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GENERAL NOTICE

NOTICE 1781 OF 2001**INDEPENDENT COMMUNICATIONS AUTHORITY OF SOUTH AFRICA**

THE INDEPENDENT COMMUNICATIONS AUTHORITY OF SOUTH AFRICA HEREBY, IN TERMS OF SECTION 27 OF THE TELECOMMUNICATIONS ACT OF 1996 ("THE ACT"), GIVES NOTICE TO THE PUBLIC OF ITS INTENTION TO HOLD AN ENQUIRY INTO THE PROPOSED REGULATIONS ON NUMBER PORTABILITY AND CARRIER PRE-SELECTION AS ATTACHED IN THE SCHEDULES.

The Authority wishes to hear the views of the public and interested persons on the proposed regulations on number portability and carrier pre-selection, which will be required in terms of the Telecommunications Policy Directions issued by the Minister of Communications on 26 July 2001.

In view of the tight time frames for Telkom's Initial Public Offering (IPO) and the licensing of the Second National Operator (SNO), Third National Operator (TNO) and Sentech, ICASA intends to invoke s96(5)(b) of the Telecommunications Act, which allows the Authority to fast-track 'any regulation which the public interest requires to be made without delay' to expedite the making of the above-mentioned regulations, once the Telecommunications Amendment Bill is passed by Parliament and enacted by the President. It is in the public interest that Telkom's IPO should be successful and that there should be no delay in the licensing of the SNO, TNO and Sentech, because these activities are critical for the overall stability and growth of the South African economy.

Interested persons are hereby invited to submit written representations in relation to this enquiry to the Authority by no later than **13h00 on Friday, 24th of August 2001** by post, hand delivery or facsimile transmission. Where available a softcopy of the corresponding hardcopy of the representation should be e-mailed to kassh@icasa.org.za.

The written representations must be addressed to **Mr Harrish Kasseepursad**, Acting Manager: Numbering, Independent Communications Authority of South Africa, Private Bag X1, Marlboro, 2063, or Block A, Pin Mill Farm, 164 Katherine Street, Sandton, Facsimile (011) 321-8550, Tel 011 321-8311 or Cell 082 903 0492.

Persons making written representations must clearly indicate in their representations if they wish to make oral representations including the duration thereof which shall not exceed one (1) hour. Should a request for such oral hearings be received then public hearings shall be held on the 6th of September 2001 at 09h30 at Block C, Pin Mill Farm, 164 Katherine Street, Sandton, Gauteng.

MANDLA LANGA
CHAIRPERSON
ICASA

SCHEDULE**REGULATIONS FOR THE IMPLEMENTATION OF NUMBER PORTABILITY****1. DEFINITIONS**

1.1 In this schedule the following words will have the meaning given to them unless the context otherwise requires:

'aggregate shared costs' means the total amount of the shared costs incurred.

'allocated shared costs' means the portion of aggregate shared costs to be borne by an operator as determined by the Authority under section 2.6.

'delegated party' means any party delegated by the Authority under section 2.2.

'donor operator' means an operator whose subscriber number(s) are in the process of being, or have been passed or ported to a recipient operator.

'eligible costs' means operator-specific costs directly related to providing number portability and incurred specifically in the provision of number portability services, such as (1) allocated shared costs, (2) annual maintenance charges under section 2.7, and (3) costs incurred for the querying of calls, the porting of telephone numbers from one operator to another. Eligible costs do not include costs that an operator incurs as an incidental consequence of number portability.

'local number portability administrator' or 'LNPA' means an independent, non-governmental entity, not aligned with any particular South African telecommunication industry segment, whose duties are determined by the Authority.

'location portability' is a type of number portability where the subscriber maintains the same telephone number but moves to a different address within the same geographic location covered by the subscriber's existing assigned national destination code.

'national number portability database' means an independent central number database that facilitates number portability on an IN platform.

'number portability' means a capability whereby subscribers to a telecommunication service who so request can retain their telephone number on a fixed or mobile public telecommunication network independently of the licensee providing service.

