



**CABLE & WIRELESS**

**Cable & Wireless  
(Cayman Islands) Limited**

P.O. Box 293  
Grand Cayman KY1-1104  
Cayman Islands  
[www.cw.ky](http://www.cw.ky)

Telephone +1 (345) 949-7800  
Fax +1 (345) 949 7962

22 August 2008  
Mr. David Archbold,  
Managing Director,  
Information, Communication Technology Authority,  
P.O. Box 2502GT,  
3<sup>rd</sup> Floor Alissta Towers,  
Grand Cayman.

Dear Mr. Archbold:

**Re: Decision on the Costing Manual Consultation (Decision 2008-2)**

In the above referenced Decision, the Authority directed C&W to identify the date by which it will file a complete FLLRIC cost model reflecting the Authority's determinations in this decision and the two MTR proposed rates and supporting cost studies (the "Cost Model") by 22 August 2008.

In light of the application submitted by Digicel on August 14, 2008 for reconsideration by the Authority of the referenced Decision and the consequent delays which have been caused thereby, it would be impractical and impossible for C&W to state with any degree of certainty a specific date by which we will have completed and filed the Cost Model.

However, based on the Decision as it stands, after careful consideration of the extensive list of revisions, documentation and additional modeling set out therein, C&W has determined that it will be in a position to file the Cost Model within 6 months, or within 7 months from the date of confirmation by the Authority of the Decision.

We have given two time periods as there is one revision required by the Decision that is open to two interpretations (as discussed below) which, in turn, significantly influences the targeted completion date.

The revision in question relates to expense factors. It is mentioned in paragraphs 230 and 231. The Authority states that

...by applying expense ratios based on 'current' network expenses (drawn from top-down data) and 'forward-looking investments' (GRC), C&W implicitly assumed that the total "forward-looking" network operating expenses will be the same as its current total operating expenses, and there will be no productivity or efficiency gains from moving to the Modern Equivalent Assets ("MEA") installed by an efficient operator....One simple way of dealing with this issue is to base the application of expense ratios on 'current investment' (as opposed to 'forward-looking investment') and then to apply these ratios to the forward-looking investment. If the forwardlooking investment has decreased relative

to the existing investment, expenses will be reduced (and visa versa if forward-looking costs have increased).

The Authority then goes on to direct C&W in paragraph 236 to “base its network expenses factors on ‘current investment’ (as opposed to ‘forward-looking investment’) and ‘current expenses’.”

There are two ways of interpreting this direction. One is that C&W is to use the investment, i.e. fixed asset, information found on C&W fixed asset register at the time of the ABC Costing model from which the network and non-network operating costs were drawn. The other interpretation is that C&W is to conduct a revaluation of its current assets. As the Authority is aware there are a number of techniques for revaluing assets, i.e., indexation, absolute valuation and mixed approaches, any of which would require additional time and resource to complete. We would like to think that the Authority is not proposing asset revaluation, particularly as it cast its direction as “a simple way of dealing with the issue”. In this case, we identify a 6-month period from the date of confirmation of the Decision for our completion date for the Cost Model. Under asset revaluation we identify a 7-month period from the said confirmation date.

C&W, therefore, requests clarification on how it is meant to determine “current investment” for the purpose of deriving expense factors.

In the event that the referenced Decision is not confirmed, but is instead modified or reversed, or the matter is otherwise further delayed for any reason, it will become necessary for C&W to reconsider the time within which it will be in a position to file the Cost Model, as that will be determined by the final outcome of the matter.

We herewith copy all interest parties.

Please contact me regarding any questions you may have.

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

“Signed”

---

Rudy B. Ebanks  
Chief Regulatory and Carrier Relations Officer

c.c. Timothy Adam, Chief Executive C&W  
Ian Tibbetts, Chief Operating Officer C&W  
Frans Vandendries, VP Regulatory C&W  
Interested Parties in CD (2008) - 2