



**HAMSTERS AND MONOPOLIES:
A PRELIMINARY LOOK AT THE CHALLENGES OF
REGULATING TELECOMMUNICATION MONOPOLIES**

by

Hallam Hope
CARITEL
#380, Independence Drive
Husbands Gardens
St. James
Email: caritel@hallamhope.com

*Presented at the 29th Annual Review Seminar
Research Department
Central Bank of Barbados
July 28-31, 2008*

**HAMSTERS AND MONOPOLIES: A PRELIMINARY LOOK AT THE
CHALLENGES OF REGULATING TELECOMMUNICATION MONOPOLIES**

by

Hallam Hope

Introduction

Divergence or conflicts among economists on the theory of state intervention or regulation of Telecommunication monopolies and the free market response based on George Stigler's Regulatory Capture thinking have been points of intellectual debate for some time.

This has certainly been the case with debate on monopoly power amid a shift from recognising a Natural Monopoly and the move towards a market-based economy where the monopoly continues to exert considerable influence. What has changed since Stigler's 1971 theory on regulation and the contrarian theory of the role of the state and regulation held by Bentham, Landis and others has been the shift to converging Telecommunication networks in a competitive environment. The conflicts however remain.

Stigler, the Nobel Prize-winning economist, contended that, "as a rule, regulation is acquired by the industry and is designed and operated primarily for its benefit". Essentially then, Stigler saw the free market as the solution since regulatory capture was inevitable. Bentham and Landis, in contrast, advocated regulation. They saw Government intervention as the solution for the evils of society.

The late economist Wendell McClean is often cited for his academic work but remembered by ordinary folk as a champion for their pockets when it came to the desires of monopolies.

That he was sometimes at variance with fellow economists is undeniable. But he had the calling, unlike his colleagues and friends in the private sector, to sacrifice invaluable time to contest the monopolies at telephone rate hearing meetings.

Intellectual conflicts, I believe, should be encouraged. One such conflict exists between myself and the former Governor of the Central Bank, Sir Courtney Blackman, who believes, quite earnestly I suspect, that he has read more books and has a far greater knowledge about the subject of World War 2 than I can ever claim. He has declared that a conflict exists between us and to level the playing field suggested that I broaden my scope to include Game Theory. Judging from the September edition of the Journal of Eastern Caribbean Studies Delisle Worrell also had his intellectual conflicts with Wendell.

In delivering the 2005 inaugural A Wendell A McClean Memorial lecture Dr. Worrell also noted areas of mutual accord:

1. The importance of integrity in the conduct of economic analysis.
2. An insistence on rigorous analysis as the basis of economic policy, and,
3. The pursuit of the common good as the overriding concern of policy.

It is the third point or observation which brings me to our topic: Hamsters and Monopolies. In my capacity as a reporter or visitor to Guyana 25 years ago it was not uncommon for a cricket match to be abandoned at Bourda, Georgetown, as a consequence of the predictable occurrence of rain.

Twenty five years ago, it was not unusual to walk from one end of Georgetown to the other, have a drink with friends, and walk back – at close to midnight. Twenty five years ago, there was a state telecommunications monopoly called GT&T, there was limited telephone service, hence limited communications for the ordinary citizen.

Twenty five years later, I would not chance that late night walk through Georgetown, there is a majority U.S-owned telecommunications monopoly called GT&T and there is no Fixed Line or Wireless Local Loop competition to provide Guyanese with modern

communications at affordable rates. So apart from a revenue shift from the Government of Guyana's coffers to the American investors in GT&T what else has changed?

The promise of Guyana becoming the bread basket of the Caribbean remains a dream as is the prospect for Information and Communication Technology to drive social and economic change. Without competition and the infrastructure to support modern communications one cannot help but get the feeling that Guyana, despite its mineral and human resources, is socially and economically taking one step forward and two backward.

