



Response by Sure (Isle of Man) Limited to the Communications Commission's Annual Review of Mobile Termination Rates and Draft Decision Notice

Introduction

Sure (Isle of Man) Limited ("Sure") is providing these comments in response to the above document, which was issued by the Communications Commission ("the Commission") on the 24th February 2016.

We are submitting this response on a non-confidential basis and are therefore happy for the Commission to share it with other interested parties and to publish it on the Commission's website.

The Commission's benchmarking approach to setting the Mobile Termination Rate (MTR)

Sure notes that the Commission set the initial 2013 MTR and the glide-path that resulted in the current MTR of 1.25ppm using a benchmarking approach. The Commission may recall that at the time these rates were set, Sure raised questions regarding the appropriateness of some of the EU countries used as benchmarks for the Isle of Man's MTR. In particular, we noted that only the Channel Islands seemed to represent an appropriate benchmark for the Isle of Man, reinforced by the fact that the rate there was based on the actual costs of an efficient operator within that jurisdiction.

We still have concerns regarding the use of benchmarking approaches by regulators in the small jurisdictions in which we operate, which mainly relate to the appropriateness of any benchmarks used (generally in terms of comparisons to national operators, which have significantly greater traffic volumes and associated economies of scale and scope, which cannot be replicated in small jurisdictions). However, we are also puzzled as to why the Commission seems prepared to use benchmarking for some charges and not for others. In particular, we note that the Commission has never proposed to apply a benchmarking approach to MT's reference offer rates for fixed origination and termination. These are

currently set at 0.622ppm (day), 0.538ppm (evening) and 0.487ppm (weekend) – which were set as a result of MT, rather than the Commission, benchmarking against JT’s rates in Jersey - and have not been subject to review for some time. This is despite these rates being on a downward trend in the EU and also having decreased in Jersey since the time MT first adopted these rates.¹

Given the Commission is ultimately interested in protecting consumers interests, and has used the downward trend in MTRs in the EU to justify the decreases that the Isle of Man has seen in MTRs since 2013, it is inconsistent for it to not apply the same approach to achieve reductions in fixed termination (and origination) rates. Given that competing operators such as Sure need to buy both origination and termination from MT in order to offer local fixed calls to customers, any reductions in these rates could have a more immediate benefit on end customers than any further reductions in MTRs.

Commission’s proposed MTR for the year commencing 2016

Notwithstanding the above, we note that the Commission is proposing to keep the MTR at the same level of 1.25ppm for another year. We agree with the Commission that the significant reductions in MTRs that have already been achieved mean that they compare very favourably with the rates available in much larger jurisdictions. We also appreciate that the Commission has recognised the significant investments that Sure and MT have made in 4G networks and the need for us to make ongoing investments.

Therefore, we would have no objections to the Commission’s proposal to maintain the existing MTR at its current rate of 1.25ppm until 1st May 2017.

Sure (Isle of Man) Limited

30th March 2016

¹ In April 2012, JT’s fixed reference offer rates in Jersey were reduced from those shown above. However, MT did not alter its rates to keep in line with the new lower rates offered by JT, despite being aware of the reductions and apparently being happy to regard the JT rates as appropriate benchmarks for MT rates previously.