



29th April 2004

Ms Elaine Leung
Information and Communications Technology Authority
PO Box 2502 GT
3rd Floor, Alissta Towers
85 North Sound Road
Grand Cayman
Cayman Islands

Dear Ms Leung,

Re: C&W's Mobile IDD Rates to "Other" Countries

We refer to Cable & Wireless' (Cayman Ltd) ("C&W") letter of 8th April 2004 as captioned above. Digicel does not believe that C&W's proposal should be approved for the following reasons:

- C&W's floor price as outlined in Decision 2004-1 for this product is equal to wholesale rate at which Digicel is supposed to compete i.e. \$0.80 = C&W's proposed retail rate.
- Once Digicel incurs this \$0.80 cost for the wholesale service it has to recover retail costs such as marketing, billing, customer care and investors must earn a return on their investment. Digicel cannot compete with C&W on these terms because, as an integrated operator, C&W supplies both downstream and upstream services while Digicel only supplies the former in this case. Consequently, Digicel contends that C&W is engaging in anti-competitive price squeezing.
- A price or margin squeeze arises when a vertically integrated undertaking, with monopoly power in the provision of an "essential" upstream input, prices it, and/or its downstream product or service, in such a way as to deny an equally or more efficient downstream rival a reasonable profit.
- Therefore while Digicel believes that even at the cost floor identified in Decision 2004 -1 C&W's prices for this service should be deemed to be anti-competitive and allowing C&W to introduce their latest proposal in relation to this service would further exacerbate this situation.

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Finally, we note that C&W is concerned that it is charging different rates for "Other" IDD calls depending upon whether the customers are Pre Paid or Post Paid on the basis that this discriminates against Post Paid customers. Digicel does not see the difference between this and offering "Talkaway Discounts" to just Post Paid customers, which equally discriminates against Pre Paid customers.

Yours sincerely,

"SIGNED"

John D Buckley
Chief Executive Officer