dipped due to the pandemic but have recovered strongly, but fixed voice revenues have declined year-on-year and now represent only 17% of overall revenues (down from over 25% at the start of the period).

Figure 1 - C&W % Change In Revenue 2020 - 2024



45. It is evident that consumers in aggregate are increasingly replacing fixed voice calls with other forms of communication. Consumers have a wide array of communication options including voice, broadband and video services. Mobile voice provides a direct substitute for fixed voice, but only for those customers who have access to both a fixed line and a mobile device. Over-the-top (OTT) services (i.e., call and messaging services

provided over the Internet, rather than a service provider's own dedicated network) provide added functionality, often at no extra charge, for those customers who have fibre-broadband access or use mobile data.

46. For the vast majority of Barbadians there are now attractive, accessible and affordable alternatives to fixed voice services. Wider deployment of 4G network technology by Digicel and C&W, alongside take-up of mobile data services, smartphones and other smart devices (for example, tablets), have enabled more mobile users to achieve faster Internet access speeds on their mobile devices. The completion of C&W's nationwide fibre network alongside Digicel's fibre network roll-out means that higher-speed fixed broadband services are available to almost all customers in Barbados. These developments, spanning mobile and fixed networks, have contributed to the increased demand for, and take-up of, OTT-based services over time.
47. In its review of the PCP 2016, the Commission expressed the view that mobile and OTT-based services may not represent a sufficient competitive constraint to fixed telecommunications services for all customers. Although some customers evidently have increased their usage of OTT services and mobile calls, and correspondingly reduced their usage of fixed voice services, these services are unlikely to be a viable substitute for many vulnerable customers, for example the elderly or disabled. The Commission concluded that there remained a need to regulate fixed telephony services going forward.
48. Now, following another five (5) years of migration away from fixed voice, and with ubiquitous provision of both mobile and fibre-broadband access, the situation may well be different. Of course, there remain some customers who only use fixed voice services, but their number is relatively small and decreasing. The question now is whether the price cap remains an effective and proportionate means of protecting these customers. It could be that a simpler and more targeted price regulation would achieve this as effectively and at a much lower cost. It might also be that changing competitive dynamics in the industry could help constrain the prices that C&W is able to charge for its fixed voice services.

Competitive Dynamics

49. There are currently two main network providers in the market. Digicel continues to compete with C&W in the provision of mobile, fixed telephony and broadband services. There are also five (5) other licensed carrier and service providers. In addition, low earth orbit satellite companies like Starlink now provide services in Barbados. A third mobile network license was issued in 2022, but the licensee has yet to commence operations. OTT service providers also compete at the retail level using the mobile and broadband infrastructure provided by C&W and Digicel.
50. Digicel's network presence and service offerings have increased the level of competition in the market for (residential and business) fixed telecommunications services and they represent a potential constraint on C&W's pricing of Regulated Services. Digicel's network is now as extensive as that of C&W covering 100% of habitable areas. However, Digicel's market share of total connections remains below that of C&W and the Commission is of the view that this is unlikely to change significantly during the next few years.
51. Digicel's presence in the market has limited impact on fixed voice subscribers. Digicel has concentrated on providing bundled fixed-line service offerings (with fixed broadband and/or pay TV services) and does not offer standalone fixed voice services. Furthermore, consumers of fixed voice-only services are likely to be predominantly vulnerable customer groups who have no demand for fiber broadband and therefore are unwilling to pay a premium to obtain a bundled service offering. C&W therefore remains the only potential supplier for this group of consumers.
52. In PCP 2021 the Commission took the view that this customer group should be protected by means of continued price regulation of the Company's Regulated Services.
53. In PCP 2021 the Commission concluded that the need to protect a small group of vulnerable customers who continue to rely on fixed voice-only services was sufficient

to justify continued price regulation of the Company's Regulated Services. In addition, the Commission took note of the prevailing uncertainty of future market developments and the potential impact on the competitive dynamics in the fixed telephony market. The Commission's principal rationale for the use of a price cap framework was that it allowed for a flexible pricing framework.