'operator' means any person licensed to provide a telecommunication service who has been allotted numbers from the national numbering plan.

to **'port'** means to transfer a number from one operator's switch to another operator's switch, which enables a subscriber or user to retain his or her number when transferring from one carrier to another or from one location to another within the subscriber's or user's existing assigned national designation code.

'portability' means any facility which may be provided by an operator to another operator enabling any subscriber who requests number portability to continue to be provided a telecommunication service by reference to the same number irrespective of the identity of the person providing such a service.

'recipient operator' means an operator to whom subscriber number(s) are in the process of being, or have been passed or ported from a donor operator.

'service control point' or 'SCP' means a database which contains information and call processing instructions needed to process and complete a telephone call. The network switches access an SCP to obtain such information. Typically, the information contained in an SCP is obtained from the SMS.

'service management system' or 'SMS' means a database or computer system not part of the PSTN that, among other things:

- (1) interconnects to an SCP and sends to that SCP the information and call processing instructions needed for a network switch to process and complete a telephone call; and
- (2) provides carriers with the capability of entering and storing data regarding the processing and completing of a telephone call.

'service portability' a type of number portability where the subscriber who wishes to change service providers may retain the same telephone number.

'shared costs' means certain one-time eligible costs incurred by the industry as a whole to build and place in operation the databases, equipment and services needed to implement number portability, including those costs incurred by the Authority, a delegated party, or operators for such purposes.

'subscriber' means any person or entity who is a party to a contract or other similar arrangement that is in force with a telecommunication service provider for the supply of a telecommunication service.

- 1.2 In this schedule any expression or word to which a meaning has been assigned by the Telecommunications Act, 1996 (Act No. 103 of 1996), as amended from time to time (hereinafter referred to as the "Act"), shall have the same meaning unless the context indicates otherwise.

2 IMPLEMENTATION OF NATIONAL NUMBER PORTABILITY DATABASE

- 2.1 The Authority shall have the responsibility for implementing and administering the national number portability database.

2.2 Delegated Party

- (a) In terms of sections 91, 2(j) and 2(o) of the Act, the Authority may by notice in the *Gazette* delegate its responsibility under section 2.1 to a local number portability administrator or other third party.
- (b) Where the Authority delegates its responsibility under section 2.2(a), the Authority shall retain complete authority over the delegated party.
- (c) The notice under section 2.2(a) may set forth the implementation and administration responsibilities of the delegated party.

2.3 National Number Portability Database Method

- (a) The national number portability database shall constitute the method for providing number portability and shall contain subscriber routing information necessary to pass or port telephone calls to the proper terminating locations.
- (b) All operators shall have equal and open access to query the national number portability database and shall be required to interface with such database.

(c) The national number portability database shall conform to the following performance criteria:

- (1) it shall support network services, features, and capabilities existing at the time number portability is implemented, including but not limited to emergency services, operator and directory services, and intercept capabilities;
- (2) it shall efficiently use numbering resources;
- (3) it shall not require subscribers or users to change their telephone numbers within their existing assigned national designation code;
- (4) it shall not result in unreasonable degradation in service quality or network reliability when implemented;
- (5) it shall not result in unreasonable degradation in service quality or network reliability when subscribers switch carriers;
- (6) it shall not result in a carrier having a proprietary interest;
- (7) it shall be able to support location and service portability;
- (8) it shall have no significant adverse impact outside the areas where number portability is deployed; and
- (9) it shall be scalable to accommodate new technologies, more capacity and additional functions.

2.3.1 The Authority shall establish a special committee in terms of Section 17 of the ICASA Act and appoint experts in terms of Section 26 of the Telecommunications Act to address matters relating to the establishment of the national number portability database. The Authority shall establish the agenda and schedule of work and after review of the special committee proposals shall promulgate guidelines for the implementation of the number portability database in the Government Gazette.

2.3.2 The Authority may, by Notice in the Government Gazette, request information from interested parties on various issues to be addressed by the special committee on number portability.

2.4 The Authority shall determine the location of the national number portability database after considering the existing locations of operator's databases.

2.5 The Authority may monitor the progress of all operators implementing number portability and at its discretion may direct each such operator to submit a progress report, including a deployment schedule for the implementation of number portability.

