

LIME. For Living. Everyday.

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Your ref: ICTA/I40/I61-09
Our ref: GRCR/GR 15.24

May 24, 2011

Mr. David Archbold,
Managing Director,
Information, Communication Technology Authority,
P.O. Box 2502GT,
3rd Floor Alissta Towers,
Grand Cayman.

Dear Mr. Archbold:

Re: Revision to the Virtual Office Service

Pursuant to the Authority's letter dated April 12, 2011, captioned as above, please see attached responses to the Authority's questions.

LIME is submitting the response to further interrogatories in confidence to the Authority and requests that the Authority not disclose either its contents, or the fact of its filing. The marketing and pricing plans of LIME are information of a commercial nature and are consistently treated in a confidential manner by LIME until they are implemented. Any untimely disclosure would mean that LIME's competitors and potential competitors would gain advance knowledge of LIME's marketing and pricing plans, even before the information could be made available to LIME's customers or to the general public. Disclosure of this information would enable them to develop competitive and targeted marketing and pricing responses, even before LIME would be

able to implement its own plans. Furthermore, this letter contains sensitive pricing and marketing information which if placed in the public domain would adversely affect LIME and cause direct and indirect financial harm because it is a record containing proprietary commercial information which is customarily guarded from competitors. LIME requires confidential treatment until such time as the service and products described in this letter have been made public.

An abridged version of the response to interrogatories will be filed. All confidential information has been replaced by “###”.

Please contact me regarding any questions you may have.

Yours faithfully,
Cable & Wireless (Cayman Islands) Ltd.

‘Signed’

Anthony Ritch
General Manager

c.c. Frans Vandendries, VP Legal Regulatory and Corporate Affairs, LIME
David E. Burnstein, Regulatory Finance Manager, LIME

Encl.

Cable and Wireless (Cayman Islands) Limited, d.b.a. "LIME"
Further Interrogatory Responses
Virtual Office Service
24 May 2011

1. The invoices submitted by LIME in its 31 March 2011 response to ICTA interrogatory 5 indicate that the price is "FOB-Miami" and that the buyer is obligated to pay various freight, insurance, import, and customs related costs. The equipment costs used by LIME in the imputation test do not appear to include any such costs.
 - a) Identify whether any such costs were incurred for the equipment included in the imputation test, and if so, identify where the costs are reported in the imputation test.
 - b) If no such costs were incurred, provide an explanation of how such costs were avoided.
 - c) If such costs were incurred but not included in the imputation test, provide a revised imputation test that includes these costs and provide the detailed calculations and supporting documentation that confirms the amounts.

RESPONSE

- A) Freight and duty of C#### were incurred by LIME for shipping the SIP platform equipment from Miami to the Cayman Islands. Inadvertently, these costs were not included in the imputation test.
- B) N/A
- C) Freight is calculated as 10% of the VO equipment cost (or $.10 \times \text{###}$) and duty is calculated as 22% of the VO equipment cost plus freight (or $.20 \times \text{###}$). There is an additional "warehousing fee" of 5% payable on the sum of the equipment, freight and duty costs. Total freight and duty for the VO equipment is ###. The results of a revised imputation test that include freight and duty (and average-in-service subscribers) are presented in the responses to Interrogatories 2 and 3 below.

Cable and Wireless (Cayman Islands) Limited, d.b.a. "LIME"
Further Interrogatory Responses
Virtual Office Service
24 May 2011

2. In its 31 March 2011 response to ICTA interrogatory 4, LIME identified that the forecast and average demand used in the imputation test were year-end rather than average-in-service numbers. In previous determinations (for example, see the 3 July 2008 ICTA determination on the C&W Calling Circle service filing), the Authority noted that when the level of demand is changing, such as during the growth phase of a product, the end-of-period counts can be significantly higher than average-in-service counts. The Authority concluded that using end-of-period rather than average-in-service numbers overestimates demand. Provide a revised imputation test that, for each year, estimates average-in-service demand by adding the beginning of year demand to the end of year demand and dividing by two. The average demand used in the imputation test should then be the average of these average-in-service numbers and not the average of the year-end numbers.

RESPONSE

The average lines in service for ### over the 5-year forecast period based on an end-of-year and average-in-service convention are presented in the tables below.

###

Description	1 Yr	2 Yr	3 Yr	4 Yr	5 Yr	Avg
End of Year	###	###	###	###	###	###
Avg. In Service	###	###	###	###	###	###

###

Description	1 Yr	2 Yr	3 Yr	4 Yr	5 Yr	Avg
End of Year	###	###	###	###	###	###
Avg. In Service	###	###	###	###	###	###

###

Description	1 Yr	2 Yr	3 Yr	4 Yr	5 Yr	Avg
End of Year	###	###	###	###	###	###
Avg. In Service	###	###	###	###	###	###

Cable and Wireless (Cayman Islands) Limited, d.b.a. "LIME"
Further Interrogatory Responses
Virtual Office Service
24 May 2011

The imputation test results based on the average-in-service demand projections, and including freight and duty costs, are presented in the table below.

Virtual Office Profit (based on avg.-in-service lines)

3 Year Contract Retail Prices and Costs

	<i>Pro</i>	<i>Pro Plus</i>	<i>Receptionist</i>
Capital	\$####	\$####	\$####
Network Maintenance	\$####	\$####	\$####
Retail	\$####	\$####	\$####
Common	\$####	\$####	\$####
Regulatory 6.7%	\$####	\$####	\$####
Total Cost per line	\$####	\$####	\$####
Retail price per line	\$####	\$####	\$####
<i>Net Profit</i>	<u><i>\$####</i></u>	<u><i>\$####</i></u>	<u><i>\$####</i></u>

Cable and Wireless (Cayman Islands) Limited, d.b.a. "LIME"
Further Interrogatory Responses
Virtual Office Service
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3. In the 3 July 2007 Virtual Office service filing, C&W forecasted that it would reach total demand (estimated as year-end demand of ### lines) within three years of launch. The Virtual Office line demand information provided by LIME in the 31 March 2011 response to ICTA interrogatory 4 shows that the latest actual demand is about one half of that estimate. In order to assess if further review of the demand estimates is necessary, provide a revised imputation test that assumes the demand for the each of the three SIP platform services will be one half of the LIME 11 March 2011 forecast demand. Please ensure that average-in-service demand is calculated as described in interrogatory 2 above.

RESPONSE

The imputation test results based on 1/2 of the average-in-service demand projections, and including freight and duty costs, are presented in the table below.

Virtual Office Profit (based on 1/2 avg.-in-service lines)
3 Year Contract Retail Prices and Costs

	<i>Pro</i>	<i>Pro Plus</i>	<i>Receptionist</i>
Capital	\$####	\$####	\$####
Network Maintenance	\$####	\$####	\$####
Retail	\$####	\$####	\$####
Common	\$####	\$####	\$####
Regulatory 6.7%	\$####	\$####	\$####
Total Cost per line	\$####	\$####	\$####
Retail price per line	\$####	\$####	\$####
Net Profit	<u>\$####</u>	<u>\$####</u>	<u>\$####</u>