



PO Box 2502
Grand Cayman KY1-1104
CAYMAN ISLANDS
Tel: (345) 946-ICTA (4282)
Fax: (345) 945-8284
Web: www.icta.ky

Information & Communications Technology Authority

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Your ref: GRCR/GR 15.24

10 June 2011

Mr. Anthony Ritch
Country Manager
LIME/Cable and Wireless (Cayman Islands) Limited
PO Box 293
Grand Cayman KY1-1104
CAYMAN ISLANDS

Dear Mr. Ritch,

Re: Revision to the Virtual Office Service

This is further to the 11 March 2011 application by Cable and Wireless (Cayman Islands) Limited ("LIME") for the Authority's authorization to revise and amend its Virtual Office service and tariff.

On 21 March 2011, the Authority issued a number of interrogatories to LIME concerning the tariff wording and imputation test.

On 31 March 2011, LIME responded to those interrogatories and provided revised proposed tariff pages that addressed the items raised in Authority's questions.

On 12 April 2011, the Authority issued further interrogatories related to the imputation test for the service.

On 24 May 2011, LIME responded to those interrogatories and provided a revised imputation test which now included costs that had been inadvertently excluded from the previous version and revised the demand calculations that reflect average-in-service demand rather than year-end demand. In addition, as requested by the Authority,

LIME provided imputation test results using an assumed demand of one half of the original demand.

The Authority has reviewed the submissions and notes that there are a number of issues with LIME's proposed imputation test.

1) In response to the Authority's 12 April 2011 question concerning freight, duty and related costs, LIME adjusted the imputation test to include these previously excluded costs for certain Virtual Office equipment but did not include such costs for PSTN Access Equipment used by the service. In future imputation tests, LIME must ensure that all appropriate costs, including freight, duty, and related costs are properly accounted for in the calculations.

2) In the imputation tests provided by LIME, it has used an undiscounted price per line in the calculation of Net Profit. As the service provides various levels of discounts to those base rates, the resulting Net Profit calculation overstates the revenues used in the imputation test and therefore overstates the estimated Net Profit. In future imputation test where discounts apply to base rates, LIME must ensure that the amount used as revenues properly reflects the effective rate and not an undiscounted rate. If the effective rate is not available then, as LIME stated on the last page of the attachment to its 11 March 2011 submission, it may use an estimated effective rate calculated as the base rate less the highest available discount for imputation purposes.

3) LIME has used a cost of capital for network costs not included in the FAC model that is not consistent with the cost of capital determined in ICT Decision 2008-2.

The Authority has made adjustments to the LIME imputation test to account for these items and is satisfied that the service will pass a properly calculated imputation test. Therefore, the Authority hereby approves the proposed changes to the Virtual Office tariff as amended on 31 March 2011.

Yours sincerely,

[signed]

David A. Archbold
Managing Director