Summary On The Key Developments And The Continued Need For Price Regulation

54. Since the last PCP there have been both demand-side and supply-side changes:
- a. The fixed voice service has continued to decline as a proportion of the overall communications market, as substitution by mobile and OTT services increases.
 - b. The demand for fixed voice has continued to migrate towards bundled service offerings, for which C&W faces competitive constraints, leaving an ever-smaller group of customers reliant on stand-alone fixed voice services which only C&W supplies.
55. The question now is whether these trends have reached such a point that it is no longer necessary or reasonable to continue price regulation of the Company's Regulated Services.

Consultation Issue No. 1:

Do you agree that this section accurately describes the main market developments relevant for the assessment of the continued need for and design of the retail price control regime? Please provide market data and a full description of your main arguments where possible.

SECTION 4 APPROACH TO THE NEXT PRICING FRAMEWORK

56. The Commission notes that the PCP 2021, like the prior PCPs, has been successful in protecting the interests of consumers, particularly vulnerable customer groups, from undue price increases.
57. The PCP 2021 differed from previous PCPs because there was no longer an allowance within the Basket for regulated services to cross-subsidise between services, for example to create room for price increases above the cap for some services, by reducing prices for other services within the basket. The PCP 2021 also did not include a carry-over provision in between price control periods. As a consequence, the PCP 2021 more closely resembled an annual indexing approach, where prices for individual services subject to the price cap may be increased up to the level of inflation, or 3%, whichever is lowest. The Commission notes the Company has not made use of the pricing flexibility offered and prices remain as they were at the beginning of the PCP 2021 for all services in Basket 2.
58. For non-competitive services, the Commission is of the view that a form of price regulation may be needed to protect customers of Regulated Services from being charged excessive prices, particularly customers for whom the Company is the only provider of fixed telephony services, both in areas of the country where Digicel does not have a network and nationally for those customers who demand fixed telephony only services, which Digicel does not offer. In the business segment price controls serve the purpose of restricting the pricing flexibility of the Company in relation to bundles including fixed telephony services and the options presented may be assessed with these objectives in mind. However, the Commission, as part of this consultation, has set out various options that would significantly reduce the regulatory burden on C&W in return for price commitments that protect the interests of these customers.
59. The Commission, upon its review of the market, now proposes the following options for the price regulation of non-competitive services:

- a. Option 1: Maintain the current price cap approach.
- b. Option 2: A commitment by the Company not to increase prices for any Capped Services in return for a simplification of regulatory reporting.
- c. Option 3: As Option 2 but allowing the Company to apply for price increases for Capped Services when there is a fundamental change in circumstances.

60. Under Option 1, the price cap mechanism would continue to offer the Company the flexibility to increase rates for the currently price-capped services (Capped Services) in a controlled framework, where the Company, in return, is subject to regulatory obligations as set out in the Price Cap Plan Compliance Rules and Procedures. Under this option there would therefore be no change to the scope of Capped Services. Option 1 pre-supposes that the approach guiding the PCP 2021 remains relevant and fit-for-purpose for the coming years.
61. There do not appear to be major changes needed to the existing Price Cap Plan if the flexibility to increase rates for Residential and Business standard standalone fixed telephony services including value-added services is seen as relevant to the coming price cap plan (PCP 2025). The PCP 2025 would therefore be very similar to the PCP 2021 described in this document.
62. Under this option, the proposal would be for PCP 2025 to be set for a period of three (3) years, starting on January 1, 2025. The PCP 2025 could be extended, at the discretion of the Commission, for up to one (1) additional year. Upon a decision to extend the Price Cap Plan, the Commission will give advanced notice to both the Company and the public.

Consultation Issue No. 2:

What are your views on Option 1? Do you think there is value in continuing to cap prices for standalone fixed voice telephone services?

63. Under Option 2, the Company would be required to make a written commitment not to increase rates for Residential and Business standard standalone fixed telephony

services including value-added services, i.e., the Capped Services in PCP 2021, for the next price control period.