In the Dominican Republic BNAmericas is reporting that the Dominican Republic ended May 2008 with a fixed and mobile teledensity of 70.4 per cent. Indotel, the country's telecoms regulator, announced there were 6.35 million wireless subscribers at the end of May, up from 2.5 million in December 2004. Internet usage penetration is reported at 21 per cent, with a total of 2.28 million users, more than four times the figure recorded at December 2004. (TeleGeography, July 4th, 2008).

Telecommunications has been in private hands since 1937 and from one operator has grown to four major ones. Dominican Telecommunications Institute (Indotel) president Jose Rafael Vargas, though admitting that the Internet is still very expensive despite the industry's advances in the country, said competition will lower its cost. (DOMINICANTODAY, June 26th, 2008. Indotel is the Telecommunications regulator) The International Telecommunications Union (ITU), in its World Telecommunication/ICT Development Report 2006 (page 23) tells us: ”

The phenomenal growth in information and communication technologies (ICT) has real implications for economic growth in both developed and developing countries. I would suggest that any research on topics such as poverty alleviation, labour, health and many others would be limited if an analysis of ICT and Telecommunications Policy is excluded.

In some areas of our lives we have choice and a measure of control over efficiency and cost. We have no control over monopoly pricing under a Price Cap that provides for

unjustified rates, against which consumers have no recourse. We have some control over whether we heed Bill Gates' call for a paperless office, which was trumpeted as recent as 1974-75 when Xerox envisaged the office of the future. Gates, the world-renown entrepreneur and head of Microsoft, underscored the value of the paperless office in his book, *Business @ The Speed of Thought*. That was almost a decade ago and we still have some choice in eventually implementing it in tandem with our state of digitalization and computerisation. (*Business @ The Speed of Thought*, March 1999, Page 39-41).

David Ince of the ILLUMINAT business unit, Imaging & Printing Solutions (IPS) contends that business and Government departments in Barbados still have quite a way to go to see the benefits of a paperless environment. He suggests this requires a closer working relationship between the office management side of a firm and the systems or Information and Communications Technology side. (*Business Authority*, Page 18, June 30th, 2008).

But unlike the choice to become more functionally and cost efficient the citizen does not have this choice with a telecommunications monopoly or state television monopoly. This is where the discussion between the Stigler school of a market driven economy and that of Landis, Bentham and many others who advocate regulation resumes. This is where the regulator and policymaker, namely Government in the latter's case, have an immense social obligation to the Barbadian citizen, particularly those from the lowest income levels.

Our brief historical journey in telecommunications liberalisation tells us that Government can be influenced by big business, that regulators can be influenced by big business and that the legal system is no exception in this regard.

In a competition driven market the former monopoly usually retains a monopoly in Fixed Line telephone service, Fixed Line long distance service and various valued added services, such as Call Waiting and Three Way Calling.

The main area of competition in the Caribbean has been in cellular service, where there has been apparently fierce competition and a concentration of investment in marketing and

public relations by the protagonists, the monopoly and new entrant or competitors, to constantly woo consumers to their products and services.

Coinciding with this struggle for survival are attempts to increase revenues from the monopoly side, the basic telephone service and establish barriers to competition for the lucrative long distance revenue streams. The monopoly often claims that the basic telephony market is loss making and has to be propped up by revenues from overseas calls.

This argument has been questioned in research by Hope and Moore, in the paper, Price Cap Regulation of Telecoms in Barbados: a preliminary investigation. (Journal of Eastern Caribbean Studies, Vol. 32 No.3, September 2007).

Not only is there empirical evidence suggesting that the domestic business side is a major contributor to an unusually healthy bottom line but there remains little public empirical evidence addressing concerns of incomplete allocation of costs associated with the domestic side of the business.

Hamsters and Monopolies: Some common traits.