2.6 Allocation of Shared Costs for the Initialization of Number Portability

- (a) The Authority shall determine the cost of the establishment and implementation of the number portability database and supporting infrastructure and such costs shall be divided among the operators based on the number of telephone numbers allocated to each operator.
- (b) Each operator shall bear its own costs of implementing number portability including any modifications or upgrades to its network that may be necessary.

2.7 Annual Maintenance Charges

- (a) Each operator shall pay to the Authority, in a manner to be determined by the

Authority, an annual maintenance charge that shall be based on the number of telephone numbers allocated to such operator.

- (b) The Authority may bill each operator on an annual basis for annual maintenance charges under section 2.7(a).

3 REQUESTS FOR NUMBER PORTABILITY

- 3.1** In terms of the Telecommunications Act as amended and as contemplated in the Telecommunications Policy Directions and sections 1, 2.1, and 2.3 of these regulations, beginning 1 April 2003, operators shall provide number portability on request to any of their respective subscribers who notify their operator in writing that such subscriber requires number portability.
- 3.2** Pursuant to a request for portability made to it by an recipient operator, a donor operator shall provide portability in relation to that request in accordance with specifications that the Authority may establish by notice in the *Gazette* and in terms of the cost recovery regulations set forth in section 4 below.
- 3.3** Numbers shall not be ported from-
- (a) mobile operators to fixed line operators; or
- (b) fixed line operators to mobile operators.
- 3.4** A donor operator required to provide number portability under section 3.1 shall provide both location portability and service portability to a requesting subscriber or recipient operator in the event the subscriber seeks to become a subscriber of the recipient operator.
- 3.5** An operator required to provide number portability to a requesting subscriber under section 3.1 must provide location portability for so long as such subscriber continues to reside within the geographic location covered by the same assigned national destination code.
- 3.6** Notwithstanding section 3.5, a subscriber is entitled to select and receive a new number(s) upon making a request to the subscriber's operator.
- 3.7** Operators are prohibited from including any clauses or terms in contracts between an operator and a subscriber, or between operators, that prohibit or otherwise restrict number portability in any way.

4 ELIGIBLE COST RECOVERY

- 4.1** Operators may recover their eligible costs for initial implementation, annual maintenance, and the operation of number portability in accordance with these regulations.
- 4.2** An operator shall not recover its eligible costs until such operator submits to the Authority a cost recovery application in terms of section 4.5 and such application is approved by the Authority under section 4.6.
- 4.3** In order to demonstrate to the Authority that costs are eligible costs, an operator must conclusively show in its cost recovery application under section 4.5 that such costs:
- (a) would not have been incurred by the operator but for the implementation of number portability; and
- (b) were incurred for the provision of number portability service.

4.4 Measuring Eligible Costs

In measuring eligible costs, operators shall use the following criteria:

- (a) Eligible costs constitute dedicated costs, portions of joint costs, and certain incremental overheads.
- (b) Dedicated costs are the costs of investments or expenses that are dedicated exclusively to the provision of number portability functions, including, but not limited to costs of-
 - (1) number portability software;
 - (2) service control points; and
 - (3) signal transfer points.

provided that such functions are reserved exclusively for number portability service.

- (c) Joint costs of providing number portability are costs associated with new investments or expenses that directly support the provision of number portability functions and also support at least one non-number portability function.
 - (1) The portion of joint costs that is an eligible cost constitutes the difference between the total cost of an item with the number portability functionality and the total cost of the item without the number portability functionality.
 - (2) Joint costs include but are not limited to costs associated with-
 - (i) signaling system 7 (SS7) upgrades;
 - (ii) switch software upgrades;
 - (iii) advanced intelligent network modifications; and
 - (iv) operations support systems modifications.
 - (3) In a cost recovery application under section 4.5, the burden shall be on the applying operator to demonstrate what portion, if any, of such joint costs should be attributed to number portability.
- (d) An operator may include incremental overheads as eligible costs only to the extent that the operator can demonstrate that such incremental overheads-
 - (1) are incurred specifically in the provision of number portability; and
 - (2) are actually new costs incremental to and resulting from the provision of number portability.