64. In return for this commitment, some of the existing price cap obligations on the Company would be removed, i.e.:
- a. The price cap and related compliance requirements including annual compliance filings;
 - b. The requirement to provide the following information to the Commission on an annual basis with Separated financial statements (i.e., Profit & Loss statements and Balance Sheets, plus a reconciliation statement to its Audited Statutory Financial Statements) for the following business segments:
 - i. Residential and non-residential fixed telephony and broadband services
 - ii. Domestic and international business connectivity services
 - iii. Mobile services
 - iv. All other business segments (e.g., TV services)
 - c. The assessment of the Company's regulatory and financial performance (included in Part VI - End of Term Price Cap Review of the 2021 Price Cap Plan Compliance Rules and Procedures).
65. In the scenario where the Company does not plan to increase rates for Capped Services, Option 2 would reduce the regulatory burden on the Company significantly, while still protecting the interests of vulnerable customer groups. This is in line with the overall aim of the Commission to ensure regulation is proportionate and effective.
66. Option 2 allows for the continued visibility of market evolutions of regulated services to ensure monitoring by the Commission of the effectiveness and continued appropriateness of the chosen price control. Under Option 2, the proposal is for the following obligations to be maintained:
- a. The requirement to provide Audited Statutory Financial Statements for the Company's entire operations in Barbados on an annual basis.
 - b. Provisioning of information on the total subscribers/connections and traffic

volumes for fixed telephony, fixed broadband, and business connectivity services, reported separately for residential and non-residential customer segments.

- c. Notification of Price Decreases - while price increases for Capped Services would be prohibited under Option 2, the Company would not be required to seek prior approval from the Commission for any proposed decrease in prices for any Regulated Services. However, the Company shall notify the Commission in writing of any proposed rate decreases for Regulated Services no later than three (3) business days before the rate decrease takes effect.

- 67. Option 2 would be set for an initial period of three (3) years. The proposal is for Option 2 to be extended, at the discretion of the Commission, by one (1) additional year at the time. Upon a decision to extend, the Commission will give advanced notice to both the Company and the public. There is no upfront limit on the number of times the Commission may extend Option 2, the Commission may do so after careful consideration of the impact of Option 2 on the market.
- 68. If the Commission decides not to extend the price control described as Option 2, the Commission may initiate an End of Term Review and a public consultation.

Consultation Issue No. 3:

What are your views on Option 2? Is it appropriate that, in return for a commitment not to increase prices for Capped Services, the regulatory reporting requirements for the Company would be reduced?

- 69. Option 3 is the same as Option 2, and the approach described to Option 2 on the commitment made by the Company not to increase rates for Residential and Business standard standalone fixed telephony services including value-added services, the removal of some of the existing price cap obligations and the period to which the option applies are all identical.
- 70. The only difference is that with Option 3, the Company would be offered the added

flexibility to apply for price increases for Residential and Business standard standalone fixed telephony services including value-added services (Capped Services) if there is a fundamental change in circumstances. The Company would then be required to offer the following supporting information as part of its application:

- a. A detailed description of the proposed price changes for the service(s) in question (specifying recurrent and non-recurrent price components where applicable);
- b. The proposed effective date of the price change;
- c. A description of the underlying fundamental change in circumstances requiring a price increase and the supporting rationale, supported by relevant data like cost information and service volumes where applicable;
- d. A description of the target customer segment and a profile of the customer segment acquiring standard standalone fixed telephony services including value-added services;
- e. Data relevant to the proposed change including past, present, and projected subscriber numbers and revenues;
- f. Any changes to the applicable terms and conditions that will result from the proposed price change;
- g. An analysis of the impact on vulnerable user groups of the proposed price change and supporting evidence that services remain affordable after the proposed price change;
- h. Any other information or data the Commission deems relevant to the application.

71. Upon receipt of an application to increase rates for Residential and/or Business standard standalone fixed telephony services including value-added services the Commission may:

- a. Ask for additional information or clarification where needed;
- b. Conduct a public consultation;

- c. Approve or reject the application at its discretion, with an aim of doing so within 90 days of receiving an application.