As an unintended student of hamster behaviour over three years a number traits have been noted in comparison with the behaviour of telecommunication monopolies. Telecommunication monopolies have been a subject of research by authors such as Brock and institutions such as the International Telecommunications Union (ITU). The following similar traits are noted:

1. They are both aggressive in nature and character.
2. They are both territorially protective.
3. The strong will always endeavour to dominate the weak.

4. They both require aggressive not passive and reactive regulation or they will intentionally harm competition or retard growth.
5. In a competitive or monopoly environment the weak must receive special attention like SIDS (Small Island Developing States) and the CARICOM Single Market and Economy, and there must be discrimination in their favour and against the intentions of powerful monopolies.

Traits of Monopolies

The telecommunications industry in the Caribbean is a multi-billion dollar industry. This is why competitors are here. Big money equals big interests at stake. Consequently, if I was a monopoly I would:

1. Invest heavily to influence policy in my direction, at the highest political level and as many as possible under that level.
2. Invest heavily to influence the regulators; the consumers, with marketing and advertising and, very importantly,
3. Attempt to influence the legal system. Prominent lawyers have influence at the political and other levels and some do aspire to higher levels.

Stephen Cohen contends that all theories of regulatory policy outcomes are theories of influence. (The Politics of Telecommunications Regulation, Jeffrey E. Cohen, 1992, P 158-159). He observes that there are two important conditions to the exercise and effectuation of policy-making influence : the idea of relative resources and the efficiency of the translation of resources into influence. In his discussion of relative resource conditions versus the relative resources theory, Cohen suggests that it is not the level of resources that one commands that is important for policy influence, rather, it is the level of resources compared with one's policy competitors, whether we possess a resource

advantage or disadvantage that is important for policy influence.

In the United States, the Department of Justice antitrust suit against AT&T in November 1974 would contribute to the decision 10 years later to break up the telecommunication company's monopoly.

Brock states in his book, *Telecommunications Policy for the Information Age*, (Brock. G.1998, P. **152**) that:

“AT&T's aggressive action to block MCI's initial competitive activity revived longstanding antitrust concerns about AT&T in the Department of Justice (DOJ).” When AT&T was courteously informed by the DOJ of the impending antitrust suit its response was to try and get President Gerald Ford to intervene. It failed to reach him and the suit was filed.

The DOJ claimed that AT&T's regulatory interventions and court appeals went beyond the legitimate exercise of its right to plead its case and constituted a pattern of engaging in litigation that it knew it would lose in order to raise the costs of rivals and prevent them from becoming active competitors of the Bell system (Page 154).

Further, the DOJ claimed that the Bell system neither knew nor cared about its own costs for specific services, but that it priced competitive services at a rate designed to deter rivals, secure in the confidence that it would gain revenue from other services in order to obtain its maximum allowed rate of return under regulation. I would argue that any form of economic policy analysis is limited without corresponding research and an understanding of policy influence.

Table 1
Telecoms Infrastructure Indicators

Country	Population	Sq kilometers	Fixed Line	Cellular	Internet Users (per 1000 persons)
Jamaica	2,801,544	4,181	mono	comp	88.7
Guyana	770,794	76,004	mono	comp	91.5
Belize	301,022	8,007	mono	?	56.0
Suriname	475,996	60,232	mono	?	n/a
Bahamas	335,142	13,944	mono		106.1
Barbados	281,968	166	mono	comp	148.6
St. Lucia	172,884	236	mono	comp	73.6
Grenada	90,303	131	mono	comp	33.6
Dominica	72,514	290	mono	comp	121.0
St. Vincent	118,432	151	mono	comp	33.1
St. Kitts	36,619	139	mono	comp	60.4

Country	Telephone Main Lines	Population covered by cellular
Jamaica	134.5	92.0
Guyana	80.3	95.0
Belize	127.3	n.a
Suriname	n.a	n.a
Bahamas	345.1	95
Barbados	404.3	95.7
St. Lucia	226.4	80
Grenada	256.0	50.8
Dominica	260.7	n.a
St. Vincent	174.7	58.6
St. Kitts	391.7	n.a

(Author's note: See reference number nine. The data is taken from the International Telecommunications Union. "mono" is cited for countries that have telecommunication monopolies, while "comp" means those countries that have competitive markets. Some data gaps exist as noted.. The data generally relates to 2005).