4.5 Cost Recovery Applications shall be in an approved format.

In terms of section 4.2, operators seeking to recover eligible costs must file a cost recovery application, which must be approved by the Authority prior to the operator seeking recovery of such costs. In such an application, operators shall supply a narrative together with the information listed in 4.5(a)-(d) to support its cost recovery application. The Authority must be able to trace the development of an operator's rates from the application and the supporting materials. A cost recovery application submitted with the Authority under section 4.2 must include a narrative together with at a minimum the following information:

- (a) Cost Apportionment

- (1) Operators shall submit a worksheet for dedicated and joint costs, as defined in sections 1 and 4 above, including the following:
 - (i) required number portability function and modification;
 - (ii) relevant accounting information;
 - (iii) gross financial investment; and
 - (iv) the percentage of costs assigned to non-number portability function and among the number portability function, respectively.
- (2) Operators should include, in reporting for each type of service for each number portability function, the following costs:
 - (i) shared costs;
 - (ii) SMS signaling link;
 - (iii) SCP;
 - (iv) SCP link;
 - (v) signaling transfer point;
 - (vi) signaling transfer point link;
 - (vii) signaling switching point;
 - (viii) end-office switches;
 - (ix) tandem switches;
 - (x) operating support system modifications for support of the narrowly defined number portability functions described in the above regulations;
 - (xi) operating support systems modifications supporting other functions that are for the provision of number portability; and
 - (xii) any other functions or sub-categories of information as would assist to support the claimed eligible costs and to facilitate Authority review.

(b) Cost Models Used to Calculate Shared Costs

- (1) If an operator utilises a computer cost model to calculate its shared costs, such operator will have the burden of demonstrating fully all of the inputs, algorithms and assumptions of its model.

(c) Incremental Overheads for Porting and Querying Requests

- (1) Operators may not rely on general overhead factors in order to identify ongoing overhead eligible costs for carrying out porting and querying requests, but shall provide the Authority with sufficient support to demonstrate conclusively that overhead costs are incurred specifically in the ongoing provision of number portability.

(d) Additional Information

- (1) The Authority may, at its discretion, require operators to submit additional information to be submitted together with or in addition to cost recovery applications.

4.6 Authority Determination

- (a) Where the Authority finds inconsistencies in a cost recovery application or where an operators' justification for eligible costs is inadequate, the Authority may-
 - (1) delay approval of cost recovery until the operator has supplied adequate supporting material to satisfaction of the Authority; or

- (2) modify such application to the extent necessary to conform it to the requirements of this schedule.
- (b) After reviewing the cost recovery application submitted under section 4.7 and any additional information that the Authority may have required under 4.7(f), by notice in the Gazette, the Authority shall
 - (1) issue a determination either approving or modifying the application;
 - (2) and establish any conditions of approval that the Authority deems necessary; and
 - (3) make known any of the Authority's findings and recommendations or conclusions with regard to the applicable operator's eligible costs.

4.7 Confidentiality

Operators may request confidential treatment for the cost materials submitted to the Authority under section 4.5.

4.8 Where the cost recovery application or any of the supporting cost information include costs for which recovery already is provided through other recovery mechanisms, the Authority shall disallow such costs as eligible costs.

4.9 Cost Recovery Mechanisms

- (a) Upon receiving approval by the Authority under section 4.6(b), an operator may recover its eligible costs utilising the following two cost recovery mechanisms:
 - (1) a monthly number portability charge to commence no earlier than the date set by Notice for recovery commencement, that applies to subscribers, which charge may include the recovery of eligible costs of initial implementation of number recovery spread out over time in a manner that does not restrict number portability or create a significant burden for subscribers; and
 - (2) a number portability query-service charge that applies to recipient operators on whose behalf a donor operator recovering eligible costs performs queries.
- (b) Costs recovered under section 4.9(a)(1) shall constitute only such eligible costs that are directly related to providing number portability functions to subscribers.
- (c) Costs recovered under section 4.9(a)(2) shall constitute only such eligible costs that are directly related to a donor operator performing number portability queries for a recipient operator.
- (d) Recovery of costs by operators pursuant to this section shall be optional; however, operators that recover such costs from subscribers or recipient operators shall do so on a nondiscriminatory basis.
- (e) Operators that recover costs pursuant to this section from subscribers shall identify such subscriber charges as a separate line item on subscriber billing statements.

