LIME. For Living. Everyday.

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Your ref: GRCR/GR 15.24

March 31, 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 March 21, 2011, captioned as above, please see attached responses to the Authority's questions.

LIME is submitting the response to interrogatories, including the proposed tariff pages and vendor invoices, in confidence to the Authority. 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. Finally disclosure of the vendor invoices would adversely affect LIME's relationship with the vendor as the confidential information is proprietary to them.

An abridged version of the response to interrogatories will be filed. All confidential information has been replaced by "###". LIME proposes not to provide an abridged version of the attached proposed tariff pages or of the vendor invoices, as abridged versions of these documents would be meaningless, unless the Authority directs LIME otherwise.

Please contact me regarding any questions you may have.

Yours faithfully,

Cable and Wireless (Cayman Islands) Ltd, trading as LIME

'Signed'

_____
Dwayne Mellaneo
Acting General Manager

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

Encl.

1. The covering letter indicates that volume discounts will apply to the Virtual Office service prices.

    a) Identify where these volume discounts are shown in the tariff and, if they are not in the tariff, provided revised tariff pages that include the volume discounts.

    b) The covering letter identifies that the customer will pay the full price for the first ### users but the table in that letter shows that a ### discount applies starting at ### users. Explain this apparent contradiction or provide a revised document that shows a consistent discount structure.

    c) The imputation test uses an example of "a case of a customer on a 3-year contract taking over ### lines and qualifying for a ###% discount on each line in excess of ###." Explain how this example is possible given that LIME describes the discount structure as "full price for first ### users … ###% discount for next ### … ###% discount for net ###" and the table shows ###% discount for next ### and ###% for ### lines.

RESPONSE

    A) Inadvertently, the volume discounts were not included in the tariff. This has been corrected and revised tariff pages are attached.

    B) The text of the covering letter contained an error. The customer will pay the full price for the first ### users, and the ###% discount will start with the ### user. The table in that letter is correct.

    C) In practice, the discount structure would apply as described in the application, and would generate higher revenues than were identified in the hypothetical example included in the imputation test analysis. The example was intended to offer a conservative demonstration that the proposed prices comply with the imputation test requirements.

2.   Appendix 1 identifies that "###" is included as a Virtual Office feature while the proposed tariff item 604.3.9 identifies that ### under the applicable tariff service. Provide a detailed explanation of what ### is included as a Virtual Office feature. If no such ### are included, please explain what this "###" service feature in Appendix 1 is meant to include.

RESPONSE

LIME's original plan was to include a ### for each Virtual Office customer. This was subsequently removed because of the additional time and complexity it would have brought to the preparation of the imputation test. LIME may seek to introduce such a feature at a later date.

3.   Appendix 1 identifies that some chargeable features are billed per
        customer while others are billed per user. However, the proposed tariff
        does not provide any such indication for how those charges are applied.
        Please provide either a revised tariff that contains that information or a
        detailed rationale of why such information does not need to be in the tariff.

RESPONSE

Inadvertently, the identified information was not included in the tariff. The
error has been corrected and revised tariff pages are attached.

4.   Table 1 of the "Imputation Test for Virtual Office Service" document provides the forecasted number of lines for three services that use the ###.

a)   Identify whether the number of lines shown for each service for each year is the forecasted year-end number or the average-in-service for the year number.

b)   Provide the actual year-end in-service number of lines for each of these three services for each year since their introduction.

c)   While, for "###", the year 5 forecast represents about an ###% increase over the year 1 forecast and, for "###" the year 5 forecast represents about a ###% increase over the year 1 forecast, for "###" the year 5 forecast represents a ###% increase over year 1 forecast. Provide a detailed explanation of why there is such a large expected increase in "###" and provide any detailed assumptions, data and calculations on which the forecast is based...

RESPONSE

A)   The numbers of lines shown in Table 1 for each service, for each year, are forecasted year-end numbers.