Interconnection and competition

Interconnection has been described by specialists in the telecommunication industry worldwide as one of the most important determinants of competition. As an example, competition in overseas calls can be seen when one company can offer far lower rates than another company.

In such a case, consumers would be inclined, all things being equal, to shift from the company supplying the service at the much higher price to the company offering the same call or service at the much lower rate. The argument goes further: consumers benefit from lower charges, businesses also benefit likewise, especially those which rely on overseas business and companies. Foreign companies which can benefit from lower long distance rates are encouraged to set up business in a country where its operating costs would be competitive with those of another destination. This is simple but very fundamental economics.

It should be noted that competition, by itself, is not a panacea. That's because there are dominant competitors and weak or disadvantaged competitors. The decision by the Australian government in 2009 to invest substantial state funds to compete with the private telecommunications monopoly serves to support the view that the pace of social and economic development cannot be left in the hands of either a private or state monopoly.

It is well known that a monopoly which already has captured a market is not inclined to allow competition to foster. A monopoly would view a financially strong competitor as an enemy which has the potential to swoop up its customers and dramatically reduce its revenues.

Barbadians today pay more than one dollar for a minimum one-minute call to the United States, exclusive of Value Added Tax over their Fixed Line. In some instances that rate could be as high as \$1.30 cents. It is however well-established that the basic cost of that minute can be as low as one U.S cent.

Added to this, of course are operating costs which companies keep close to their chests. In addition, long distance companies are earning less from the companies that terminate their calls overseas. But what about the domestic market? How can consumers benefit from lower long distance, lower local and Internet rates through competition as mentioned earlier?

The existing approach of the rules governing interconnection is that carriers should negotiate interconnection rates. Should they fail to reach an agreement the new entrant has two options. Both involve seeking redress from the Fair Trading Commission, which regulates some telecommunications services. But is this necessarily the best avenue: one of waiting to see whether everything goes well and responding, not only if it does not, but only if arbitration is sought.

Everything has not gone well in Barbados. Yes, there is a Government policy on the matter that seems quite clear. But industry experts say the Reference Interconnection Order, which relates to the rules of interconnection, are limited and do not address outgoing rates effectively. (Presentation by Hallam Hope on behalf of a private Think Tank to the Public/Private Sector Consultation on the “Cost of Living”, June 17th, 2008) So the argument goes that there is a policy but it is hindered by ineffective rules.

The danger of this situation is that either a new entrant will be unable to reach an agreement that allows it to offer really attractive, cost-based overseas rates in true competition style, or it could be forced to accept high interconnection rates which would reduce its ability to pass on the true benefits of competition to consumers.

The regulator in Jamaica has a similar challenge, since the incumbent holds all the cards and has no incentive to allow the new entrant to interconnect, or at points that are ideal. One school of thought contends that interconnection should be automatic and mandated as such. This is in line with the view that consideration ought to be given to de-regulate interconnection (A Market-based Approach to Telecom Liberalisation, David Gilo, Faculty of Law, Tel Aviv University, 2002).

Gilo, using the U.S regulatory environment for his analysis, argues that:

(a) Interconnection should be mandatory and (b) companies involved in interconnection should not be allowed to negotiate termination rates.

He suggests that the process of negotiation does not allow for an accord whereby rates are cost-oriented.