4.10 Any costs recoverable through number portability cost recovery mechanisms under section 4.9 may not be included in other cost recovery mechanisms.

4.11 Any eligible costs recoverable through number portability cost recovery mechanisms shall not result in any burden, as determined by the Authority, to the implementation of number portability. Should such recoverable eligible costs result in a burden to the implementation of

number portability, the Authority may determine by notice in the *Gazette* that such costs are not recoverable and are to be borne by the operator incurring such costs.

5 APPLICATION OF REGULATIONS

- 5.1** These regulations and guidelines shall be applicable to number portability, pursuant to the Act, as such may be modified from time to time as the Authority may deem necessary.
- 5.2** These regulations shall be effective from 01 April 2003 and shall remain in force for a period of at least eighteen (18) months or until such time that a new regime is prescribed.

REGULATIONS FOR THE IMPLEMENTATION OF CARRIER PRE-SELECTION

1. DEFINITIONS

In these regulations, the following words will have the meaning given to them unless the context otherwise requires:

Carrier Pre-Selection means any facility by which subscribers to a telecommunication service can access the services of an interconnected (a) national long distance telecommunication service provider; and/or (b) international telecommunication service provider.

Carrier Pre-selection Process means the measures prescribed by these regulations by which a subscriber shall designate its choices of pre-selected operator(s) to provide its national long distance telecommunication services and/or international telecommunication services.

Designated License Holder means holders of licenses designated by the Authority as having an obligation under these regulations to provide carrier pre-selection.

Functional Specifications means a document published by the Authority which specifies the technical characteristics and other principles which are intended to effect the efficient implementation of the carrier pre-selection process.

Per Subscriber Set-Up Facilities means the carrier pre-selection facilities required for a particular subscriber in order to meet that subscriber's request for carrier pre-selection.

Per Operator Set-Up Facilities means the carrier pre-selection facilities required from the providing carrier by any individual pre-selected operator for the routing of calls specified in a subscriber's request for carrier pre-selection, including arrangements for the electronic transfer of customer orders.

Pre-Selected Operator means the telecommunication service provider who is licensed to provide national long distance telecommunication services and/or international telecommunication services and has been selected by a subscriber at any given time as that subscriber's national long distance telecommunication service and/or international telecommunication service provider.

Providing Carrier means any PSTS provider, under-served area licensee, mobile operator and, as applicable, designated license holder.

Qualified Carrier means all PSTS licensees and Sentech.

Subscriber means any person or entity who is a party to a contract or other similar arrangement that is in force with a telecommunication service provider for the supply of a telecommunication service. The term subscriber includes new subscribers as defined in section 3.1.

System Set-Up Facilities means any alterations or additions needed to the providing carrier's facilities to enable it to provide carrier pre-selection which cannot otherwise be attributed to a specific subscriber or pre-selected operator.

1.2 In these regulations, any expression or word to which a meaning has been assigned by the Telecommunications Act, 1996 as amended (Act No. 103 of 1996) (hereinafter referred to as the "Act"), shall have the same meaning unless the context indicates otherwise.

2. REQUIREMENT OF CARRIER PRE-SELECTION

2.1 Beginning 7 May 2002, all providing carriers shall enable their subscribers to access the national long distance telecommunication service provider and international telecommunication service provider of their choice in accordance with these regulations by 7 May 2002.

- 2.2** In complying with these regulations, all providing carriers shall ensure that sufficient facilities are in place within their networks and such networks are interconnected to enable their respective subscribers to access the services of their pre-selected operators without the need for any access code, other than (i) a four-digit prefix for national long distance calling, (ii) not more than a two digit prefix for international calling, (iii) and to enable subscribers to override any pre-selected choice on a call-by-call basis by dialing an access code of no more than four digits;
- 2.3** The Authority may select an outside contractor unaffiliated with any South African telecommunication service provider to perform any function assigned to the Authority by the Act or these regulations.
- 2.4** The Authority may amend the requirements set forth in section 2 by Notice in the Gazette. Any subsequent amendments to the requirements set forth in section 2 shall be made in accordance with the Authority's Regulations on the Numbering Plan.