Consultation Issue No. 4:

What are your views on Option 3? Do you consider that there is a need for the Company to be allowed to increase prices for standalone fixed voice telephone services in exceptional circumstances?

72. For all Options considered, the Commission reserves the right to impose alternative or additional regulatory reporting requirements in future, should it consider them necessary.
73. Since the Commission considers all services within Basket 2 to remain non-competitive, the Commission will continue to monitor the evolution of market conditions (including prices and demand) and may introduce price regulation on these services in future, if deemed necessary. This again applies to any Option chosen.

SECTION 5 CONSULTATION PROCESS

74. The Commission is specifically charged under the Fair Trading Commission Act, CAP. 326B to consult with interested persons when it is discharging certain functions.
75. This requirement generally involves the Commission issuing a consultative document, in which the Commission:
- a. brings to public attention important issues relating to utility regulation in order to promote public understanding and debate;
 - b. puts forward options and/or proposals as to the approach to adopt in dealing with these issues, to seek to resolve them in the best interests of the consumer, the service provider, and the society at large; and
 - c. invites comments from interested parties, such as consumers, service providers, businesses, professionals and academics.
76. The views and analyses set out by the Commission in a consultative document are intended to invite comments which may cause the Commission to revise its position.
77. If considered appropriate, respondents may wish to address other aspects of the document for which the Commission has not prepared specific questions. Failure to respond to all identified issues will in no way reduce the consideration given to the entire response.

Confidentiality

78. The Commission is of the view that this consultation is largely of a general nature. The Commission hopes to receive views from a wide cross section of stakeholders.
79. Respondents should therefore ensure that they indicate clearly to the Commission any response or part thereof that they consider confidential, commercially sensitive, or proprietary information.

Responding To This Consultation Paper

80. The Commission invites and encourages written responses in the form of views or comments on the matters discussed in the Paper from all interested parties, regulated utilities, other licensed operators, government ministries, non-governmental organisations (NGOs), consumer representatives, residential consumers, businesses of all sizes and their representatives, the academic community and all other stakeholders.
81. The Consultation period will begin on Monday, October 7, 2024, and ends on Monday, November 4, 2024. All written submissions should be sent to the Commission by this deadline. The Commission is under no obligation to consider submissions received after 4:00 p.m. on Monday, November 4, 2024.
82. Copies of this Consultation Paper can be collected between the hours of 9:00 a.m. to 4:00 p.m., Monday to Friday during the consultation period from the Commission's offices at the following address:
- Fair Trading Commission
Good Hope
Green Hill
St. Michael
BB12003
Barbados
83. The Consultation Paper can also be downloaded from the Commission's website at www.ftc.gov.bb.
84. Persons may submit their response either in physical or electronic format.
85. Mailed or hand delivered responses should be addressed to the Commission's Secretary at the above mailing address.
86. Responses in electronic format may be prepared in either Word or PDF format, attached to an e-mail cover letter and forwarded to info@ftc.gov.bb.

Analysis Of Responses

87. The Commission will seek to explain the basis for its judgments and where it deems appropriate give the reasons it agrees with certain opinions and disagrees with others. In the interest of transparency and accountability, the reasons for any modifications as a result of the consultation will be set out and, where the Commission disagrees with responses or points that were commonly made, it will in most circumstances, explain why.

APPENDIX 1 REGULATED RETAIL SERVICES

88. The Telecommunications (Regulated Services) Order 2006 sets out the full list of regulated retail services provided by C&W. These services, which shall be regulated under the PCP 2025, are summarised in the table below.

Table 3 - Regulated Retail Services

Category	Services
Domestic Voice Services	Residential and non-residential fixed line access and installation, value-added services, voicemail, internal voice network calling, domestic payphone calling, emergency calling.
International Voice Services	Fixed outgoing international calling, international toll-free calling, international call centers, international calling cards, international payphone calling.
Dedicated Lines Services	Domestic private leased circuits, international private leased circuits, direct exchange lines, dedicated lines used for Internet.