The lack of clarity in the Reference Interconnection Offers is among issues raised formally with Government by the local Think Tank on Telecommunications. In the presentation and follow-up correspondence to Government the group called for, among others:

1. The establishment of a committee of stakeholders to continue previous work to review the current Telecommunications Act and outstanding policy matters mentioned in our correspondence.
2. Immediate implementation of the *Barbados Two Stage Dialing Policy*, allowing consumers access to alternative long distance carriers by way of “Calling cards”.
3. An immediate review of the current Reference Interconnection Offers (RIOs) currently in place here in Barbados. The group contends that the existing RIOs lack the provision for the service “Outgoing International Call Termination”, and do not clearly define what constitutes a “call”.

In March 2007 TeleBarbados launched a Calling Card after some investment to compete with the monopoly. The monopoly deemed the card illegal and purportedly shut down the competitor unilaterally without any serious correspondence.

Fast forward to June 2008. Blue Communications and the monopoly are advertising calling card rates. In the monopoly’s case the rates have come down to 49 cents while the comparatively small Blue Communications is not cents higher – 59 cents. So whatever happened to the 40 cents offering of TeleBarbados? Why are the monopoly and Blue not

offering 40 cents or even 35 cents? Could it be that we need to take a look at the inter-carrier rate or the rate which the monopoly is charging Blue Communications and under what conditions?

As academics and consumers you should be demanding that this information is made public knowledge. The issue of interconnection is relevant to any revision of the Telecommunications Act and any revision of the Reference Interconnection Offers (RIOs).

RIOs are based on draft documentation from the Fair Trading Commission (FTC) under the same name. The FTC's RIO essentially provides a starting point for carriers which wish to interconnect, to negotiate an inter-carrier rate to determine what they will pay for the traffic that transits the switches of competing companies. Implicit in this discussion is the need to base changes in the Telecommunications Act and RIOs with empirical research which includes consideration of new thinking on interconnection and regulation. For example, should interconnection be a subject of de-regulation?

The paper argues that where the existing arrangements continue to favour the monopoly against the interests of the consumer these should be eliminated. As Barbados aspires to continue to attract more investment, for example in the Call Centre arena, the need to amend its Telecommunication policies with fresh thinking is an urgent imperative.

Interconnection agreements that either result in the door being slammed shut in the face of competitors or opened on terms that result in the consumer paying above-cost rates cannot be in the best interest of the community we live in.

In either case there is a case for an aggressive policy on interconnection, a review of existing rules with all parties involved and a determination of policy with a clear understanding of the best deal for the consumer. Such agreements are not in keeping with the social objections of our Governments and are not in keeping with the legal mandates given to our regulators, for example the Fair Trading Commission (FTC).

Barbados has limited judiciary experience in communication regulation and the regulatory experience is still fledgling. The establishment of the Fair Trading Commission at the turn of the century has not stimulated the public research and understanding that is required if sunrise sectors such as Telecommunications and Information and Communication Technology (ICT) are to prosper and provide social benefits in crucial areas such as poverty alleviation and business entrepreneurship.

In fact, some of our best academic minds, often fail to even mention Telecoms and ICT policy in their work on prevailing social concerns such as HIV/AIDS and poverty alleviation. It however remains the responsibility of Government to provide the policy frameworks and regulation of these sunrise sectors. This is not the overarching responsibility of a regulator, although a pro-active regulator, rather than a passive regulator, once provided with the tools and required to produce results, can do wonders. Further, countries such as Hong Kong which in some policy areas are 15 years ahead of Barbados are demonstrable examples of countries that have utilised Information and Communication Policy strategically to achieve globally competitive industries and societies. So it is the responsibility of Government to understand the issues associated with interconnection and to respond in a pro-active way.

A Government does not have the luxury in an industry such as Telecommunications, which is constantly evolving, to place it on the back burner. Even in the face of rising oil and other prices and their enormous impact on the incomes and lifestyles of the community. Rather, Telecommunications Policy should be regarded as one of the lines of defence against such an onslaught.