3. CARRIER PRE-SELECTION

- 3.1** New subscribers shall consist of those subscribers placed into service by a providing carrier after 7 May 2002.
- 3.2** All providing carriers shall inform their new subscribers of such new subscriber's rights with regard to carrier pre-selection and shall request that all such new subscribers select their national long distance telecommunication service provider and international telecommunication service provider at the time such new subscriber enters into a contract for service, service agreement or other similar document or, if no such service agreement or similar document is entered into, prior to commencement of service.
- 3.2.1** All information provided under section 3.2, shall be provided on a non-discriminatory basis and shall provide no information with regard to national long distance telecommunication service or international telecommunication services other than to identify those service providers participating in the carrier pre-selection process.
- 3.2.2** Providing carriers shall implement carrier pre-selection for the subscriber's chosen national long distance telecommunication service and/or international telecommunication service at the time the new subscriber receives service.
- 3.2.3** Subscribers placed in service prior to 7 May 2002 may select a national long distance telecommunication service provider and/or international telecommunication service provider in accordance with section 4.

4. CHANGES IN PRE-SELECTED CARRIERS

- 4.1** A subscriber may change its pre-selected operator for any national long distance telecommunication service and/or international telecommunication service at any time on or after 7 May 2002.
- 4.1.1** Requests to a providing carrier for a change in pre-selected operator must be delivered to the

newly selected national long distance telecommunication service provider or international telecommunication service provider in writing and may be in the form of a letter of consent authorizing the new pre-selected operator to effect the change with the providing carrier.

4.1.2 The letter of consent must contain, in clear and unambiguous language the following:

4.1.2.1 The subscriber's name, identification number, address, and telephone number for each telecommunication service affected by the requested change.

4.1.2.2 A statement of the subscriber's intent to change the pre-selected operator for either national long distance telecommunication service, international telecommunication service, or both.

4.1.2.3 A statement that the subscriber understands that it may have only one pre-selected operator for each such service associated with each telephone number assigned to that subscriber.

4.1.2.4 A statement that the subscriber understands that there may be a charge for the requested change.

4.2 Pursuant to a request received under this section, a providing carrier shall provide carrier pre-selection facilities to the newly pre-selected operator within [two business days] in accordance with the functional specifications established by the Authority.

4.3 The providing carrier that implements a change in pre-selected carrier pursuant to this section may bill the subscriber making such change in accordance with the cost recovery provisions of section 6.

4.4 Nothing in section 4.3 shall be interpreted to prohibit the pre-selected operator from reimbursing its new subscriber as an inducement to change service providers.

4.5 Nothing in this section shall be construed to prohibit candidates for selection as pre-selected operators from advertising in any media in an effort to win subscribers.

4.6 All providing carriers shall ensure that tariffs that are related to the provision of carrier pre-selection are cost oriented; and that any direct charges to subscribers do not act as a disincentive for the use of the carrier pre-selection process.

5. RECOVERY OF INITIAL CARRIER PRE-SELECTION COSTS

5.1 Within ninety (90) days of the effective date of these regulations, each qualified carrier shall submit a cost proposal for its implementation of initial carrier pre-selection. The proposal should include a detailed review of such carrier's network, operational systems, and process developments and enhancements required to introduce carrier pre-selection and the cost associated therewith pursuant to the guidelines in section 7.

- 5.2** The Authority shall examine the cost proposals to determine whether the qualified carrier's costs are recoverable pursuant to section 7, reasonable, and efficiently incurred. The Authority may determine that a cost is not reasonable if it considers that the qualified carrier could at the relevant time have used lower cost methods in implementing the relevant aspect of any carrier pre-selection service and in that event the Authority may disallow such item of cost in whole or in part as the Authority deems appropriate. Upon a finding of unrecoverable costs or unreasonable or inefficient proposals, the Authority may make modifications or substitutions to such proposals to the extent necessary to assure reasonability and efficiency.
- 5.3** Any determination specifying costs or charges made under this section 5 shall be based on the qualified carrier's incremental costs of providing carrier pre-selection as detailed in section 7 unless some other cost basis shall have been substituted by the Authority.
- 5.4** Following the Authority's approval of the cost proposal or modification or substitution, as set forth in Section 5.2, the Authority will allocate the aggregate costs among all qualified carriers. The total aggregate cost submitted by PSTS licensees shall be allocated among all PSTS licensees based upon the number of telephone numbers allocated to each PSTS licensee, less a proportionate share determined by the Authority to be paid by Sentech in relation to its potential benefit received arising out of the implementation of carrier pre-selection.
- 5.5** Each mobile operator shall be responsible for its own costs of implementing carrier pre-selection.
- 5.6** Each providing carrier shall be responsible for the costs associated with the ongoing maintenance of the carrier pre-selection facilities within its network.

