

Cable and Wireless (Cayman Islands) Limited, d.b.a. "LIME"  
Interrogatory Responses  
NetSpeak Service  
1 July 2009

1. a) In the revised imputation test, the take-up of DIDs from US, Canada or UK (provided by # #) is estimated at # # and, as indicated in response to previous interrogatory no. 11, is based on information on percentage take-up of DIDs for US, Canada and the UK that is averaged over the months of February 2008 to September 2008. The revised imputation test applies the monthly Additional DID rate of \$5.00 to that assumed base.

Item 603.4.3 on page 6.17 of the currently approved tariff states that "NetSpeak Basic Service includes a Telephone Number used as a DID" and the revised wording for that Item in the proposed tariff is "NetSpeak Basic Service includes one Telephone Number and one overseas telephone number used as DIDs." Provide a justification for the assumption that # # of the relevant customer base will generate the Additional DID revenue considering that the existing Netspeak offering includes only a domestic telephone number at no additional charge and the revised NetSpeak offering will include one domestic and one overseas telephone number at no additional charge.

b) The Authority notes that the data refers to US, Canada and the UK DIDs which are only a subset of the DIDs offered. Customers also have the option of adding Australian, Swiss, New Zealand and Irish numbers. It is not clear from the LIME data whether the uptake of DIDs from these other countries is nil or is simply omitted from the data. Confirm that only US, Canadian and UK DIDs are in use.

c) In the 11 January 2007 Authority determination regarding NetSpeak Residential Service, the Authority directed LIME to provide, in any filings for NetSpeak service in which it provides an imputation test, the actual demand and revenue for each NetSpeak rate element (each monthly recurring and each usage charge) for each of the most recent six months. Provide the required information as directed by the Authority and identify on which basis the demand is reported (such as month-end in-service, monthly average in-service, actual minutes per month, etc.)

## RESPONSE

- A. LIME acknowledges the Authority's point and as such the model now carries an overall average percentage of additional DIDs of # #. This percentage is shown in the sheet 'Cay Mins' which is based on

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the average number of customers with two (2) or more additional DIDs.

- B. While we obtained approval to offer Australian, Swiss, New Zealand and Irish numbers, we did not launch these in the market as we had a programming issue with our provider. Therefore in effect ONLY US, Canadian and UK DIDs are available.
- C. Please see below the table of month end in - service demand and revenue (this is also shown in the revised imputation test model sheet 'demand\_revenue'):

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	demand	revenue	demand	revenue	demand	revenue	demand	revenue	demand	revenue	demand	revenue
year	2008	2008	2008	2008	2009	2009	2009	2009	2009	2009	2009	2009
month	11	11	12	12	1	1	2	2	3	3	4	4
NetSpeak US/CA	###	###	###	###	###	###	###	###	###	###	###	###
NetSpeak US/CA/UK/WE	###	###	###	###	###	###	###	###	###	###	###	###
NetSpeak US/CA/CARIBBEAN	###	###	###	###	###	###	###	###	###	###	###	###
NetSpeak USA Local DID Number	###	###	###	###	###	###	###	###	###	###	###	###
NetSpeak Canada Local DID Number	###	###	###	###	###	###	###	###	###	###	###	###
NetSpeak UK Local DID number	###	###	###	###	###	###	###	###	###	###	###	###

all revenue is in KYD

Figure 1

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2. Monthly usage of US & Canada Tollfree and UK Tollfree is based on data spanning the months June to November 2008. The calculation of average usage over the period is done by averaging the number of minutes in each month and then dividing by the average number of customers over the period. Provide the customer counts for each month identifying the basis on which the count was determined (such as month-end in-service, monthly average in-service, etc.). Revise the imputation test to calculate the average monthly usage per customer in each month and then average those monthly averages over the period.

**RESPONSE**

This has been changed and is now reflected in the accompanied revised imputation test model.

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3. The C&W Settlement rate for US Toll free DID and UK Toll free DID (cells G38 and G39 respectively in each imputation test sheet) is quoted as being in Cayman Island dollars. However, tracing the source for these costs suggest that the cost is in fact in USD. Confirm the currency of the settlement rate used.

**RESPONSE**

LIME acknowledges the Authority's observation and has corrected for this in the revised imputation model. The value should be in C\$ and is now referencing the currency labeled C\$.

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4. In previous interrogatory no. 25, the Authority questioned LIME's approach to calculating the (In Plan) Unlimited C&W Caribbean cost per minute. In the latest version of the imputation test, LIME has adjusted the calculation to take account of time of day profile of calls (shown in the "int'l rates" sheet). However, the three imputation test sheets do not make use of the revised per minute cost, but appear to make use of the estimate submitted in the previous version of the spreadsheet. Confirm whether the imputation test should make use of the new estimate or whether LIME believes the old estimate to be more appropriate. If LIME had intended to use the new estimate, provide revised imputation tests that does so.

**RESPONSE**

LIME acknowledges the Authority's observation and has corrected for this in the revised imputation model. LIME also confirms, as requested, that the imputation test should make use of the revised weighted average rate listed.

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5. For Out of Plan minutes, the imputation test sheets use the wholesale cost per minute of CI \$ # # for the US, Canada and the UK. In contrast, for In Plan minutes, the imputation test sheets use # # rate to LIME for call termination of CI\$ # # for calling to those same countries (shown in cells T4:T6 in the imputation test sheets).