Competition and that second pipe

One of the trademarks of a monopoly market is that the monopoly owns the solitary submarine cable that is landed on the particular country. Technology advances now mean that more recent cable systems provide greater capacity. Legacy systems face pressure in a

world of convergence where there is considerable demand for bandwidth. This may result in promises that are difficult to keep, leading to downtime in Internet service and consumers paying for bandwidth that is not delivered. So a customer might upgrade to higher bandwidth but they never get anything near what is expected. This is primarily a reference to ADSL for residential customers.

Competition is therefore enhanced by a second, far more modern undersea fiber optic cable. In Barbados TeleBarbados provides a competing sub-sea cable and in cases where it has been allowed to compete, reportedly provides excellent service. New entrants need proactive regulation and policy to be allowed to compete.

The absence of a second submarine fiber optic cable landed in Guyana, therefore, is one contributing reason to the absence of serious competition in this fellow Caribbean Community (CARICOM) state. I would opine that it is also a contributing factor to the slow pace of social and economic development there.

A second fiber optic cable and competition can lead to triple play, where consumers pay one flat rate for three services, for example, telephone service, Internet and cable television.

Jamaica and Trinidad and Tobago, under the Flow brand name and backed by the submarine cable network of Columbus Communications, are examples of this argument. (www.columbuscommunications.com) Grenada, where Columbus Communications recently acquired a cable television service, could also be joining this triple play league, which holds out the possibility of greater access to the Internet at competitive rates.

So whither Barbados? Can the state-funded, loss-making Caribbean Broadcasting Corporation (CBC) become a player in this arena. Or should CBC be looking at divestment and allowing those companies with experience in telecommunications and deep pockets to take up the investment and human resources challenges to make a success of the company in a new world of communications convergence?

Competition in submarine fiber

We mentioned earlier TeleBarbados as a second submarine cable landing. That link also has spur to St. Lucia and a secondary network is being constructed to provide high-speed and broadband Internet and other services.

The 2007 annual report of Light & Power Holdings Ltd, which has a stake on TeleBarbados, has some excellent news on an extension of regional bandwidth capacity.

The French business enterprise, Group Loret, based in Martinique, has also been constructing international telecommunications capacity in the Caribbean (Directors Letter to the shareholders, Light & Power Holdings annual report, 2007, Page 3). It states: “Following discussions with Group Loret, it has been decided to combine the sub-sea fiber assets of the Antilles Crossing Group and Group Loret to form a joint venture , Global Caribbean Fiber.”

The primary business of Global Caribbean Fiber is the sale of telecommunications services to regional Governments, carriers and other parties requiring large amounts of bandwidth. On January 1st, 2008, Leucadia, the parent company of Barbados Light & Power Co. Ltd and Light & Power Holdings effectively owned 40 per cent of the shares in Global Caribbean Fiber through a newly-formed entity Caribbean Fiber Holdings, owned 75 per cent by Leucadia and 25 per cent by Light & Power Holdings. The Directors Letter notes that Global Caribbean Fiber currently serves several eastern Caribbean islands, including Martinique, Guadeloupe, St. Lucia and Barbados.

Under construction are connections to St. Vincent and the Grenadines, Grenada and Trinidad and Tobago.

And good news for Guyana. Guyana, Suriname, French Guyana to the south and Haiti and the Dominican Republic in the north fall under future planned expansions.

The fact is, as noted by Michael Ruddy in 2006, the region needs an alternative to the Eastern Caribbean Fiber System (ECFS), which is the Cable & Wireless submarine fiber network. This is so for a number of reasons, including development of competition, adoption of innovation and market expansion, as well as network redundancy. Last year when there was a break in the Americas cable communications in Suriname and Guyana virtually ground to a halt, although Digicel stepped in to offer some assistance via satellite. A few years ago when Hurricane Ivan struck Grenada the prime minister could not run the Government due to an inability to communicate publicly. The more recent earth tremor affected communications in Barbados when cellular networks were crammed with calls. But, importantly too, is the role of an alternative submarine cable system and the role it can play in providing competition by providing a second option to moving traffic into and off the island.