6. COST RECOVERY FOR NEW LINES AND CHANGING PRE-SELECTED OPERATORS

- 6.1** The providing carrier's reasonable costs incurred in providing carrier pre-selection facilities for new subscribers and for changes to pre-selected operators shall be categorized as System Set-Up Costs, Per Operator Set-Up Costs and Per Subscriber Set-Up Costs and shall be allocated accordingly.
- 6.2** On or following 7 May 2002, each providing carrier may impose a one-time charge upon each new subscriber and upon each subscriber making a change in its pre-selected operator. Where a providing carrier imposes a charge pursuant to this section 6.2, such charge shall consist of the Per Subscriber Set-Up Costs and the proportional share of the System Set-Up Costs and Per Operator Set-Up Costs associated with such new service or change in pre-selected operator. Allocations of System Set-Up Costs and Per Operator Set-Up Costs shall be based upon reasonable estimates of the number of new lines and pre-selected operator changes expected by the providing carrier.
- 6.3** In respect of any individual item of cost under this section, the Authority may determine into which category of cost it falls, and if it considers that any such item of cost cannot be reasonably

categorized as System Set-Up Costs, Per Operator Set-Up Costs or Per Subscriber Set-Up Costs, the Authority may determine whether and to what extent the providing carrier may reasonably recover such costs. The Authority may determine whether a providing carrier's estimates of new subscribers and pre-selected operator changes are reasonable and may substitute its own values where it determines that such estimates are unreasonable. Recoverable costs shall be subject to the requirements of section 7.

7. GUIDELINES FOR COST RECOVERY

7.1 In order to demonstrate to the Authority that costs are eligible for recovery, an operator must conclusively show in its proposal under section 5.1 and its calculations for the purposes of section 6 that such costs:

- (a) would not have been incurred by the operator but for the implementation of carrier pre-selection; and
- (b) were incurred for the provision of carrier pre-selection.

7.2 Measuring Eligible Costs

In measuring eligible costs, operators shall use the following criteria:

- (a) Eligible costs constitute dedicated costs, portions of joint costs, and certain incremental overheads.
- (b) Dedicated costs are the costs of investments or expenses that are dedicated exclusively to the provision of carrier pre-selection functions.
- (c) Joint costs of providing carrier pre-selection are costs associated with new investments or expenses that directly support the provision of carrier pre-selection functions and also support at least one other function.
 - (1) The portion of joint costs that is an eligible cost constitutes the difference between the total cost of an item with the carrier pre-selection functionality and the total cost of the item without the carrier pre-selection functionality.
 - (2) The burden shall be on the operator to demonstrate what portion, if any, of such joint costs should be attributed to carrier pre-selection.
- (d) An operator may include incremental overheads as eligible costs only to the extent that the operator can demonstrate that such incremental overheads:
 - (1) are incurred specifically in the provision of carrier pre-selection; and
 - (2) are actually new costs incremental to and resulting from the provision of carrier pre-selection.

7.3 Costs recoverable through carrier pre-selection cost recovery mechanisms under sections 5 or 6 may not be included in other cost recovery mechanisms.

7.4 Any eligible costs recoverable through carrier pre-selection cost recovery mechanisms shall not result in any burden, as determined by the Authority, to the implementation of carrier pre-selection. Should such recoverable eligible costs result in a burden to the implementation of carrier pre-selection, the Authority may determine by notice in the *Gazette* that such costs are not recoverable and are to be borne by the operator incurring such costs.