Considering that Table 1 on page 49 of Annex 5 to LIME's licence identifies that the imputation test measure for determining floor prices of International Direct Dial services is "wholesale" and that Table 2 on page 50 of Annex 5 defines "wholesale" to mean "[t]he price charged by C&W to Other Licensees who are purchasing wholesale service as contemplated in this Schedule 4", provide a detailed rationale for the use of the # # termination rate for In Plan minutes and explain how the use of that rate is consistent with the imputation test requirements.

## RESPONSE

LIME acknowledges the Authority's observation and has corrected for this in the revised imputation model. The revised model now uses the imputed wholesale rate consistently for both in-plan and out-plan calling.

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6. Further to previous interrogatory no. 17, the Excel formula used to calculate the out of plan Toll Free minutes revenue in the imputation test sheets (see for example, cell D74 in the "Unlimited C&W Caribbean" sheet) is:

$$(((E38-F38)*H38) + (E39-F39)*H39)*(E30+E31)$$

As noted in the previous Authority interrogatory this appears to result in an erroneous calculation of revenue. While it appears that LIME's intent was to sum the net revenue for the out of plan toll free usage of the "Can and US" and "UK" toll-free calling, LIME's formula more than doubles the net revenue amount. The Authority suggests that the correct formula (referred to as "Formula A") would be:

$$((E38-F38)*H38)*E30 + ((E39-F39)*H39)*E31$$

To understand the apparent error in calculation it is helpful to rearrange the formula used by LIME.

$$(((E38-F38)*H38) + (E39-F39)*H39)*(E30+E31) =$$

$$(E38*H38-F38*H38 + E39*H39-F39*H39)*(E30+E31) =$$

$$(E38*H38-F38*H38)*(E30+E31) + (E39*H39-F39*H39)*(E30+E31) =$$

$$((E38-F38)*H38)*(E30+E31) + ((E39-F39)*H39)*(E30+E31) =$$

$$((E38-F38)*H38)*(E30+E31) + ((E39-F39)*H39)*(E30+E31) =$$

$$((E38-F38)*H38)*E30 + ((E38-F38)*H38)*E31 + ((E39-F39)*H39)*E30 + ((E39-F39)*H39)*E31 =$$

$$\text{Formula A} + ((E38-F38)*H38)*E31 + ((E39-F39)*H39)*E30$$

The formula used by LIME hence overestimates revenue by  $((E38-F38)*H38)*E31 + ((E39-F39)*H39)*E30$ . Provide a detailed explanation of the appropriateness of the existing LIME formula or confirm the correctness of the Authority's formula. In light of the above, if LIME is of the view that its formula is incorrect, provide revised imputation tests using the corrected formula.



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**RESPONSE**

LIME acknowledges the Authority's observation and has corrected for this in the revised imputation model. The revised model now uses the corrected formula as pointed out by the Authority.

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7. When calculating the cost of In Plan Unlimited UK & W Europe in the imputation test sheets traffic data is sourced from the sheet "Cay Mins", specifically cell S24. However, the "Cay Mins" sheet also contains traffic that is labelled "Europe" in cell S26. Explain the exclusion of the traffic labelled "Europe" when the unlimited plan includes traffic from both the UK and Western Europe.

**RESPONSE**

LIME acknowledges the Authority's observation and has corrected for this in the revised imputation model. The revised model now correctly picks up UK and Western Europe under one category and the label "Europe" now refers to all other European countries besides UK and Western Europe.

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8. Article 4.1 of the contract between # # and LIME identifies that, when the service provider has the legal obligation to collect certain taxes, the appropriate amount shall be added to the service provider's invoice and paid by the other party. In the imputation test, LIME has included # # costs at the amounts identified in the contract and has not included any taxes. Confirm that no taxes apply on the # # invoices and provide copies of the # # invoices for each of three recent consecutive months.

**RESPONSE**

LME submits the attached Appendices A1, A2 and A3 for the Authority's review. Please note LIME confirms that no taxes were applied to the invoices, as shown in the Appendices.

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9. In previous interrogatory no. 24 the ICTA noted that the wholesale international call charge for Ireland was used by LIME to represent the wholesale international call charge for Europe (excluding the UK). In responding to the interrogatory LIME submitted that the classification is based on information obtained from the Carrier Services Division of LIME and refers to European countries, including Ireland, captured under the label 'EUROPE'. The Authority has reviewed the Appendix and notes that it does not provide the wholesale IDD rates. Therefore, the Authority has not been able to identify whether the imputation test uses the correct wholesale rates for Ireland and other Western European countries (excluding the UK). The Authority also notes that in LIME's 26 June 2007 letter to the Authority, LIME identified new wholesale rates that showed the wholesale rate for calling to Ireland is lower than the wholesale rate for calling to Western European countries (excluding the UK). Provide documentation for the most recent wholesale IDD rates and demonstrate that the correct wholesale rates are applied to each of the categories of calling.

## **RESPONSE**

LIME notes that Appendix A's intended purpose was to show the source data used in determining the time-of-day traffic volumes, and not the wholesale IDD rates. The most recent Wholesale IDD rates are shown in the sheet "Int'l rates" of the revised imputation test model. The list now correctly labels the countries, with Ireland shown separately. Also included for each plan is a separate out-of-plan line calculation for Ireland.

### **Note:**

LIME has included in the revised imputation model the retail and common cost of its VOIP service as calculated in the recently revised LRIC model. This is shown in the range G21-I22 of each imputation sheet.