In May Windward Telecom announced it had started to provide alternative incoming international traffic into Trinidad and Tobago. (www.windwardtelecom.net) But the pace at which that second fiber system will be landed in other Caribbean territories will depend on the perceived investment potential and very importantly, the state of policy and regulation. Whether there is aggressive and pro-active implementation of policy and aggressive and proactive regulation, rather than reactive and passive policy and regulation which tend to favour the monopoly and retention of the status quo.

Conclusions

The paper has used the analogy of hamsters and monopolies to investigate some of the emerging issues related to competition, regulation and interconnection. It is suggested that monopolies will defend their turf aggressively in the same way that a hamster will respond to the intrusion of another of its species in its monopoly space.

It is further suggested that those countries which delay competition could also be delaying social and economic growth. We see a correlation between greater access of

communication to the communities where there is competition and reduced access where monopolies continue to be dominant.

The paper suggests that new issues, such as anti-trust, are emerging in the same way that liberalisation of telecommunications in the United States and competition led to anti-trust conflicts where the Department of Justice had a role to play.

The paper argues that regulation in a world of communications convergence requires aggressive regulation, not passive and reactive regulation. Experience with the TeleBarbados and Cable & Wireless suit of March 2007, which had not had its first hearing of any substance at the time of preparing this paper, suggests that the court is an ineffective way of regulating the fast-paced Telecommunications industry and lacks the intellectual experience to regulate the sector. Hence, we note the powers provided to some regulators where they can deliver ruling on damages, somewhat akin to the role of the courts.

Monopoly regulation requires proactive policymaking and engagement at the highest level of the political rung for it to be effective. It also requires a strengthening of the regulator in terms of their human resources so that economic research and analysis are pillars of its work. And it requires vigilance by regulators, Government and the legal system against the conviction by Stigler that regulatory capture is inevitable. While the regulator's independence must be firmly respected their legal responsibility to be transparent may require some oversight from the political directorate given public concerns in this area. This is also the case where their work is found to effectively stray from the interests of the society.

The paper suggests that the effective role of the regulator and policymaker should be measured in the context of that guiding principle agreed on by the late Wendell McClean and Delisle Worrell: The pursuit of the common good is the overriding concern of policy. The convergence of communications and progress in developing a competitive telecommunications market have, interestingly, added to the challenges of determining

“fair and reasonable” rates because of limited information and the hurdle noted by economists that various models, including Ramsey Pricing, are intrinsically fraught with difficulty in arriving at marginal costs and determining rates.

A presumption of arriving at costs is in keeping with any regulation of rates and determination of access charges associated with Interconnection. The difficulties surrounding costs was certainly apparent during the rate application hearing of 2005 when claims by the monopoly regarding a full or fair allocation of costs was a contentious matter.

The paper argues that an understanding of the extent to which powerful monopolies can and do influence policy and regulation is required in order to appreciate whether they can and do have a negative impact on the pace of social and economic policy. Future research may be required to assess to what extent social policy goals and economic development are constrained by the monopoly on fixed line services and the ability to thwart competition.

Annex

The following recommendations, many of which address telecommunication monopoly and policy, were submitted in a letter to the Barbados government following a June 17th 2008 public/private consultation at the Erskine Sandiford Conference Centre on the “Cost of Living”.

The authors, who include CARITEL are members of a telecommunications policy Think Tank.

Edited version:

Barbados’ development is constrained by poor telecommunications service, unjustifiable prices for local and international services and non-existent as well as unenforced or ineffective policies. This regulatory vacuum is having the effect of preventing new service

providers from delivering to consumers the true benefits of competition: better services at lower costs.