B)   The table below presents year-end, in-service lines for the Virtual Office and Virtual Conference services. ###

	2007	2008	2009	2010	2011 (15-March)
Virtual Office					
Pro	###	###	###	###	###
Pro Plus		###	###	###	###
Virtual Conference					
VC 10		###	###	###	###
VC 20		###	###	###	###

C) The ### forecast is based on the fact that the service will be targeted to ###.

In particular, the ### forecast is based on the assumption that, on average, ### will be sold per month. Note that a single ### consists of between ###.

This service will be sold as ### and the Company's forecast anticipates ###.

Please note that the Company has already been approved by the Authority to provide ###. That service, however, was not deployed due to a change in platform to provide the service before it could be commercialised.

5. In the 3 July 2007 Virtual Office service filing, LIME identified that the total "Virtual Office Equipment Costs" was ### (see Table 1 of the Imputation Test for Virtual Office Service"). That table also provided the cost breakdown by four components plus installation. The 11 March 2011 imputation test shows a total "Virtual Office Equipment Costs" cost of ### and a breakdown by four components plus installation.

    a) Provide a detailed explanation for the source of the cost reductions and explain how the previous costs components are reflected in the new cost components.

    b) Provide supporting documentation (such as supplier quotes or invoices) for the equipment and installation costs used in the 11 March 2011 service filing.

RESPONSE

A) There are multiple sources of the cost reductions. First, the previous IP Centrex platform included ### software and installation costs, which are not part of the new IP Centrex platform. The ### software costs were ## and accounted for most if not all of the installation costs of ###. This software was purchased to provide a graphical user interface (GUI) for the provisioning of the service, as the existing interface was cumbersome and time consuming. It was also used to provide customers access to their call records, as well as a self-care option. The new IP Centrex platform includes a ###.

Second, the new IP Centrex platform was ###. Hence, ###.

Third, the previous IP Centrex platform was purchased in 2006. Since then we believe that IP equipment costs have declined, as the adoption of IP technology has increased and the technology has improved significantly.

B) Please find attached two vendor invoices for the ### costs and the ### costs, both provided in confidence to the Authority.

6.   In the "Equipment providing PSTN Access" section of the "Imputation Test for Virtual Office Service", LIME included the costs of a ###. Provide the average fill for the ### component and provide a revised cost estimate using the average fill rather than the 100% fill assumption.

RESPONSE

The ### currently have a single use, which is to provide access to the ###. The following table presents the revised PSTN access costs after assigning all of the ### cost to the ###, and allocating the cost to VO service based on the service's forecasted use of the ###. The PSTN access costs increase from ### per line, to ### per line.

Access to CS2K	US$	CI$	
Cost per CS2K Card	$###	$###	A
Slots per CS2K Card		###	B
Average fill Rate per CS2K Card		###	C
Average used Slots		###	D = C*B
IP Centrex Slots per CS2K Card		###	E
IP Centrex Cost per CS2K Card		$###	F = A*E/D
IP Centrex CS2K Cards		###	G
IP Centrex CS2K Card Cost		$###	H = G*F
Unit Ethernet Cable Cost	$###	$###	I
IP Centrex Ethernet Cables		###	J
Unit Fiber Cable Cost	$###	$###	K
IP Centrex Fiber Cables		###	L
IP Centrex Cabling Costs		$###	M = (I*J)+(K*L)
Unit Cisco Switch Cost	$###	$###	N
Number of Cisco Switches		###	O
Total Cisco Switch Cost		$###	P = N*O
VO share of IP SIP platform		###	Q
IP Centrex Cisco Switching Cost		$###	R = P*Q
Total PSTN Access Cost		$###	S = H+M+R
Annualized Capital Cost		$###	T = -PMT(###, ###, S)
Monthly Capital Cost		$###	U = T/12
Monthly Maintenance and Repair		$###	V = S*###/###
Avg. VO Lines (5 yr. forecast)		###	W
PSTN Access Cost per Line		$###	X = (U+V)/W