Some of the measures which we recommend to address this situation are provided below as promised by us and requested by you:

1. The establishment of a committee of stakeholders to continue previous work to review the current Telecommunications Act and outstanding policy matters mentioned in our correspondence.
2. Immediate implementation of the *Barbados Two Stage Dialing Policy*, allowing consumers access to alternative long distance carriers by way of “Calling cards”. (NB: We are aware of the recent announcements by Cable & Wireless and Blue Communications).
3. Effective implementation of the *Barbados Equal Access and Indirect Access Policy*, allowing consumers access to alternative long distance carriers by way of “1010 Dialing” and “Carrier Pre-selection”. The carriers were notified when the policy was approved by the former administration that this was to be implemented by October 1st, 2008.
4. An immediate review of the current Reference Interconnection Offers (RIOs) currently in place here in Barbados. The existing RIOs lack the provision for the service “Outgoing International Call Termination”, and do not clearly define what constitutes a “call”.
5. The introduction of Local Number Portability (LNP), which fosters competition by allowing consumers to change service providers while maintaining their existing telephone numbers. This encourages competition by eliminating a “lock-in“ for a particular telephone number.

6. The introduction of Local Loop Unbundling (LLU), which fosters competition by allowing competitive carriers access to the “last mile” copper facilities to the customer.
7. The adoption of aggressive, proactive regulation enforcement by the Fair Trading Commission (FTC), rather than the passive form of enforcement which currently exists. This is needed so that existing and future policies are implemented, and the liberalization process proceeds with efficacy.
8. Provision of more and more easily accessible public information, to allow for a greater understanding and analysis of Information and Communication Technology (ICT) issues. For example, the traffic schedule is presumably public information, but it is currently extremely difficult (if not impossible) to get a complete data set from the FTC.
9. Greater transparency by the Fair Trading Commission, so that public information requested is provided in a timely and complete fashion. Such information should be available in standard electronic formats if requested.
10. A clear ICT policy, providing a road map and time-table for implementation.

CARITEL also recommends a review of the future of state-run Caribbean Broadcasting Corporation (CBC). We see an opportunity for CBC to provide Cable Television service as a telecommunications company providing : Higher bandwidth at more affordable rates under a triple play of services that compete aggressively in the marketplace. We do not believe that limited revenues from tax payers can support such a multi-million-dollar operation and an opportunity exists for a new company to offer these services while public broadcasting goals are ensured.

References

1. Telecommunications Policy for the Information Age, (Brock. G.1998, P. 152)
2. Business @ The Speed of Thought, March 1999, Page 39-41.
3. Business Authority, Page 18, June 30th, 2008 (Interview with David Ince, Manager, Imaging & Printing services, ILLUMINAT).
4. The Politics of Telecommunications Regulation, Jeffrey E. Cohen, 1992, P 158-159.
5. A Market-based Approach to Telecom Liberalisation, David Gilo, Faculty of Law, Tel Aviv University, 2002.
6. An unpublished presentation to the public sector/private sector consultation on the “Cost of Living” by Hallam Hope, on behalf of a local Telecoms Policy Think Tank, June 17th, 2008.
7. www.columbuscommunications.com
8. www.digicelgroup.com
9. World Telecommunication/ICT Development Report 2006, March 2006, International Telecommunications Union (ITU).
10. Telecommunications Regulation Handbook, Hank Intven and McCarthy Tetrault, November 2000.
11. Journal of Eastern Caribbean Studies, Vol. 32 No.3, September 2007 (Paper on the Price Cap by Hallam Hope and Winston Moore, P.1-22).
12. Journal of Eastern Caribbean Studies, Vol. 32 No.3, September 2007, What Does The New Global Economic Order Mean For CARICOM Central Banks? DeLisle Worrell, P.70-84.
13. Light & Power Holdings Ltd, Annual report, 2007.
14. www.bluecommunications.com
15. www.ftc.gov.bb (Fair Trading Commission website)
16. TeleGeography, July 4th, 2008.
17. DOMINICANTODAY, June 26th, 2008
18. Michael Ruddy, presentation on submarine cable networks to the annual conference of CANTO (Caribbean Association of National Telecommunication Organisations), 2006.